

## **First Quarter**

Ended March 31, 2010

Unaudited Financial Statements



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Registered Office  
Faysal House, ST-2, Shara-e-Faisal, Karachi  
Tel: 021-32795200, Fax: 021-32795234

Board of Directors

Syed Naseem Ahmad	Chairman
Naved A. Khan	President & CEO
Graham Roderick Walker	Director
Mohamed A. R. Hussain	Director
Mohammed A. Rahman Bucheerei	Director
Farooq Rahmatullah	Director
Tariq Iqbal Khan	Director
Shahid Ahmad	Director

Audit Committee

Graham Roderick Walker	Chairman
Tariq Iqbal Khan	Member
Mohammed A. Rahman Bucheerei	Member

Board Risk Management Committee (BRMC)

Mohamed A.R.Hussain	Chairman
Naved A. Khan	Member
Syed Naseem Ahmad	Member
Shahid Ahmad	Member

Recruitment Nomination and Remuneration Committee (RNRC)

Syed Naseem Ahmad	Chairman
Farooq Rahmatullah	Member
Naved A. Khan	Member
Mohammed A. Rahman Bucheerei	Member
Shahid Ahmad	Member

It gives me great pleasure to present, on behalf of the Board of Directors, the financial statements for the quarter ended March 31, 2010.

#### ECONOMIC & POLITICAL UPDATE

The first quarter of Calendar Year (CY)'10 has exacerbated concerns about the fragility of Pakistan's economic recovery as fiscal slippages, resurgence of inflation and political instability have yet again exposed the reform plan's vulnerability.

Pakistan is expected to miss the fiscal deficit target for Fiscal Year (FY)'10 which is now expected to be between 5%-5.5% against an earlier estimate of 4.7%-5.2% of Gross Domestic Product (GDP) on account of extraordinary defense related expenditures and structural weakness in revenue collection. To make matters worse the susceptibility of the financing mix of the fiscal deficit to external sources has also been badly exposed as the external financing pledged by donors such as Friends of Democratic Pakistan (FODP) has largely been elusive. This has increased concerns about the Government of Pakistan's (GOP) ability to finance the fiscal deficit, which in turn has wider implications for the rest of the economy especially the Public Sector Development Program (PSDP) and the monetary policy. Hence the catalyst for fiscal consolidation will be the timely arrival of external pledges and improved tax collection, this will in turn take pressure off the GOP borrowing from the inter-bank market and facilitate private sector credit off take.

Consumer Price Index (CPI) inflation which had subsided almost decisively during CY '09 has begun to resurge prominently during this quarter where it has averaged at 13.2%. The State Bank of Pakistan (SBP) in its forecast expects the full year CPI for FY'10 to be close to 12% (the CPI average for first 9 months is 11.3%), this uptick is mainly attributed to alignment of energy and petroleum prices with market factors. However, the containment of its second round effects

may make the interest rate trajectory downward sticky going forward.

The most encouraging development with regards to GDP growth, which is envisioned at 2.5%-3.5% for FY '10 has been the performance of large scale manufacturing which for the first seven months of FY'10 has grown at 2.4%, but the continuity of this performance is dependent on the availability of electricity, maintenance of law and order and availability of private sector credit.

The current account has displayed significant improvement on the back of stellar growth in remittances and a fall in aggregate demand. Home remittances for the first nine months of FY'10 were recorded at US dollar (USD) 6.549 billion up from USD 5.657 billion during the same period last year. Though the February '10 numbers were a little disconcerting at USD 589 million, they may be considered as a one-off as they were followed by an inflow of USD 763 million in March '10. The provisional current account deficit for the first 9 months of FY'10 (July-March) stood at USD 2.702 billion vs. USD 8.379 billion during the same period last year depicting a marked improvement. In order to sustain this trend over the medium term the economy needs to generate a diversified, vibrant and higher value-added export base and reduce dependency on remittances.

The USD reserve position has remained relatively flat during this quarter and as of 27th March '10 they were recorded at USD 14.93 billion vs. USD 15.069 billion as of 31st December '09. Hence there was a minor reduction of USD 133 million witnessed during this quarter. This position is expected to improve after the receipt of the 5th International Monetary Fund IMF tranche of USD 1.2 billion in May '10.

Going forward the economy's prospects are largely dependent on the successful completion of the current International Monetary Fund program, an improvement in the security situation, a reduction of power shortages, sustained implementation of fiscal reforms (particularly for tax administration) and on the external front a gradual economic recovery in the main trading partners.

#### BANK'S PERFORMANCE

As envisaged in the five year strategy of the bank, following new initiatives were launched during the quarter under review:-

- Faysal Bank introduced its Priority Banking division, under the name of Solitaire Wealth Management. Solitaire was introduced as a single service which caters towards all the banking requirements of our priority customers. In line with our objective of growth, we aim to secure ourselves as a leader in Pakistan's financial sector; the launch of Solitaire takes us one step closer towards fulfilling this ambition. As the name suggests, Solitaire is intended to be a symbol of excellence, welcoming our customers to the top.

- Faysal Phone Banking services were introduced as a call center based alternative delivery channel through which Faysal Bank customers can avail various banking facilities from the convenience of their homes 24 hours a day. The service is launched with a vision to springboard Faysal Bank into the top echelons of banking technology providers in the country.
- Enterprise wide licensing for Siebel Customer Relationship Management (CRM) has been acquired in collaboration with Oracle. This enables Faysal Bank to enhance its CRM footprint from 25 users to virtually everyone in Faysal Bank, providing greater than ever service efficiency to our valued customers, and a tremendous reach to our banking products; through a customer centric view of relationship management.

Corporate and Investment Banking Group had an active first quarter, capitalizing on the initiatives taken and new relationships built during the previous year. Also, measures were taken to further strengthen the Structured Finance and Corporate Advisory function. In addition to successfully closing a number of milestone transactions, several new mandates have been won during the quarter under review.

The following key transactions were completed during the quarter:-

- FBL was mandated as lead advisor and arranger to a PKR 3.7 billion aircraft acquisition transaction which was the first of its kind whereby a private sector commercial airline would raise local funding on its own balance sheet.
- FBL was mandated to structure and arrange PKR 2.37 billion initial public offering of a leading fertilizer company.
- FBL was mandated as a structuring advisor to re-profile a dual tier back to back Stand by Letter of Credit facility amounting to USD 70 million extended between an independent power producer and the national power producer.
- FBL has been mandated as Lead Advisor and Arranger to a PKR 1.8 billion Privately Placed Rated Term Finance Facility for a leading educational institute for the acquisition of two power projects.

## Faysal Bank Limited Directors' Review

- FBL has been mandated as Financial Advisor for the Corporate Debt re-profiling, aggregating to PKR 25.164 billion, of a textile company and a fertilizer company. This is in line with IBG's initiative to venture into non risk based niche products.
- FBL has been mandated as joint arranger for a PKR 8 billion Syndicated Term Finance Facility for a wind power project.
- FBL has been mandated as co-arranger for a PKR 1.4 billion Syndicated Term Finance Facility for a pulp manufacturing company.

### CREDIT RATING

JCR-VIS Credit Rating Company Limited has re-affirmed the following entity ratings as on June 30, 2009. The evaluation of current year's credit rating is in process.

Long-Term	AA
Short-Term	A1+

PACRA (Pakistan Credit Rating Agency Limited) has also assigned the same entity rating to the Bank.

### FINANCIAL HIGHLIGHTS

	<b>For the quarter ended</b>	
	<b>March 31, 2010</b>	<b>March 31, 2009</b>
	<b><u>Rupees in millions</u></b>	
Profit before tax	<b>2,057</b>	352
Provision for taxation	<b>(371)</b>	(97)
Profit after tax	<b>1,686</b>	255
Unappropriated Profit brought forward	<b>1,215</b>	1,050
	<b>2,901</b>	1,305
Appropriations		
Transfer to reserve for issue of bonus shares 2008 @ 15%	-	(795)
Un appropriate Profit carried forward	<b>2,901</b>	510
Earning per share - Rupees	<b>2.77</b>	0.42

- Profit before tax was over PKR 2 billion mainly on account of realization of capital gain of PKR 1.7 billion on settlement of NIT LOC Holders' Fund. Net markup income for the quarter was also higher by PKR 130 million or 11.8% due to growth in advances and investment portfolio.
- Provision against non performing loans was lower by PKR 26.7 million over the corresponding period last year.
- Administrative expenses were higher by PKR 312 million or 34.6% mainly due to staff increments, premium on settlement of LOC Holders' Fund of 2.5% and opening of 4 new branches.
- On the balance sheet side gross advances increased by PKR 3.3 billion showing an annualized growth of 13.4% over December 2009. Total assets at PKR 168.7 billion were lower by PKR 12.1 billion over December 2009 due to shedding of some expensive deposits which decreased by PKR 12.8 billion to PKR 110.8 billion.

#### ACKNOWLEDGEMENT

I would like to take this opportunity to thank on behalf of the Board and Management of the Bank, the customers for their patronage, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their continued support and guidance and the shareholders for the trust they have reposed in the Bank, I would also like to express sincere appreciation of the employees of the Bank for their dedication and hard work.

On behalf of the Board of Directors

President & CEO

Karachi  
Dated: April 28, 2010



**Unconsolidated Condensed Interim  
Financial Statements  
for the quarter ended March 31, 2010**

**Faysal Bank Limited**  
**Unconsolidated Condensed Interim Balance Sheet**  
*As at March 31, 2010*

	Note	Un-audited March 31, 2010	Audited December 31, 2009
Rupees '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		8,493,735	8,427,202
Balances with other banks	9	305,281	508,795
Lendings to financial institutions	10	-	15,017,826
Investments	11	56,245,016	56,531,338
Advances	12	94,341,474	91,346,001
Operating fixed assets		2,594,683	2,787,617
Deferred tax assets - net		1,462,759	1,279,918
Other assets		5,303,905	4,966,716
		168,746,853	180,865,413
<b>LIABILITIES</b>			
Bills payable		1,716,974	1,465,451
Borrowings		36,104,997	34,985,766
Deposits and other accounts	13	110,844,015	123,655,188
Sub-ordinated loans		999,200	999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		6,063,390	6,977,069
		155,728,576	168,082,674
<b>NET ASSETS</b>		13,018,277	12,782,739
<b>REPRESENTED BY</b>			
Share capital		6,090,911	6,090,911
Reserves		4,030,056	4,030,056
Unappropriated profit		2,900,772	1,215,179
		13,021,739	11,336,146
(Deficit) / Surplus on revaluation of assets		(3,462)	1,446,593
		13,018,277	12,782,739

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

**President & CEO**

**Director**

**Director**

**Director**

**Faysal Bank Limited**  
**Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)**  
**For the quarter ended March 31, 2010**

	<b>Note</b>	<b>March 31, 2010</b>	<b>March 31, 2009</b>
		<b>Rupees '000</b>	
Mark-up / return / interest earned		<b>4,320,525</b>	4,181,372
Mark-up / return / interest expensed		<b>3,100,972</b>	3,091,761
Net mark-up / interest income		<b>1,219,553</b>	1,089,611
Provision against non-performing loans and advances - net	12.2	<b>297,925</b>	324,619
Reversal of provision for consumer loans - general	12.3	<b>(2,032)</b>	(11,853)
Reversal of provision for diminution in the value of investments		<b>(189,105)</b>	(180)
Bad debts written off directly		<b>-</b>	-
		<b>106,788</b>	312,586
Net mark-up / interest income after provisions		<b>1,112,765</b>	777,025
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		<b>251,856</b>	185,494
Dividend income		<b>120,603</b>	34,833
Income from dealing in foreign currencies		<b>136,575</b>	63,714
Gain on sale of securities		<b>1,702,678</b>	177,770
Unrealized loss on revaluation of investments classified as held for trading		<b>(92,722)</b>	(2,907)
Other income		<b>39,004</b>	17,555
Total non mark-up / interest income		<b>2,157,994</b>	476,459
		<b>3,270,759</b>	1,253,484
<b>Non mark-up / interest expenses</b>			
Administrative expenses		<b>1,213,732</b>	893,356
Other provisions		<b>-</b>	8,272
Other charges		<b>-</b>	90
Total non mark-up / interest expenses		<b>1,213,732</b>	901,718
		<b>2,057,027</b>	351,766
Extraordinary / unusual items		<b>-</b>	-
<b>Profit before taxation</b>		<b>2,057,027</b>	351,766
Taxation - Current		<b>333,078</b>	88,146
- Prior years		<b>15,048</b>	-
- Deferred		<b>23,308</b>	8,366
		<b>371,434</b>	96,512
<b>Profit after taxation</b>		<b>1,685,593</b>	255,254
<b>Basic and diluted earnings per share - Rupees</b>			
	15	<b>2.77</b>	0.42

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

President & CEO

Director

Director

Director

# Faysal Bank Limited

## Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the quarter ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
<b>PROFIT FOR THE QUARTER</b>	<b>1,685,593</b>	<b>255,254</b>
<b>OTHER COMPREHENSIVE INCOME - RECOGNISED BELOW EQUITY</b>		
Net change in fair value of available for sale investments	(1,656,203)	334,180
Income tax	206,148	(117,050)
<b>Other comprehensive income / (loss) for the period</b>	<b>(1,450,055)</b>	<b>217,130</b>
<b>Total comprehensive income for the period</b>	<b>235,538</b>	<b>472,384</b>

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

President & CEO

Director

Director

Director

**Faysal Bank Limited**  
**Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)**  
*For the quarter ended March 31, 2010*

	March 31, 2010	March 31, 2009
	Rupees '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,057,027	351,766
Less: Dividend income	(120,603)	(34,833)
Less: Markup / return / interest earned on available for sale securities	(1,068,596)	(1,012,228)
	867,828	(695,295)
Adjustments for :		
Depreciation	129,587	120,567
Amortisation	27,095	16,349
Provision against non-performing loans and advances - net	297,925	324,619
Reversal of provision for consumer loans - general	(2,032)	(11,853)
Reversal of provision for diminution in value of investments	(189,105)	(180)
Provision for other assets	-	8,272
Unrealised loss on revaluation of investments classified as held for trading	92,722	(2,907)
Net profit on sale of property and equipment	(20,306)	(5,677)
Finance charges on leased assets	-	22
Exchange gain	(29,145)	(1,239)
	306,741	447,973
	1,174,569	(247,322)
(Increase) / Decrease in operating assets		
Lendings to financial institutions	14,717,826	(4,938,183)
Held for trading securities	(2,087,066)	(85,226)
Advances	(3,291,366)	(2,540,022)
Other assets	(501,110)	(120,359)
	8,838,284	(7,683,790)
Increase / (Decrease) in operating liabilities		
Bills payable	251,523	(257,627)
Borrowings	1,119,231	7,216,514
Deposits	(12,811,173)	3,284,148
Other liabilities (excluding current taxation)	(314,902)	585,983
	(11,755,321)	10,829,018
	(1,742,468)	2,897,906
Income tax (paid) / refund	(946,809)	4,861
Net cash flow from operating activities	(2,689,277)	2,902,767
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	986,317	(11,337,218)
Net investments in held to maturity securities	(172,750)	8,805,245
Dividends received	60,344	39,220
Markup / interest received on available for sale securities	1,292,776	995,310
Investments in operating fixed assets	(94,465)	(258,092)
Sale proceeds from disposal of fixed assets	151,023	21,296
Net cash flow from investing activities	2,223,245	(1,734,239)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments of sub-ordinated loan	-	-
Payments of lease obligations	-	(4,125)
Dividends paid	(92)	(66)
Net cash used in financing activities	(92)	(4,191)
<b>(Decrease) / Increase in cash and cash equivalents</b>	<b>(466,125)</b>	<b>1,164,337</b>
Cash and cash equivalents at beginning of the year as previously reported	9,235,997	9,804,304
Effects of exchange rate changes on cash and cash equivalents	29,145	1,239
Cash and cash equivalents at beginning of the year as restated	9,265,142	9,805,543
Cash and cash equivalents at end of the quarter	8,799,017	10,969,880

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

President & CEO

Director

Director

Director

## Faysal Bank Limited

## Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)

*For the quarter ended March 31, 2010*

Balance as at January 1, 2009

## Transaction with owners, recorded directly in equity

Transfer to reserve for issue of bonus shares

**Comprehensive Income for the quarter:**  
Profit after taxation for the quarter ended March 31, 2009

Balance as at March 31, 2009

### Comprehensive Income for nine months

Profit after taxation for the period from  
April 01, 2009 to December 31, 2009

Bonus shares issued

Transfer to statutory reserve

Transaction with owners, recorded directly in equity

Balance as at December 31, 2009

**Comprehensive Income for the quarter:**

Profit after taxation for the quarter ended March 31, 2010

**Balance as at March 31, 2010**

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

Director

Director

Director

**Faysal Bank Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
*For the quarter ended March 31, 2010*

**1. STATUS AND NATURE OF BUSINESS**

Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in Commercial, Consumer and Corporate banking activities. The Bank has a branch network of 133 branches (December 2009: 133 branches); including 6 Islamic Banking branches (December 2009: 6); and operates 2 (December 2009: 2) sub-branches.

The Registered Office (Head Office) of the Bank is located at Shahra-e-Faisal, Karachi.

Ithmaar Bank B.S.C., an Investment Bank listed in Bahrain, is the ultimate holding company of Faysal Bank Limited.

**2. BASIS OF PRESENTATION**

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes only. Inter branch transaction and balances have been eliminated. Balance sheet of the Islamic banking branches is disclosed in note 18 to these financial statements.

**3. STATEMENT OF COMPLIANCE**

These interim financial statements are presented in a condensed form in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting.

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and 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 financial statements and should be read in conjunction with the financial statement of the Bank for the year ended December 31, 2009.

**4. BASIS OF MEASUREMENT**

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except for the following financial instruments:

- Derivative financial instruments are measured at fair value; and
- Investments classified as held for trading and available for sale are also measured at fair values.

**Faysal Bank Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
*For the quarter ended March 31, 2010*

**5. FUNCTIONAL AND PRESENTATION CURRENCY**

These unconsolidated condensed interim financial statements have been presented in Pakistani Rupee, which is the Bank's functional as well as the reporting currency.

**6. SIGNIFICANT ACCOUNTING POLICIES**

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

**7. USE OF ESTIMATES AND JUDGEMENTS**

The preparation of these unconsolidated condensed interim financial statements in accordance with the approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the current and future reporting periods. The actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates (other than adjusting events) are recognized prospectively commencing from the period of revision.

The significant judgements made by management and the key sources of estimating uncertainty in preparation of these unconsolidated condensed interim financial statements were same as those applied to the annual financial statements for the year ended December 31, 2009.

**8. FINANCIAL RISK MANAGEMENT**

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2009.

	<b>Note</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>9. BALANCES WITH OTHER BANKS</b>		<b>Rupees '000</b>	
In Pakistan			
- Current accounts		<b>119,141</b>	120,292
Outside Pakistan			
- Current accounts		<b>186,140</b>	388,503
		<b>305,281</b>	<b>508,795</b>
<b>10. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		-	300,000
Repurchase agreement lendings (Reverse Repo)	10.1	-	14,717,826
		-	<b>15,017,826</b>



**Faysal Bank Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
*For the quarter ended March 31, 2010*

**10.1 Securities held as collateral against lendings to financial institutions**

	March 31, 2010			December 31, 2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees '000 -----					
Market Treasury Bills	-	-	-	14,717,826	-	14,717,826

**11. INVESTMENTS**

**11.1 Investments by type**

	March 31, 2010			December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	----- Rupees '000 -----					
<b>Held for trading securities</b>						
Market Treasury Bills	800,398	-	800,398	618,471	-	618,471
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	2,716,362	-	2,716,362	811,223	-	811,223
	3,516,760	-	3,516,760	1,429,694	-	1,429,694
<b>Available for sale securities</b>						
Market Treasury Bills	13,868,724	17,025,910	30,894,634	14,192,378	17,165,757	31,358,135
Pakistan Investment Bonds	4,996,433	-	4,996,433	5,748,485	97,570	5,846,055
Ijara Sukuk Bonds	435,892	-	435,892	462,000	-	462,000
Units of open end mutual funds						
- National Investment (Unit) Trust (note - 11.2)	306,608	-	306,608	2,671,422	-	2,671,422
- NIT Government Bond Fund	-	-	-	50,000	-	50,000
- NIT Income Fund	50,000	-	50,000	-	-	-
- Faysal Balanced Growth Fund	80,374	-	80,374	80,374	-	80,374
- Faysal Income Growth Fund	200,000	-	200,000	200,000	-	200,000
- Faysal Savings Growth Fund	208,219	-	208,219	207,411	-	207,411
- First Habib Income Fund	1,993	-	1,993	-	-	-
- AKD Income Fund	803	-	803	-	-	-
- HBL Income Fund	5,916	-	5,916	-	-	-
- IGI Income Fund	1,995	-	1,995	-	-	-
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	4,829,416	-	4,829,416	1,810,932	-	1,810,932
Fully paid up preference shares	497,857	-	497,857	492,677	-	492,677
Sukuk certificates	-	-	-	85,000	-	85,000
Term finance certificates	1,595,837	-	1,595,837	1,828,288	-	1,828,288
	27,060,067	17,025,910	44,105,977	27,828,967	17,263,327	45,092,294
<b>Held to maturity securities</b>						
Term finance certificates	7,067,770	-	7,067,770	7,127,929	-	7,127,929
Sukuk certificates	2,642,986	-	2,642,986	2,410,077	-	2,410,077
	9,710,756	-	9,710,756	9,538,006	-	9,538,006
<b>Associates</b>						
Fully paid up ordinary shares of						
- Faysal Asset Management Ltd.	45,000	-	45,000	45,000	-	45,000
<b>Subsidiaries</b>						
Fully paid up ordinary shares of						
- Faysal Management Services (Private) Ltd.	108,000	-	108,000	108,000	-	108,000
<b>Investments at cost</b>	40,460,583	17,025,910	57,486,493	38,949,667	17,263,327	56,212,994
Provision for diminution in the value of investments	(950,977)	-	(950,977)	(1,140,082)	-	(1,140,082)
<b>Investments (Net of Provisions)</b>	39,509,606	17,025,910	56,535,516	37,809,585	17,263,327	55,072,912
Deficit on revaluation of held for trading securities	(141,807)	-	(141,807)	(49,084)	-	(49,084)
Deficit on revaluation of available for sale securities (net)	(122,922)	(25,771)	(148,693)	1,535,296	(27,786)	1,507,510
<b>Total Investments at market value</b>	<u>39,244,877</u>	<u>17,000,139</u>	<u>56,245,016</u>	<u>39,295,797</u>	<u>17,235,541</u>	<u>56,531,338</u>

**Faysal Bank Limited**  
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- 11.2** This represents 19,194,209 units (2009: 154,923,195 units) in NI(U)T LOC Holders' Fund (the Fund). The letter of comfort (LOC) dated June 30, 2009 issued by the Federal Government expired on December 31, 2009 and was not extended. In accordance with the Ministry of Finance letter reference No. F.4(2)-Inv.III/2000 dated December 3, 2009, the LOC holders, NIT and National Bank of Pakistan entered into an agreement dated January 13, 2010 for settlement of the Fund. As per the terms of the agreement, all the underlying assets except for shares in Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) have been distributed to the LOC Holders according to their respective unit holding, after charging agreed premium of 2.5%. The remaining 19,194,209 units represent shares held by the Fund in PSO and SNGPL which will be taken over by National Bank of Pakistan and cash received from NBP will be paid to the other LOC Holders.

<b>12. ADVANCES</b>	<b>Note</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>(Rupees in '000)</b>			
Loans, cash credits, running finances, etc - In Pakistan		<b>88,708,157</b>	85,056,738
Net investment in finance lease- In Pakistan		<b>10,876,300</b>	11,112,580
		<b>99,584,457</b>	96,169,318
Bills discounted and purchased (excluding government market treasury bills)			
- Payable in Pakistan		<b>512,989</b>	438,472
- Payable outside Pakistan		<b>1,240,190</b>	1,438,480
		<b>1,753,179</b>	1,876,952
Margin financing / reverse repo transactions		<b>338,200</b>	338,200
Gross Advances		<b>101,675,836</b>	98,384,470
Provision for non-performing advances	12.2	<b>(7,146,319)</b>	(6,848,394)
Provision for consumer loans - general	12.3	<b>(188,043)</b>	(190,075)
		<b>94,341,474</b>	91,346,001

- 12.1** Advances include Rs. 10.460 billion (December 31, 2009: Rs. 10.671 billion) placed under non-performing status as detailed below:

<b>March 31, 2010</b>				
<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>	<b>Provision required</b>	<b>Provision held</b>
<b>(Rupees in '000)</b>				
<b>Category of classification</b>				
Other assets especially mentioned - (Agri)	-	339,475	-	-
Substandard	-	870,799	216,714	216,714
Doubtful	-	2,311,960	909,831	909,831
Loss	-	6,938,164	5,823,383	5,823,383
	-	<b>10,460,398</b>	<b>6,949,928</b>	<b>6,949,928</b>
<b>December 31, 2009</b>				
<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>	<b>Provision required</b>	<b>Provision held</b>
<b>(Rupees in '000)</b>				
<b>Category of classification</b>				
Other assets especially mentioned - (Agri)	-	277,202	-	-
Substandard	-	1,756,150	334,776	334,776
Doubtful	-	2,112,776	800,237	800,237
Loss	-	6,524,902	5,529,323	5,529,323
	-	<b>10,671,030</b>	<b>6,664,336</b>	<b>6,664,336</b>

- 12.1.1** In accordance with the directives issued by SBP, the Bank has considered the benefit of 40% of FSV of pledged stocks and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against all Non Performing Loans (NPLs), except consumer financing, for three years from the date of classification for calculating provisioning requirements. The additional impact on profitability from this benefit is not available for payment of cash or stock dividend. For Non Performing Loans in respect of consumer financing, benefit of 50% of the FSV of mortgage property is considered.

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**12.2 Particulars of provision for non-performing advances**

	March 31, 2010		
	Specific	General	Total
	(Rupees in '000)		
Opening balance	6,664,336	184,058	6,848,394
Charge for the period	490,328	12,333	502,661
Transfer to specific provision from general provision	-	-	-
Reversals during the period	(204,736)	-	(204,736)
	285,592	12,333	297,925
Write off during the period	-	-	-
Closing balance	6,949,928	196,391	7,146,319

  

	December 31, 2009		
	Specific	General	Total
	(Rupees in '000)		
Opening balance	4,833,099	58,676	4,891,775
Charge for the year	2,570,287	183,382	2,753,669
Transfer to specific provision from general provision	-	-	-
Reversals	(729,255)	(58,000)	(787,255)
	1,841,032	125,382	1,966,414
Write off during the period	(9,795)	-	(9,795)
Closing balance	6,664,336	184,058	6,848,394

**12.3 Particulars of provision for consumer loans - general**

	March 31, 2010	December 31, 2009
	(Rupees in '000)	
Opening balance	190,075	216,798
Charge for the period	-	-
Reversals during the period	(2,032)	(26,723)
Closing balance	188,043	190,075

**12.3.1** General provision against consumer loans has been determined in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan (i.e 1.5% secured loans and 5% of unsecured loans).

	March 31, 2010	December 31, 2009
	(Rupees in '000)	
<b>13. DEPOSITS AND OTHER ACCOUNTS</b>		
Fixed deposits	45,318,788	60,320,421
Saving deposits	43,045,187	40,443,955
Current accounts	20,806,882	21,157,066
Margin accounts	1,673,158	1,733,746
	<b>110,844,015</b>	<b>123,655,188</b>

**14. CONTINGENCIES AND COMMITMENTS**

**14.1 Direct credit substitutes**

Contingent liability in respect of guarantees favouring:

i) Government	-	-
ii) Banking companies and other financial institutions	3,275	7,819
iii) Others	-	-
	<b>3,275</b>	<b>7,819</b>

Acceptances

i) Government	-	-
ii) Banking companies and other financial institutions	-	-
iii) Others	1,428,634	1,471,261
	<b>1,428,634</b>	<b>1,471,261</b>

**14.2 Transaction-related contingent liabilities**

Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:

i) Government	2,609,316	4,454,789
ii) Banking companies and other financial institutions	41,492	41,492
iii) Others	10,734,632	9,910,872
	<b>13,385,440</b>	<b>14,407,153</b>

**Faysal Bank Limited**  
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	March 31, 2010	December 31, 2009
	Rupees '000	
<b>14.3 Trade-related contingent liabilities</b>		
Letters of credit		
i) Government	4,845,038	2,695,731
ii) Banking companies and other financial institutions	-	-
iii) Others	10,544,860	7,279,003
	15,389,898	9,974,734
<b>14.4 Other Contingencies</b>		
i) Suit filed by a customer for recovery of alleged losses suffered, which is pending in the High Court of Sindh; Bank's legal advisors are confident that the Bank has a strong case	2,500,000	2,500,000
ii) Indemnity issued favouring the High Court in above case	457,543	457,543
iii) Claims against the Bank not acknowledged as debt	1,534,899	1,641,661
<b>14.5</b> Income tax assessments of the Bank have been finalised upto the tax year 2009 (Accounting year 2008). The tax department has assessed tax years from 1994 to 2009 and made various disallowances. The bank and the department have filed appeals in these matters which are pending at various appellate levels. The management and the tax consultant are confident that the decision in respect of these matters will be in bank's favour.		
	March 31, 2010	December 31, 2009
	Rupees '000	
<b>14.6 Commitments in respect of forward lending / purchase</b>		
Commitments to extend credit - advances	2,200,000	2,000,000
Commitments to invest in securities	-	210,000
<b>14.7 Commitments in respect of forward exchange contracts</b>		
Purchase		
- Customers	1,036,818	1,745,536
- Banks	11,316,524	6,390,515
	12,355,342	8,136,051
Sale		
- Customers	-	4,840
- Banks	10,336,842	6,522,648
	10,336,842	6,527,488
<b>14.8 Commitments for acquisition of operating fixed assets</b>	89,372	84,787
<b>14.9 Commitments in respect of repo transactions</b>		
Repurchase	17,027,977	17,250,582
Resale	343,759	15,088,857
<b>15. BASIC / DILUTED EARNINGS PER SHARE</b>		
	For the quarter ended	
	March 31, 2010	March 31, 2009
	Rupees '000	
Profit after taxation	1,685,593	255,254
	Number of shares in thousands	
Weighted average number of ordinary shares	609,091	609,091
Basic / diluted earnings per share	Rs. 2.77	Rs. 0.42

**Faysal Bank Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
*For the quarter ended March 31, 2010*

**16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

**Primary segment information**

For management purposes the Bank is organised into four major business segments

Corporate Finance;  
Trading and Sales;  
Retail Banking; and  
Commercial Banking

All assets, liabilities, off balance sheet items, and items of income and expense are distributed in primary segments in accordance with the core functions performed by the business groups.

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
<b>March 31, 2010</b>				
Total income - net	12,269	777,648	1,363,639	1,223,991
Total expenses	(12,368)	(283,331)	(920,734)	(475,521)
Net income (loss)	(99)	494,317	442,905	748,470
Segment assets (Gross)	-	50,311,790	43,169,516	83,652,475
Segment non performing financing / investment	-	2,451,224	4,804,610	5,655,788
Segment provision required	-	(950,977)	(2,757,071)	(4,678,880)
Segment liabilities	-	(31,218,378)	(92,722,076)	(31,788,122)
Segment return on assets (ROA) (%)	-	9.80	12.70	13.50
Segment cost of funds (%)	-	10.80	7.00	6.20
<b>2009</b>				
Total income - net	8,807	491,518	371,610	694,135
Total expenses	(12,850)	(277,846)	(537,779)	(482,341)
Net income	(4,043)	213,672	(166,168)	211,794
Segment assets (Gross)	-	62,826,486	50,732,670	75,586,396
Segment non performing assets	-	2,842,742	6,693,223	3,977,807
Segment provision required	-	(1,140,082)	(3,778,916)	(3,361,141)
Segment liabilities	-	(34,221,573)	(92,897,564)	(40,963,537)
Segment return on assets (ROA) (%)	-	10.00	12.40	12.50
Segment cost of funds (%)	-	11.40	7.80	6.70

**Note :**

The above table is based on best estimates / assumptions.

**Faysal Bank Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
*For the quarter ended March 31, 2010*

**17. RELATED PARTY TRANSACTIONS**

The Bank has related party relations with its associated undertakings, subsidiary company, Group companies, employee benefit plans, and its directors and executive officers (including their associates). Transactions with key Management Personnel and entities in which the Bank has strategic investment are also disclosed as part of related party transactions.

Banking transactions with the related parties are executed substantially on the same terms, except transactions with directors and executive officers that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk.

March 31, 2010						
	Directors and Key Management Personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies	Strategic Investments
	Rupees '000					
<b>Deposits</b>						
Balance at the beginning of the period	39,485	350,367	188,070	399	2,181,528	27,085
Placements during the period	139,728	259,697	365,179	16,538	24,656,934	39,465
Withdrawals during the period	(64,118)	(372,361)	(544,079)	(16,361)	(26,810,160)	(32,645)
<b>Balance at end of the period</b>	<b>115,095</b>	<b>237,703</b>	<b>9,170</b>	<b>576</b>	<b>28,302</b>	<b>33,905</b>
<b>Advances</b>						
Balance at the beginning of the period	33,576	-	-	-	-	802,558
Disbursement during the period	-	-	-	-	-	-
Repayment during the period	(5,331)	-	-	-	-	(654)
<b>Balance at end of the period</b>	<b>28,245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>801,904</b>
					<b>March 31, 2010</b>	<b>December 31, 2009</b>
					<b>Rupees '000</b>	
Foreign currency placement of funds / nostro balances with group companies					<b>7,818</b>	16,215
					<b>For the quarter ended</b>	
					<b>March 31, 2010</b>	<b>March 31, 2009</b>
					<b>Rupees '000</b>	
Profit paid / accrued					<b>86,237</b>	109,868
Profit / return earned					<b>659</b>	34,582
<b>Transactions involving sale / purchase of investments with related parties</b>						
Shares / units purchased during the period					<b>327,377</b>	298,609
Shares / units sold during the period					<b>376,534</b>	486,709
<b>Remuneration of key management personnel</b>						
Salaries, bonuses and other short-term employee benefits					<b>72,011</b>	55,976
Post-employment benefits					<b>3,208</b>	2,944
<b>Contribution to staff retirement benefits</b>					<b>34,321</b>	28,031

**Faysal Bank Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
*For the quarter ended March 31, 2010*

**18. ISLAMIC BANKING BUSINESS**

The Bank is operating with 06 (December 31, 2009: 06) Islamic banking branches. The balance sheet as at March 31, 2010 is as follows:

	<b>Un-audited March 31, 2010</b>	<b>Audited December 31, 2009</b>
	<b>Rupees '000</b>	
<b>18.1 Balance Sheet</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	72,795	27,270
Balances with and Due from Financial Institutions	54,057	20,159
Investments	1,114,336	535,877
Financing and Receivables		
- Murabaha	-	-
- Ijara	-	-
- Musharaka	-	-
- Diminishing Musharaka	-	-
- Salam	-	-
Other assets	51,910	38,665
	<b>1,293,098</b>	<b>621,971</b>
<b>LIABILITIES</b>		
Bills payable	4,592	6,601
Due to Financial Institutions	-	-
Deposits and other accounts		
- Current Accounts	227,879	-
- Saving Accounts	315,310	32,482
- Term Deposits	239,890	81,575
- Others	-	-
- Deposit from Financial Institutions -Remunerative	-	-
- Deposits from Financial Institutions-Non-Remunerative	-	-
Due to Head Office	-	-
Other liabilities	6,028	5,108
	<b>793,699</b>	<b>125,766</b>
<b>NET ASSETS</b>	<b>499,399</b>	<b>496,205</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	500,000	500,000
Reserves	-	-
Unappropriated / Unremitted loss	(3,148)	(943)
	<b>496,852</b>	<b>499,057</b>
Surplus / (Deficit) on revaluation of assets	2,547	(2,852)
	<b>499,399</b>	<b>496,205</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>644</b>	<b>1,750</b>
<b>CHARITY FUND</b>		
Opening Balance	-	-
Additions during the period	-	-
Payments/Utilization during the period	-	-
Closing Balance	-	-

**19. DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated condensed interim financial statements were authorised for issue on April 28, 2010 by the Board of Directors of the Bank.

**20. GENERAL**

Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

President & CEO

Director

Director

Director

## Directors' Review On Consolidated Financial Statements For The Quarter Ended March 31, 2010

It gives me great pleasure to present, on behalf of the Board of Directors, the consolidated financial statements for the quarter ended March 31, 2010. The Group consists of the following entities:

Holding Company:  
Faysal Bank Limited (FBL).

Subsidiary Company:  
Faysal Management Services (Private) Limited (FMSL).

FMSL was formed to float and manage modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

### CREDIT RATING

JCR-VIS Credit Rating Company Limited has re-affirmed the following entity ratings as on June 30, 2009. The evaluation of current year's credit rating is in process.

Long-Term	AA
Short-Term	A1+

PACRA (Pakistan Credit Rating Agency Limited) has also assigned the same entity rating to the Bank.

### FINANCIAL HIGHLIGHTS

	For the quarter ended	
	March 31, 2010	March 31, 2009
	Rupees in millions	
Profit before tax	2,063	361
Provision for taxation	(373)	(99)
Profit after tax	1,690	262
Profit after tax attributable to:		
Non controlling interest	(1)	(2)
Equity holders	1,689	260
Unappropriated Profit brought forward	1,252	1,079
	2,942	1,341
Appropriations		
Transfer to reserve for issue of bouns shares 2008 @ 15%	-	(795)
Un appropriate Profit carried forward	2,942	546
Earning per share - Rupees	2.77	0.43



## Directors' Review On Consolidated Financial Statements *For The Quarter Ended March 31, 2010*

- The Group has made profit before tax was over PKR 2 billion mainly on account of realization of capital gain of PKR 1.7 billion on settlement of NIT LOC Holders' Fund. Net markup income for the quarter was also higher by PKR 130 million or 11.8% due to growth in advances and investment portfolio.
- Provision against non performing loans was lower by PKR 26.7 million over the corresponding period last year.
- Administrative expenses were higher by PKR 312 million or 34.6% mainly due to staff increments, premium on settlement of LOC Holders' Fund of 2.5% and opening of 4 new branches.
- On the balance sheet side gross advances increased by PKR 3.3 billion showing an annualized growth of 13.4% over December 2009. Total assets at PKR 168.7 billion were lower by PKR 12.1 billion over December 2009 due to shedding of some expensive deposits which decreased by PKR 12.8 billion to PKR 110.7 billion.

### ACKNOWLEDGEMENT

I would like to take this opportunity to thank on behalf of the Board and Management of the Group, the customers for their patronage, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their continued support and guidance and the shareholders for the trust they have reposed in the Group, I would also like to express sincere appreciation of the employees of the Group for their dedication and hard work.

On behalf of the Board of Directors

President & CEO

Karachi  
Dated: April 28, 2010