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نیا زمانہ نئے صبح و شام پیدا کر

2012
HALF YEARLY REPORT
ENDED JUNE 30, 2012
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
Farooq Rahmatullah	Director
Shahid Ahmad	Director
Hassan Mohammed Mahmood Hassan	Director
Lt. Gen. Muhammad Maqbool (Retd)	Director

Audit Committee (AC)

Lt. Gen. Muhammad Maqbool (Retd)	Chairman
Graham Roderick Walker	Member
Hassan Mohammed Mahmood Hassan	Member

Board Risk Management Committee (BRMC)

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

Recruitment Nomination and Remuneration Committee (RNRC)

Syed Naseem Ahmad	Chairman
Farooq Rahmatullah	Member
Naved A. Khan	Member
Shahid Ahmad	Member
Hassan Mohammed Mahmood Hassan	Member

On behalf of the Board of Directors, I am pleased to present the financial statements of Faysal Bank Limited for the quarter and half year ended June 30, 2012.

ECONOMIC UPDATE

The provisional GDP growth for FY'12 is estimated at 3.7% vs. 3% in FY'11. This improved performance has been fairly broad based with the commodity producing sector and agriculture leading the pack. A resurgence of sorts can also be seen in the services sector and large scale manufacturing. However, concerns regarding macroeconomic outlook have somewhat increased due to faster than expected weakening of external sector and resurgence of GOP borrowings from the Central bank on the back of; non realization of CFS flows, postponement of bidding for 3G licenses and the non-receipt of Etisalat dues.

Given the structural vulnerabilities in our trade account which ensue from disproportionate reliance on international cotton and oil prices our current account returned to negative territory in FY'12 – a rather disconcerting development especially in tandem with the financial account drying up and IMF loan repayments due. The full year current account deficit was recorded at 1.9% of GDP i.e. USD 4.517 billion vs. a surplus of USD 214 million in FY'11. This deficit was largely financed by drawing down on FX reserves - which subsequently depleted to USD 15.284 billion by end FY'12 vs. USD 18.234 in FY'11. These developments in turn took their toll on the PKR/USD parity which depreciated by approx. 9% during FY'12. The saving grace was the improved performance of home remittances which were recorded at USD 13.18 billion vs. 11.2 billion last year - an impressive yoy growth of 17.6%.

The lax fiscal policy and its financing mix are a source of primary concern and the monetary policy is becoming subservient to fiscal considerations. The provisional estimate for FY'12 shows a deficit of 8% of GDP (inclusive of the PKR 390 billion – or approx 1.5% of GDP internalized for circular debt). To further complicate matters lack of diversified and sustainable financing source has shifted the bulk of the incremental financial requirements on to the banking system as foreign funding remained elusive. The GOP hence borrowed a mammoth PKR 505 billion from the SBP in FY'12. If these fiscal issues are not addressed in time, the strong inter-linkages between fiscal vulnerabilities and financial stability may tend to spill over to other sectors, disrupting productive economic activities.

The most heartening economic development of FY'12 has been the sharp deceleration witnessed in CPI which was recorded at 11% against 13.7% during FY'11. The performance is all the more impressive considering; increase in administered prices of energy (electricity & gas) and wheat, elevated international oil prices, impact of exchange rate pass through and resurgence in the monetization of the fiscal deficit. Going forward the CPI for FY'12 is estimated at 9.5% - 10% which we opine is achievable as cheaper energy expenses flow through the economy, on the back of falling international energy prices. This will also provide much needed space to the SBP to reduce the discount rate as it juggles two competing considerations; price stability and economic growth.

The key challenges facing Pakistan's economy still emanate from long standing structural issues. The fiscal front remains challenged on one hand by resource constraints (the tax to GDP

continues to hover around 10%) and on the other hand the dismal performance of the PSEs and the GOP's penchant for untargeted subsidies is taking a considerable toll on public finances. Besides the fiscal front; energy shortages, precarious law and order situation and the stress lines running through the global economy – on the aftermath of the European Debt Crisis are also causes for concern. Going forward it is imperative that we embark on a growth strategy grounded in realism – as our long term productive capacity has seriously been impeded by structural bottle necks and poor prioritization of expenditures - a situation exacerbated by credit disruption to the private sector in the aftermath of a protracted cycle of high interest rates which is having diminishing returns. The SBP on its part in the first Monetary Policy of FY'13 has rather aggressively cut the discount rate by 150 bps, citing an improved inflation trajectory and receipt of the USD 1.1 billion CSF Funds.

BANK'S PERFORMANCE:

After acquisition of RBS in October '10 the bank has successfully completed a major part of integration in 2011. In 2012 the focus is on completing remaining integration agenda like unification of core banking system. The focus is on mobilization of core deposits and growing volumes in commercial and consumer lending segments. Key developments during the period under review are outlined below:-

Customer Franchise

Corporate and Investment Banking

The corporate and investment banking group concluded various landmark transactions during the first half of 2012. Some of the significant ones are listed below:

- FBL, as a sole advisor and arranger successfully closed arrangement of local currency financing equivalent to USD 43.7 million to set-up Pakistan's first dedicated coal and clinker terminal.
- FBL in the capacity of joint lead advisor and arranger closed local currency financing mandate of up to PKR 3 billion for a wind power project to be constructed in Ghara, Sind.
- FBL successfully arranged PKR 1 billion syndicated acquisition financing for a local sugar mill to acquire assets of another semi operative sugar mill based in Punjab.
- FBL acted as joint lead advisor and arranger in successful closure of PKR 6 billion syndicated term finance facility for a leading mobile operator.
- FBL was mandated as joint lead advisor and arranger to arrange PKR 0.6 billion commercial paper for a microfinance bank.
- FBL has been assigned and mandated the role of financial advisor to re-profile and restructure the outstanding debt of manufacturer of home appliances and power equipment a local electrical appliances manufacturer. The quantum of debt to be re-profiled amounts to PKR 4.55 billion.

- FBL, acting as restructuring agent, performed the second restructuring of a textile and chemicals manufacturer. FBL also undertook restructuring of overdue markup / profit under the debt to asset swap transaction. The transaction involved settlement of overdue mark-up of PKR 3.5 billion through issuance of 5 years Privately Placed, Callable, Secured, Zero Coupon Term Finance Certificates.

During the period FBL became the first financial institution to register under the newly introduced Debt Securities Trustee Regulations 2012. By adapting to the regulations FBL will further equip itself to handle the fiduciary role in an efficient and watchful manner, safe guarding the interest of the Bank in particular and investors in debt instruments in general.

Retail Banking

2012 saw a strong growth in deposit trends at Faysal Bank, especially in the Individual accounts category. Current and savings accounts also grew appreciably, lowering the cost of deposits.

The bank relocated ten branches to new high potential areas. We continued to open branches in smaller cities, supporting our Agri/SME strategy. New towns added in the Faysal bank network in the first six months are, Yazman Mandi, Ahmedpur East, Gojra, Liaquatpur, Renala Khurd, and Larkana.

FBL has signed an agreement with China UnionPay for card issuance and acquiring in Pakistan. UnionPay has a card base of 2.8 billion globally and its cards are accepted on 1.5 million ATMs and 4.5 million POS terminals worldwide.

Islamic Banking

Barkat Islamic Banking continued its growth strategy by increasing its foot print across Pakistan from 45 branches to 50 branches in 22 cities making the branch network second largest amongst conventional banks. To facilitate the Islamic trade customers in managing foreign currency (forward) exposures and generate returns for Islamic foreign currency remunerative depositors, product Wadh (Promise to sell and promise to buy foreign currency) has been launched. Call Deposit Receipt has also been launched during the period.

Risk Management

The second quarter witnessed a noticeable increase in advances while non-performing loans (NPLs) were maintained at last quarter's level resulting in an improved NPL ratio. The Bank has also reduced its market exposure to equities which has led to an improved Capital Adequacy Ratio (CAR).

During the half year, the Bank was awarded the status of Authorized Derivatives Dealer by the State Bank of Pakistan given its ability to structure and manage complex derivative transactions. To cater to derivative transactions, an end-to-end risk management framework has been put in place to monitor associated credit and market risks. Risk measures such as Interest Rate Delta (yield curve risk) and Delta Basis (basis risk) are monitored on a daily basis against pre-defined limits / thresholds.

On the operational risk management front, Risk & Control Self-Assessments across each business and support functions were completed in first half 2012. This comprehensive exercise updated the identification of key risks and controls post acquisition of RBS. Key Risk Indicators across each major operational risk category were implemented in March 2012.

People

Job Evaluation Project conducted by Hay Group Consultants has been successfully concluded. The consultants have also trained cross-functional teams nominated from all segments of the Bank. The purpose was to impart knowledge about Hay Group methodology so that the consultants may train the participants to systematically evaluate the worth/value of a job for the rest of the Bank.

To recognize and appreciate the contribution of the top performers of the Bank for the year 2011, the 2nd CEO's Club was arranged in Islamabad, Lahore and Karachi respectively. This HR initiative has been extremely well received by both the management and staff.

In line with the strategy of focusing on Learning & Development, several initiatives have been launched. In keeping with HR's commitment to provide staff innovative learning solutions, L&D launched its Computer Based Training (CBT) initiative for Compliance Essentials through HRMS for all full time employees. This unique online initiative allows staff to get trained on the mandatory compliance training and assessment at their convenience from their workstations, thereby reducing administrative costs.

Learning & Development also developed and rolled out Teller Development Certification Program for all Tellers. The two day program covered the personal & professional aspect of cash handling area. The program endeavors to equip tellers to amicably face challenges on day to day basis and perform their official obligations in a more professional manner while creating a positive service impact on our customers.

Processes

On the IT side The Islamic Smart Treasury System, an in house developed software, was launched during the period to facilitate Islamic treasury activities. The bank has successfully inaugurated and consolidated disaster recovery data center in Lahore which will lead to reduction in cost and consolidation of infrastructure.

CORPORATE BRAND PROMOTION

During the first quarter of 2012, Faysal Bank launched its first ever corporate campaign with the official tagline 'Bank on Ambition'. In support of the bank's growth strategy for 2012 and in continuation of the Corporate Brand Campaign in January, the *Barkat Islamic Banking* Campaign was launched across all major Television and Radio channels in February, 2012. The campaign was run to establish the identity of the brand, build brand equity, and to augment *Barkat Islamic Banking* business growth, across all markets.

After establishing the Faysal Bank Corporate Brand through its Corporate Campaign, the focus is now on presenting customers with an array of product offerings that are tailored to their needs. Towards this, a nationwide 360 degree marketing campaign for the Business Current Account proposition by the name Faysal Business First – Current Account was launched in June, 2012.

All relevant communications media, including Television, Press, Outdoors, Radio, Online/Social Media and Product Collateral, were utilised to ensure a holistic campaign that reaches the target audiences. The launch of Faysal Business First – Current Account will not only help Conventional Banking business achieve positive growth within the business segment across Pakistan, but also further establish the identity and strengthen the equity of the Faysal Bank brand.

In continuation of the three year contract for Domestic Cricket Sponsorship with PCB, Faysal Bank collaborated with PCB and organised the second tournament of the second season. The Faysal Bank T 20 Cup 2011-12 Super 8 tournament was held for the first time in Rawalpindi, at the Rawalpindi Cricket Stadium (RCS), from 25th March to 1st April 2012.

CORPORATE SOCIAL RESPONSIBILITY

Faysal Bank's CSR endeavours are based on a three-pronged strategy with focus being on education, health and poverty alleviation. Some activities of CSR work carried out through Waqf Faysal are as follows:

- PKR 1.3 million contributed to Lahore University of Management Sciences for sponsoring the studies of one engineering and one non-engineering student selected under the National Outreach Programme.
- PKR 0.8 million contributed to Human Development Foundation to sponsor a labour room with ultrasound machine in Mardan along with a contribution of PKR 1.1 million for annual operational expenses of a school in Mardan.
- A contribution of PKR 0.95 million was made to Community Advisory and Welfare Services towards setting up of 2 safe water centres in designated areas of Karachi.
- PKR 1.5 million contributed to Karigar Training Institute in order to subsidize vocational training of one batch of approximately 40 trainees during 2012.

FINANCIAL HIGHLIGHTS

A summary of operating profits as shown in the financial statements is given below:

	June 2012	June 2011
	Rs. in million	
Operating profit	1,008	1,404
(Provision) / Reversal for non performing advances	(299)	100
(Provision) / Reversal for diminution in value of investments	2	(229)
	(297)	(129)
Profit before tax	711	1,275
Provision for taxation	(206)	(481)
Profit after tax	505	794
Earning per share – Rupees	0.61	1.08

Markup income for the six months ended June 30, 2012 was higher by PKR 289 million or 2.1% over the corresponding period last year. Although growth in advances volume has led to uptick in markup income, however this has been offset to a great extent by reduction in yield in view of declining interest rate scenario. Net markup income declined by PKR 375 million to PKR 4.07 billion which is attributable primarily to a cumulative 2% reduction in discount rate by SBP after July 2011.

Despite adverse local and international economic environment the bank has been able to curtail increase in non-performing loans resulting in a corresponding positive impact on profitability. Aggressive recovery efforts have led to a provision for NPLs during the quarter amounting to PKR 4 million only.

During the half year the bank recognized non markup income of PKR 2.27 billion as against PKR 2.65 billion during last year mainly on account of equity market capital gains being lower by PKR 411 million.

Targeted cost reduction activities have led to a reduction of PKR 270 million or 4.8% in administrative expenses as compared to corresponding period last year. This reduction is indeed commendable taking into account opening of 20 new branches after June '11, prevailing inflation and ever increasing fuel and energy prices. The bank has identified cost reduction as a key area of focus and will continue to explore opportunities for cost reduction.

Profit after tax for the half year ended June 30, 2012 amounts to PKR 505.29 million which translates into EPS of PKR 0.61 per share.

CREDIT RATING

JCR-VIS Credit Rating Company Limited (JCR) and Pakistan Credit Rating Agency Limited (PACRA) had re-affirmed the following entity ratings based on the financial statements for the year ended December 31, 2011:

Long-Term AA

Short-Term A1+

"Stable" outlook has been assigned to the ratings by both the agencies.

ACKNOWLEDGMENT

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

On behalf of the Board of Directors
President & CEO

Karachi
Dated: August 28, 2012

Faysal Bank Limited

Independent auditors' report on review of condensed interim financial information to the members

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Faysal Bank Limited** as at June 30, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2012.

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 condensed interim financial information as of and for the half year ended June 30, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Engagement Partner: **Salman Hussain**
Dated: August 28, 2012
Karachi

**Unconsolidated Condensed Interim
Financial Statements
for the half year ended June 30, 2012**

FAYSAL BANK LIMITED

Condensed Interim Statement of Financial Position As at June 30, 2012

		Un-audited June 30, 2012	Audited December 31, 2011
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks		18,727,416	18,445,108
Balances with other banks	9	2,521,171	4,685,718
Lendings to financial institutions		-	-
Investments	10	80,382,523	93,409,187
Advances	11	168,782,282	148,161,995
Fixed assets	12	10,667,662	10,849,607
Deferred tax assets - net		5,178,178	5,188,126
Other assets	13	12,414,370	11,828,085
		298,673,602	292,567,826
LIABILITIES			
Bills payable		3,528,002	3,075,642
Borrowings		24,442,408	39,696,986
Deposits and other accounts	14	236,495,910	214,614,731
Sub-ordinated loans		4,194,877	4,395,197
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		10,171,249	11,572,111
		278,832,446	273,354,667
NET ASSETS		19,841,156	19,213,159
REPRESENTED BY			
Share capital		8,243,118	8,243,118
Reserves		6,455,439	6,591,131
Unappropriated profit		3,525,217	2,959,178
		18,223,774	17,793,427
Surplus on revaluation of assets		1,617,382	1,419,732
		19,841,156	19,213,159
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

FAYSAL BANK LIMITED

Condensed Interim Profit and Loss Account (Un-audited)

For the quarter and half year ended June 30, 2012

		Quarter ended		Half year ended	
	Note	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
----- Rupees in '000 -----					
Mark-up / return / interest earned		7,268,222	7,076,956	14,044,926	13,756,058
Mark-up / return / interest expensed		4,922,359	4,794,508	9,977,551	9,313,042
Net mark-up / interest income		2,345,863	2,282,448	4,067,375	4,443,016
Provision / (reversal) against non-performing loans and advances - net	11.2 & 17	(1,074)	(501,168)	320,256	(25,860)
Provision / (reversal) for consumer loans - general	11.3 & 11.4	7,826	(50,747)	5,485	(43,461)
Provision / (reversal) for diminution in the value of investments - net	10.5	93,374	227,414	(2,498)	228,681
(Recovery) of / bad debts written off directly		(2,650)	8,415	(26,288)	(30,916)
		97,476	(316,086)	296,955	128,444
Net mark-up / interest income after provisions		2,248,387	2,598,534	3,770,420	4,314,572
Non mark-up / interest income					
Fee, commission and brokerage income		495,594	522,795	914,664	939,124
Dividend income		110,141	88,450	309,041	213,888
Income from dealing in foreign currencies		128,235	234,134	300,593	423,867
Gain on sale of securities		15,364	338,942	323,741	486,611
Unrealised gain / (loss) on revaluation of investments classified as held for trading		(93,661)	(82,754)	23,495	186,249
Other income		246,065	164,906	405,448	399,829
Total non mark-up / interest income		901,738	1,266,473	2,276,982	2,649,568
		3,150,125	3,865,007	6,047,402	6,964,140
Non mark-up / interest expenses					
Administrative expenses		2,768,776	2,808,516	5,302,849	5,572,935
Other provisions - net		1,204	48,746	19,113	46,076
Other charges		7,656	62,741	14,614	69,969
Total non mark-up / interest expenses		2,777,636	2,920,003	5,336,576	5,688,980
		372,489	945,004	710,826	1,275,160
Extraordinary / unusual Items		-	-	-	-
Profit before taxation		372,489	945,004	710,826	1,275,160
Taxation - Current		133,761	92,279	208,245	185,445
Taxation - Prior years		21,853	277,753	21,853	277,753
Taxation - Deferred		(21,652)	22,482	(24,565)	18,214
		133,962	392,514	205,533	481,412
Profit after taxation		238,527	552,490	505,293	793,748

----- Rupees -----

Earnings per share	16	0.29	0.67	0.61	0.96
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The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Half year ended June 30, 2012

FAYSAL BANK LIMITED

Condensed Interim Statement of Comprehensive Income (Un-audited)
For the quarter and half year ended June 30, 2012

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	----- Rupees in '000 -----			
Profit for the period	238,527	552,490	505,293	793,748
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of securities classified as available for sale	350,303	(247,412)	365,974	(481,249)
Deferred tax liability / (asset) on revaluation of securities classified as available for sale	(60,003)	(121,491)	(128,839)	203,928
	290,300	(368,903)	237,135	(277,321)
Total comprehensive income for the period	<u>528,827</u>	<u>183,587</u>	<u>742,428</u>	<u>516,427</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

FAYSAL BANK LIMITED

Condensed Interim Cash Flow Statement (Un-audited) For the half year ended June 30, 2012

	June 30, 2012	June 30, 2011
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	710,826	1,275,160
Less: dividend income	(309,041)	(213,888)
	401,785	1,061,272
Adjustments for non-cash and other items:		
Depreciation	496,388	533,803
Amortisation	65,127	60,745
Provision / (reversal) against non-performing loans and advances - net	320,256	(25,860)
Provision / (reversal) for consumer loans - general	5,485	(43,461)
Provision / (reversal) for diminution in value of investments	(2,498)	228,681
Provision for other assets	19,113	46,076
Unrealised gain on revaluation of investments classified as held for trading	(23,495)	(186,249)
Gain on disposal of operating fixed assets	(9,956)	(8,821)
Charge for defined benefit plan	54,363	60,516
Bad debts written off directly	(26,288)	(30,916)
Workers' Welfare Fund	14,507	41,791
	913,002	676,305
	1,314,787	1,737,577
(Increase) / decrease in operating assets		
Held for trading securities	4,641,356	358,141
Advances	(21,032,446)	(8,832,723)
Other assets (excluding advance taxation and charge for defined benefit plan)	(339,260)	(210,202)
	(16,730,350)	(8,684,784)
Increase / (decrease) in operating liabilities		
Bills payable	452,360	(256,144)
Borrowings	(15,165,602)	14,190,346
Deposits and other accounts	21,881,179	7,819,083
Other liabilities	(1,396,989)	(1,215,686)
	5,770,948	20,537,599
	(9,644,615)	13,590,392
Income tax paid	(507,707)	(631,709)
Contribution to gratuity fund	(54,363)	(60,516)
Net cash (used in) / generated from operating activities	(10,206,685)	12,898,167
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	7,940,086	(16,417,945)
Net investment in held to maturity securities	837,189	186,536
Dividend income received	306,005	183,213
Investment in operating fixed assets	(482,520)	(405,656)
Proceeds realised on disposal of operating fixed assets	16,855	32,771
Net cash generated from / (used in) investing activities	8,617,615	(16,421,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(200,320)	(200,320)
Dividends paid	(3,873)	(8,758)
Net cash used in financing activities	(204,193)	(209,078)
Decrease in cash and cash equivalents	(1,793,263)	(3,731,992)
Cash and cash equivalents at beginning of the period	23,010,563	23,150,426
Cash and cash equivalents at end of the period	21,217,300	19,418,434

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Half year ended June 30, 2012

FAYSAL BANK LIMITED

Condensed Interim Statement of Changes In Equity (Un-audited)

For the half year ended June 30, 2012

	Share capital	Proposed shares to be issued on amalgamation	Reserves					Unappropriated profit	Total	
			Capital			Statutory reserve	Total			
			Reserve for issue of bonus shares	Share premium	Non-distributable capital reserve - gain on bargain purchase (Note 17)					
Rupees in '000										
Balance as at January 1, 2011	7,309,094	28,253	-	-	3,299,146	23,952	4,031,590	7,354,688	1,950,843	16,642,878
Profit after taxation for the half year ended June 30, 2011	-	-	-	-	-	-	-	-	793,748	793,748
Shares issued upon amalgamation	18,122	(28,253)	-	10,131	-	-	-	10,131	-	-
Amortisation of intangible asset - customer relationship - net of deferred tax (note 17)	-	-	-	-	(67,314)	-	-	(67,314)	-	(67,314)
Balance as at June 30, 2011	7,327,216	-	-	10,131	3,231,832	23,952	4,031,590	7,297,505	2,744,591	17,369,312
Transfer to reserve for issue of bonus shares	-	-	915,902	-	-	-	-	915,902	(915,902)	-
Bonus shares issued	915,902	-	(915,902)	-	-	-	-	(915,902)	-	-
Amortisation of intangible asset - customer relationship - net of deferred tax (note 17)	-	-	-	-	(62,433)	-	-	(62,433)	-	(62,433)
Profit after tax for the half year ended December 31, 2011	-	-	-	-	-	-	-	-	486,548	486,548
Transfer to statutory reserve	-	-	-	-	-	-	256,059	256,059	(256,059)	-
Transfer from statutory reserve to unappropriated profit	-	-	-	-	-	-	(900,000)	(900,000)	900,000	-
Balance as at December 31, 2011	8,243,118	-	-	10,131	3,169,399	23,952	3,387,649	6,591,131	2,959,178	17,793,427
Amortisation of intangible asset - customer relationship - net of deferred tax (note 17)	-	-	-	-	(62,433)	-	-	(62,433)	-	(62,433)
Provision identified by the SBP in respect of acquired portfolio of RBS (note 17)	-	-	-	-	(73,259)	-	-	(73,259)	-	(73,259)
Profit after tax for the period ended June 30, 2012	-	-	-	-	-	-	-	-	505,293	505,293
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	-	60,746	60,746
Balance as at June 30, 2012	8,243,118	-	-	10,131	3,033,707	23,952	3,387,649	6,455,439	3,525,217	18,223,774

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Half year ended June 30, 2012

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

1 STATUS AND NATURE OF BUSINESS

- 1.1** 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 Corporate, Commercial and Consumer banking activities. The Bank has a network of 262 branches (December 31, 2011: 257); including 50 Islamic banking branches (December 31, 2011: 45).

The Registered Office of the Bank is located at Faysal House, ST-02, Shahra-e-Faisal, Karachi.

Ithmaar Bank B.S.C., a Bahrain based retail bank, is the parent company of the Bank, holding, directly and indirectly through subsidiaries 66.94% (December 31, 2011: 66.94%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMI), (ultimate parent of the Bank) is the holding company of Ithmaar Bank B.S.C. The DMI group owns and operates an international network of Islamic banks and Investment and Insurance companies.

- 1.2** Based on the financial statements of the Bank for the year ended December 31, 2011, the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' and the short term rating as 'A1+'.
1.3 The Securities and Exchange Commission of Pakistan (SECP) vide letter EMD/233/12/2002-55 dated July 15, 2011 has granted exemption to the Bank from the preparation of consolidated financial statements of the Bank and its subsidiary company namely Faysal Management Services (Private) Limited with effect from June 30, 2011. The letter from SECP specifies that this exemption is subject to the following:
- (i) Financial highlights (Statement of financial position and profit and loss account) of the subsidiary and nature of auditor's opinion on subsidiary's accounts must be disclosed in the annual financial statements of the Bank; and
 - (ii) It must be disclosed at conspicuous place in the annual financial statements of the Bank that annual audited financial statements of the subsidiary shall be available for inspection at registered office of the Bank, and would be available to the members on request without any cost.

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 this condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

The condensed interim financial information of the Islamic banking branches have been consolidated in this condensed interim financial information for reporting purposes only. Inter branch transactions and balances have been eliminated. In accordance with the directives issued by the SBP, the statement of financial position of Islamic banking branches is disclosed in note 20 to this condensed interim financial information.

3 STATEMENT OF COMPLIANCE

- 3.1** This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, IFAS notified by the SECP or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified by the SECP or the requirements of the said directives issued by the SECP and SBP prevail.

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has also deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3** IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their condensed interim financial information in line with the format prescribed under BSD Circular Letter No. 2 dated May 12, 2004. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim financial information is based on the requirements laid down by the SBP.
- 3.4** The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of available for sale (AFS) securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.
- 3.5** The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2011.

4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention, except that certain fixed assets are carried at revalued amounts and certain investments and derivative contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefit is carried at present value.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

6 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

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, 2011.

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

9 BALANCES WITH OTHER BANKS

	Un-audited June 30, 2012	Audited December 31, 2011
Rupees in '000		
In Pakistan		
- Current accounts	1,604,288	1,872,679
Outside Pakistan		
- Current accounts	571,780	424,981
- Deposit account	345,103	2,388,058
	<u>2,521,171</u>	<u>4,685,718</u>

10 INVESTMENTS

10.1 Investments by type

Note	Un-audited June 30, 2012			Audited December 31, 2011		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
Held for trading securities						
Market Treasury Bills	881,059	-	881,059	2,645,477	-	2,645,477
Pakistan Investment Bonds	65,946	-	65,946	16,058	-	16,058
Fully paid up ordinary shares / certificates of closed end mutual funds	247,810	-	247,810	921,136	-	921,136
Ijara Sukuk Bonds	-	-	-	2,253,500	-	2,253,500
	1,194,815	-	1,194,815	5,836,171	-	5,836,171
Available for sale securities						
Market Treasury Bills	32,390,352	6,797,439	39,187,791	29,611,270	21,834,936	51,446,206
Pakistan Investment Bonds	13,145,085	-	13,145,085	13,355,470	-	13,355,470
Ijara Sukuk Bonds	14,778,968	-	14,778,968	7,039,259	-	7,039,259
Units of open ended mutual funds						
- National Investment (Unit) Trust	-	-	-	2,200,000	-	2,200,000
- 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	408,229	-	408,229	208,228	-	208,228
- Faysal Islamic Savings Growth Fund	100,000	-	100,000	425,000	-	425,000
- Faysal Money Market Fund	1,100,000	-	1,100,000	1,100,000	-	1,100,000
- JS Large Capital Fund	-	-	-	27,888	-	27,888
- JS KSE 30 Index Fund	-	-	-	3,702	-	3,702
- Al-Meezan Mutual Fund	-	-	-	35,263	-	35,263
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds	5,900,561	-	5,900,561	6,250,378	-	6,250,378
Fully paid up preference shares	146,331	-	146,331	414,368	-	414,368
Term finance certificates	1,212,818	-	1,212,818	1,364,107	-	1,364,107
	69,462,718	6,797,439	76,260,157	62,365,307	21,834,936	84,200,243
Held to maturity securities						
Term finance certificates	2,758,505	-	2,758,505	3,545,546	-	3,545,546
Commercial Paper	116,822	-	116,822	-	-	-
Sukuk Bonds	2,193,860	-	2,193,860	2,360,830	-	2,360,830
	5,069,187	-	5,069,187	5,906,376	-	5,906,376
Balance carried forward	75,726,720	6,797,439	82,524,159	74,107,854	21,834,936	95,942,790

Half year ended June 30, 2012

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

Note	Un-audited June 30, 2012			Audited December 31, 2011		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
Balance brought forward	75,726,720	6,797,439	82,524,159	74,107,854	21,834,936	95,942,790
Associate						
Fully paid up ordinary shares of:						
- Faysal Asset Management Limited	45,000	-	45,000	45,000	-	45,000
Subsidiary						
Fully paid up ordinary shares of:						
- Faysal Management Services (Private) Limited	10.4	108,000	-	108,000	-	108,000
Investments at cost	75,879,720	6,797,439	82,677,159	74,260,854	21,834,936	96,095,790
Less: Provision for diminution in the value of investments	10.5	(1,902,586)	-	(1,905,084)	-	(1,905,084)
Investments (net of provisions)	73,977,134	6,797,439	80,774,573	72,355,770	21,834,936	94,190,706
Deficit on revaluation of held for trading securities - net	(15,156)	-	(15,156)	(38,651)	-	(38,651)
(Deficit) / surplus on revaluation of available for sale securities - net	(374,844)	(2,050)	(376,894)	(798,937)	56,069	(742,868)
Total investments	73,587,134	6,795,389	80,382,523	71,518,182	21,891,005	93,409,187

10.2 These include Pre IPO investment of Rs 500 million made in the unlisted term finance certificates (TFCs) of Dewan Cement Limited. The State Bank of Pakistan through its letter BPRD/BLRD-3/DMG/2011-1035 had advised the Banks to maintain provision at least at the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. The Bank as per the above directive had availed the relaxation and maintained a provision of Rs 450 million against this investment. Had the provision been made as per the time based criteria specified in the Prudential Regulations issued by the SBP, the provision for diminution in the value of investments for the period ended June 30, 2012 would have been higher by Rs 50 million (December 31, 2011: Rs 50 million) and the profit before taxation for the period ended June 30, 2012 would have been lower by Rs 50 million (December 31, 2011: Rs 50 million).

10.3 These include the term finance certificates and Sukuk Bonds of Rs 1,117.661 million (2011: Rs 1,117.661 million) and Rs 500 million (2011: Rs 500 million) respectively issued by Agritech Limited and Azgard Nine Limited. The impact of relaxation availed by the Bank for maintaining the provision against these investments is disclosed in note 11.2.1 to this condensed interim financial information.

10.4 On October 1, 2010, the Board of Directors of Faysal Management Services (Private) Limited (FMSL) has decided to voluntarily wind up the company and accordingly they have resolved to initiate the proceedings of winding up by the members under the Companies Ordinance, 1984.

	Un-audited June 30, 2012	Audited December 31, 2011
Rupees in '000		
10.5 Particulars of provision for diminution in the value of investments		
Opening balance	1,905,084	1,495,601
Charge for the period / year	376,826	695,824
Reversals during the period / year	(379,324)	(286,341)
	(2,498)	409,483
Closing balance	1,902,586	1,905,084

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

	Note	Un-audited June 30, 2012	Audited December 31, 2011
Rupees in '000			
11 ADVANCES			
Loans, cash credits, running finances, etc. – in Pakistan	11.2.1	175,764,260	156,045,856
Net investment in finance lease – in Pakistan		6,756,375	6,684,270
		<u>182,520,635</u>	<u>162,730,126</u>
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		2,255,922	1,563,551
Payable outside Pakistan		1,561,831	1,061,453
		<u>3,817,753</u>	<u>2,625,004</u>
Margin financing / reverse repo transactions		128,200	128,200
Gross advances		<u>186,466,588</u>	<u>165,483,330</u>
Provision against non-performing advances	11.1	(17,419,609)	(17,062,123)
Provision against consumer loans - general	11.3	(264,697)	(259,212)
Advances - net of provision		<u><u>168,782,282</u></u>	<u><u>148,161,995</u></u>

11.1 Advances includes Rs. 27,331 million (December 31, 2011: Rs. 26,044 million) which have been placed under non-performing status as detailed below:

June 30, 2012 (Un-audited)									
Classified Advances			Provision required			Provision held			
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
Rupees in '000									
Category of classification									
Other Assets Especially									
Mentioned (Agri financing)	201,117	-	201,117	-	-	-	-	-	-
Substandard	2,565,184	-	2,565,184	423,719	-	423,719	423,719	-	423,719
Doubtful	2,549,020	-	2,549,020	595,578	-	595,578	595,578	-	595,578
Loss	22,015,741	-	22,015,741	16,400,312	-	16,400,312	16,400,312	-	16,400,312
	<u>27,331,062</u>	<u>-</u>	<u>27,331,062</u>	<u>17,419,609</u>	<u>-</u>	<u>17,419,609</u>	<u>17,419,609</u>	<u>-</u>	<u>17,419,609</u>

December 31, 2011 (Audited)									
Classified Advances			Provision required			Provision held			
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
Rupees in '000									
Category of classification									
Other Assets Especially									
Mentioned (Agri financing)	194,859	-	194,859	-	-	-	-	-	-
Substandard	2,415,055	-	2,415,055	302,021	-	302,021	302,021	-	302,021
Doubtful	2,501,583	-	2,501,583	557,278	-	557,278	557,278	-	557,278
Loss	20,932,622	-	20,932,622	16,202,824	-	16,202,824	16,202,824	-	16,202,824
	<u>26,044,119</u>	<u>-</u>	<u>26,044,119</u>	<u>17,062,123</u>	<u>-</u>	<u>17,062,123</u>	<u>17,062,123</u>	<u>-</u>	<u>17,062,123</u>

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

11.2 Particulars of provision against non-performing advances

Note	Un-audited June 30, 2012	Audited December 31, 2011
	Rupees in '000	
Opening balance	17,062,123	17,163,067
Charge for the period / year	1,547,319	2,750,540
Reversals during the period / year	(1,227,063)	(2,420,452)
Net charge	320,256	330,088
Provision against non-performing loans and advances directly charged to equity and adjusted against Non-Distributable Capital Reserve	17 112,706	-
Amounts written off	(75,476)	(431,032)
Closing balance	17,419,609	17,062,123

11.2.1 This includes classified advances of Rs 409.172 million and Rs 350.101 million disbursed to Agritech Limited and Azgard Nine Limited respectively. In addition, as disclosed in note 10.3 the Bank has also made investments in term finance certificates and sukuk bonds of Rs 1,117.661 million and Rs 500 million respectively issued by Agritech Limited and Azgard Nine Limited. The financing facilities disbursed to Agritech Limited and Azgard Nine Limited have been restructured / agreed to be restructured as a result of financial difficulties / repayment problems being faced by these companies. The State Bank of Pakistan vide its letter no. BSD/BRP-1/5388/2012 dated May 2, 2012 has allowed extension for withholding provisioning against the exposure of Agritech Limited and Azgard Nine Limited till June 30, 2012. These extensions have been allowed to all those banks who have agreed to reschedule / restructure their exposures against these companies.

Had the exemption not been provided by the State Bank of Pakistan, the provision against loans and advances and investments (as more fully explained in note 10.3 to this condensed interim financial information) would have been higher by Rs 509.222 million and Rs 1,558.354 million respectively and the profit before taxation for the current period would have been lower by Rs 2,067.576 million.

11.2.2 The additional profit arising from availing the benefit of forced sale value (net of tax) while determining the provisioning requirements against classified loans and advances as at June 30, 2012 which is not available either for cash or stock dividend to shareholders amounted to approximately Rs 2,495.828 million (December 31, 2011: 2,590.464 million).

11.3 Particulars of provision against consumer loans - general

	Un-audited June 30, 2012	Audited December 31, 2011
	Rupees in '000	
Opening balance	259,212	336,573
(Charge) / reversals during the period / year	5,485	(77,361)
Closing balance	264,697	259,212

11.4 General provision against consumer loans represents provision maintained at an amount equal to 1.5 percent of the fully secured regular portfolio of consumer loans and 5 percent of the unsecured regular portfolio of consumer loans as per the requirements of the Prudential Regulations issued by the SBP.

12 FIXED ASSETS

12.1 Additions to operating fixed assets - cost

	Un-audited Half year ended June 30, 2012	June 30, 2011
	Rupees in '000	
Leasehold property and improvements	69,561	61,127
Office furniture, fixtures, equipment and computers	51,467	109,138
Vehicles	7,719	463
Capital work-in-progress	447,620	200,939

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

12.2 Additions to Intangibles

	Un-audited Half year ended	
	June 30, 2012	June 30, 2011
	Rupees in '000	
Software	-	33,989

12.3 Disposals of operating fixed assets - cost

Office furniture, fixtures, equipment and computers	381	1,347
Vehicles	14,964	44,754

13 OTHER ASSETS

This includes non-banking assets acquired in satisfaction of claims amounting to Rs 2,378.497 million (December 31, 2011: 1,879.327 million) classified as held for sale.

14 DEPOSITS AND OTHER ACCOUNTS

	Un-audited June 30, 2012	Audited December 31, 2011
	Rupees in '000	
Fixed deposits	99,889,480	97,908,269
Saving deposits	78,972,035	66,404,338
Current accounts – Remunerative	1,652,863	954,746
Current accounts – Non-remunerative	53,757,869	47,204,322
Margin accounts	2,223,663	2,143,056
	<u>236,495,910</u>	<u>214,614,731</u>

15 CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liability in respect of guarantees favouring:

i) Government	-	-
ii) Banking companies and other financial institutions	1,333,275	3,275
iii) Others	-	-
	<u>1,333,275</u>	<u>3,275</u>

Acceptances

i) Government	-	-
ii) Banking companies and other financial institutions	-	-
iii) Others	10,642,494	9,875,957
	<u>10,642,494</u>	<u>9,875,957</u>

15.2 Transaction-related contingent liabilities

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

i) Government	10,470,100	10,391,648
ii) Banking companies and other financial institutions	368,435	2,810,032
iii) Others	2,193,582	1,431,547
	<u>13,032,117</u>	<u>14,633,227</u>

15.3 Trade-related contingent liabilities

Letters of credit

i) Government	4,642,807	3,968,244
ii) Banking companies and other financial institutions	-	-
iii) Others	11,784,320	14,650,767
	<u>16,427,127</u>	<u>18,619,011</u>

FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

15.4 Other Contingencies

Un-audited
June 30,
2012
Audited
December 31,
2011
Rupees in '000

- i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case
- | | |
|-----------|-----------|
| 2,500,000 | 2,500,000 |
|-----------|-----------|

Bank has issued indemnity amounting to Rs 457,543 thousand (December 31, 2011: Rs 457,543 thousand) favouring the High Court in the above case.

- ii) Claims against the Bank not acknowledged as debt
- | | |
|------------|------------|
| 30,314,257 | 32,976,476 |
|------------|------------|

The above includes an amount of Rs 25,299 million in respect of a suit filed against the Bank for declaration, recovery of monies, release of securities, rendition of account and damages. Based on legal advice, management is confident that the matter will be decided in Bank's favour.

- iii) Income tax assessments of the Bank have been finalised upto the tax year 2011 (Accounting year 2010).

The tax department and the Bank have disagreements on various matters for tax years from 1994 to 2011. These include disallowances on certain matters that include matters relating to initial depreciation on leases, provision for bad debts, bad debts written off, taxability of dividend, excess perquisites and allocation of expenses matters. The Bank and the department have filed appeals with the CIT (Appeals), ITAT and the High Court in the aforementioned matters. The additional tax liability on these matters is Rs 2,126.110 million. The management of the Bank is confident that the decision in respect of these matters will be decided in the Bank's favour and accordingly no provision has been made in this condensed interim financial information in respect of this liability.

15.5 Commitments in respect of forward lending / purchase

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

15.6 Commitments in respect of forward exchange contracts

Un-audited
June 30,
2012
Audited
December 31,
2011
Rupees in '000

Purchase

- Customers	2,049,276	1,898,402
- Banks	26,239,653	24,112,367
	28,288,929	26,010,769

Sale

- Customers	1,133,909	289,437
- Banks	5,926,433	6,503,424
	7,060,342	6,792,861

15.7 Commitments for the acquisition of operating fixed assets

98,843 147,586

15.8 Commitments in respect of repo transactions

Repurchase	6,799,890	21,948,460
Resale	283,569	271,781

15.9 Other Commitments

Interest rate swaps and cross currency swaps (notional principal)	34,239,783	39,741,708
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FAYSAL BANK LIMITED

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2012

16 EARNINGS PER SHARE

	Un-audited			
	For the quarter ended		For the half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	Rupees in '000			
Profit after tax for the period	238,527	552,490	505,293	793,748
	Number of shares in thousands			
Weighted average number of ordinary shares	824,312	824,312	824,312	824,312
	Rupees			
Earnings per share - basic	0.29	0.67	0.61	0.96

- 16.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at June 30, 2012 and June 30, 2011 which would have any effect on the earnings per share if the option to convert is exercised.

17 NON-DISTRIBUTABLE CAPITAL RESERVE - GAIN ON BARGAIN PURCHASE

As per the directive of the State Bank of Pakistan (SBP) vide letter BPRD (R&P -02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (RBS Pakistan) was credited directly into equity as Non-Distributable Capital Reserve. The SBP allowed the Bank the option to adjust amortisation of intangible asset against the portion of reserve which arose on account of such assets. The directives of the SBP further specified that any subsequent provision / deficit identified by the Banking Inspection Department (BID) of the SBP in the acquired portfolio of RBS Pakistan will be adjusted against this reserve. The balance amount of reserve after incorporation of the above adjustment as identified by BID and amortisation of intangible asset will be available for distribution only as stock dividend after the prior approval of SBP.

During the current period, the Bank has adjusted Rs 73.259 million - net of tax (gross of Rs 112.706 million) against this reserve which represents provision relating to acquired portfolio of RBS identified in the recent inspection being carried out by the SBP. In addition, amortisation (net of tax) of intangible asset during the current period amounting to Rs 62.433 million (Year ended December 31, 2011: Rs 129.747 million) has also been adjusted against this reserve.

18 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
- Corporate & Commercial Banking

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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	Corporate & Commercial Banking	Total
Rupees in '000					
For the half year ended June 30, 2012					
Total income - net	73,637	606,967	4,282,578	1,381,175	6,344,357
Total expenses	(16,782)	(485,199)	(3,992,374)	(1,139,176)	(5,633,531)
Net income / (loss)	56,855	121,768	290,204	241,999	710,826
As at June 30, 2012					
Segment assets (Gross)	-	87,070,456	65,034,407	166,621,669	318,726,532
Segment non performing loans	-	-	14,665,289	12,665,773	27,331,062
Segment provision required against loans	-	-	(12,725,617)	(4,958,689)	(17,684,306)
Segment liabilities	(5,987)	(72,969,844)	(54,351,423)	(151,505,192)	(278,832,446)
Segment return on assets (ROA) (%)	-	0.22%	0.73%	0.23%	
Segment cost of funds (%)	-	12.35%	6.86%	10.60%	
For the half year ended June 30, 2011					
Total income - net	150,513	1,327,654	3,186,975	2,427,442	7,092,584
Total expenses	(52,698)	(516,448)	(3,607,449)	(1,640,829)	(5,817,424)
Net income / (loss)	97,815	811,206	(420,474)	786,613	1,275,160
For the year ended December 31, 2011					
Total income - net	187,400	1,043,963	8,497,921	3,547,439	13,276,723
Total expenses	(41,729)	(523,359)	(10,309,239)	(924,305)	(11,798,632)
Net income / (loss)	145,671	520,604	(1,811,318)	2,623,134	1,478,091
As at December 31, 2011					
Segment assets (Gross)	-	93,137,280	61,603,043	157,500,848	312,241,171
Segment non performing loans	-	-	5,507,984	20,536,135	26,044,119
Segment provision required against loans	-	-	(2,286,174)	(15,035,161)	(17,321,335)
Segment liabilities	(13,994)	(35,461,389)	(191,942,987)	(45,936,297)	(273,354,667)
Segment return on assets (ROA) (%)	-	0.66%	4.85%	1.70%	
Segment cost of funds (%)	-	13.03%	7.20%	11.45%	

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19 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its holding company, associated undertaking, subsidiary company, group companies, retirement benefit plans, directors, key management personnel and entities over which the directors or key management personnel are able to exercise significant influence. The particulars of the Bank's investment in its subsidiary company and associated company is given in note 10.1 to this condensed interim financial information.

Banking transactions with the related parties are executed substantially on the same terms, except transaction with directors and key management personnel 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. Details of transactions with the related parties and balances with them as at period end are as follows:

June 30, 2012 (Un-audited)					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies (including associated undertakings)
Rupees in '000					
Deposits					
Balance at the beginning of the period	105,537	12,500	480	3,140	29,871
Placements during the period	922,345	268,287	-	221,471	16,739,604
Withdrawals during the period	(920,347)	(244,308)	(480)	(222,767)	(16,589,822)
Balance at end of the period	107,535	36,479	-	1,844	179,653
Advances					
Balance at the beginning of the period	40,266	-	-	-	2,854,555
Disbursements during the period	11,027	-	-	-	4,455,217
Repayments during the period	(30,056)	-	-	-	(600,434)
Balance at end of the period	21,237	-	-	-	6,709,338
December 31, 2011 (Audited)					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies (including associated undertakings)
Rupees in '000					
Deposits					
Balance at the beginning of the year	77,365	1,645,448	492	479	533,884
Placements during the year	1,741,336	2,478,007	500	413,456	53,499,950
Withdrawals during the year	(1,713,164)	(4,110,955)	(512)	(410,795)	(54,003,963)
Balance at end of the year	105,537	12,500	480	3,140	29,871
Advances					
Balance at the beginning of the year	50,788	-	-	-	2,816,363
Disbursements during the year	5,667	-	-	-	1,132,279
Repayments during the year	(16,189)	-	-	-	(1,094,087)
Balance at end of the year	40,266	-	-	-	2,854,555

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Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through the movement presented above.

June 30, 2012 (Un-audited)					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies (including associated undertakings)
	Rupees in '000				
Shares / Units purchased during the period	-	-	-	-	602,650
Shares / Units sold during the period	-	-	-	-	683,635
Profit paid / accrued	2,024	1,351	-	177	2,174
Profit return / earned	1,892	-	-	-	328,028
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	146,162	-	-	-	-
- Post-employment benefits	6,302	-	-	-	-
Contribution to staff retirement benefits	-	122,866	-	-	-
Guarantees issued favouring related parties or on their behalf	-	-	-	-	25,000

June 30, 2011 (Un-audited)					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies (including associated undertakings)
	Rupees in '000				
Shares / Units purchased during the period	-	-	-	-	686,154
Shares / Units sold during the period	-	-	-	-	536,399
Profit paid / accrued	1,403	21,306	-	324	66,703
Profit return / earned	1,214	-	-	-	77,855
Remuneration of key management personnel					-
- Salaries and other short-term employee benefits	226,835	-	-	-	-
- Post-employment benefits	9,851	-	-	-	-
Contribution to staff retirement benefits	-	131,160	-	-	-
Guarantees issued favouring related parties or on their behalf	-	-	-	-	25,000

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20. ISLAMIC BANKING BRANCHES

The Bank is operating 50 Islamic banking branches (December 31, 2011:45). The statement of financial position at June 30, 2012 and December 31, 2011, are as follows:

	Un-audited June 30, 2012	Audited December 31, 2011
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	1,277,095	1,089,800
Balances with and due from financial Institutions	90,433	173,799
Investments	10,777,985	5,586,837
Financing and receivables		
- Murabaha	1,522,674	1,751,249
- Ijara	7,909	11,529
- Musharaka	-	-
- Diminishing Musharaka	3,342,466	3,211,551
- Salam	-	-
- Other Islamic Modes	-	-
Other assets	680,757	826,814
	17,699,319	12,651,579
LIABILITIES		
Bills payable	219,831	109,401
Due to financial institutions	650,000	-
Deposits and other accounts		
- Current Accounts	5,580,110	3,995,751
- Saving Accounts	3,794,463	2,341,187
- Term Deposits	4,457,177	3,577,293
- Others	29,983	23,151
- Deposits from financial institutions - remunerative	1,676,812	1,018,868
- Deposits from financial institutions - non-remunerative	4,228	21,235
Due to head office	280,404	577,834
Other liabilities	165,517	181,862
	16,858,525	11,846,582
NET ASSETS	<u>840,794</u>	<u>804,997</u>
REPRESENTED BY		
Islamic Banking Fund	880,000	880,000
Reserves	-	-
Accumulated losses	(27,388)	(94,727)
	852,612	785,273
Surplus / (deficit) on revaluation of assets- net of tax	(11,818)	19,724
	<u>840,794</u>	<u>804,997</u>
Remuneration to shariah advisor	<u>1,315</u>	<u>2,171</u>
CHARITY FUND		
Opening balance	1,778	67
Additions during the period / year	556	2,761
Payments / utilization during the period / year	(1,750)	(1,050)
Closing balance	<u>584</u>	<u>1,778</u>

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21 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 28, 2012 by the Board of Directors of the Bank.

22 GENERAL

22.1 Comparative information has been re-classified and re-arranged in this condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. Earnings per share for the prior periods have been restated consequent to the issue of bonus shares.

22.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR