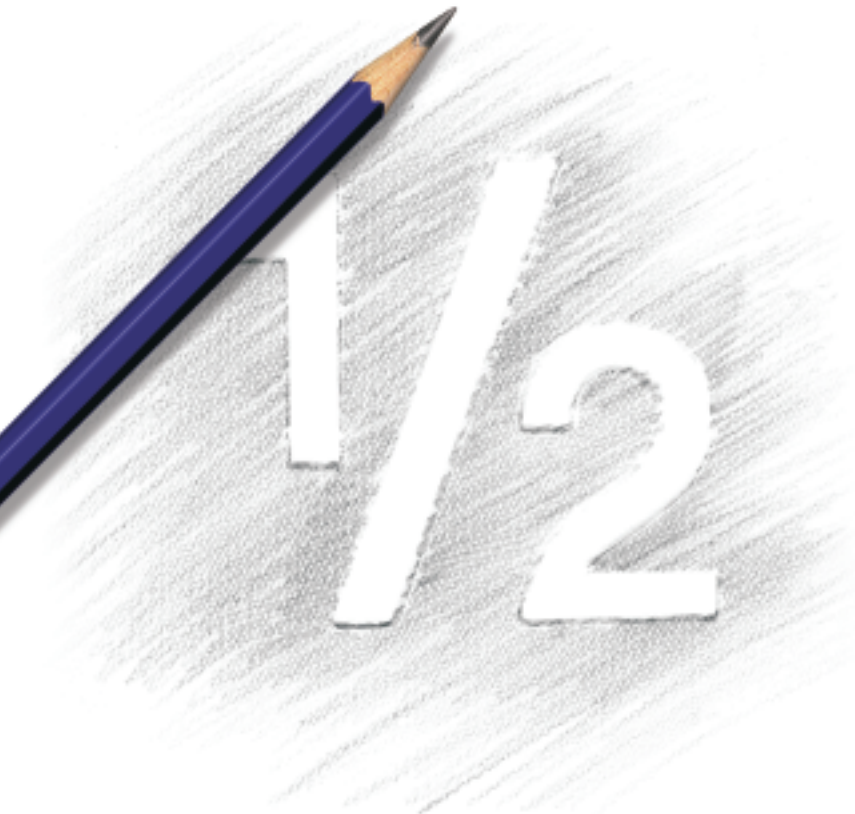


Half Year

Ended June 30, 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
Farooq Rahmatullah	Director
Shahid Ahmad	Director
Hassan Mohammed Mahmood Hassan	Director

Audit Committee

Graham Roderick Walker	Chairman
Shahid Ahmad	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

Recruitment Nomination and Remuneration Committee (RNRC)

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

It gives me great pleasure to present, on behalf of the Board of Directors, the financial statements for the quarter and half year ended June 30, 2010.

ECONOMIC AND POLITICAL UPDATE

Pakistan encountered the worst natural disaster in living memory in the shape of seemingly unending floods which began in July 2010. The GOP and other multilateral agencies, such as the UN, WB and ADB, are still trying to fully ascertain the economic loss from this calamity which according to the UN has claimed over 1600 lives and directly affected over 14 million people. The overflowing of the Indus River has badly hit the productive capacity of the rural economy by damaging crops, live stock and cultivated land. This in turn will lead to a food crisis in the country and that too during the Holy month of Ramzan, when food inflation is usually higher. On the fiscal side the rehabilitation challenge is far to great for Pakistan's economy to absorb on its own and unless substatnial foreign aid is forthcoming the economy could easily go into a tail spin.

Pakistan's economy is widely expected to miss the fiscal deficit target for FY'10 of 5.1% by 0.9%. The main reasons behind this are lackluster tax collection (as per preliminary estimates for FY'10 PKR 1,330 billion has been collected against a target of PKR 1,380 billion) increased defense related expenditures and non receipt of major capital receipts. This slippage is inconsistent with the objectives of macroeconomic stability and if the core reasons such as low tax to GDP and curtailment of current expenditures are not addressed aptly there could be wider implications on debt sustainability and subsequently the Monetary Policy. The most disconcerting outfall of this fiscal slippage, as always, has been the remedial cut in development expenditure which has deterred the much needed investment in infrastructure and human capital, thereby limiting the future productive capacity of the economy.

Although CPI inflation has subsided significantly during FY'10 where it has come down to 11.7% vs. 20.8% in FY'09 it is still high and exhibits persistence. After a low of 8.9% in October '09 inflation CPI started to rise again owing largely to increases in electricity tariffs, adjustment in prices of domestic petroleum and upward shifts in administered prices of commodities such as wheat. The challenge herein is containing the extent to which these prices seep into the overall economy and hence trigger second round effects which adversely affect inflation. The SBP responded to entrenched inflationary expectations and fiscal slippages by raising the discount rate by 50 bps in the July '10 Monetary Policy, thereby reversing the interest rate cycle.

The most encouraging development with regards to GDP growth, which is estimated close to 3% for FY'10 (vs. 2% in FY '09) has been the performance of LSM which during this fiscal year has grown at 4.71%, though the continuity of this performance remains susceptible due to its reliance on the availability of electricity, maintenance of law and order and supportive growth in 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 FY'10 were recorded at USD 8.905 billion up from USD 7.811 billion during the same period last year. The provisional current account deficit for FY'10 (July-June) stood at USD 3.507 billion vs. USD 9.261 billion during the same period last year. Going forward aggregate demand has shown signs of resurgence and the future growth in remittances is also expected to be benign – both these factors don't bode well for the current account position in FY'11. Hence in order to sustain favorable trend over the medium term the economy needs to generate a diversified, vibrant and higher value-added export base and reduce dependency on remittances.

Owing to improving external imbalances and growth in remittances the USD reserve position has improved considerably during FY'10 where they were recorded at USD 15.8 billion vs. USD 12.4 billion for FY'09. This position is expected to improve after the receipt of the 6th IMF tranche in August '10.

Going forward the economic prospects are largely dependent on how the country handles the aftermath of the floods. It is imperative that we impress upon the international community to fulfill their pledges in this time of need. More than anything else this catastrophe has exposed depth of our resource envelope whereby the GOP simply doesn't have the funds to bridge over such turbulences. This can be attributed to our tax to GDP ratio which is still hovering around 9% (one of the lowest in the world). Hence it is imperative that we divert a lot more attention towards disciplining the fiscal side of the economy wherein perpetual slippages have overshadowed improvements in the external account and LSM growth. Only once the GOP is able to successfully broaden the tax base and cut down on current expenditures would it have the requisite resources to divert towards investment in infrastructure and human capital which are imperative to improving the output gap of Pakistan's economy and take it on a path to sustainable growth.

BANK'S PERFORMANCE

We are pleased to inform you that as part of our strategy of profitable growth your bank has agreed to acquire Pakistan Operations of The Royal Bank of Scotland Limited (RBS Pakistan), which comprises of Retail, Corporate, Commercial and Islamic businesses in the country. The State Bank of Pakistan has also given its approval for the transaction. This acquisition will fast track our already growing presence in Pakistan. The combined entity will have an asset base in excess of Rs. 250 billion with a network of over 200 branches, making FBL one of the top ten banks in Pakistan. This acquisition will result in an expanded foot print which will enable the bank to offer a wider range of products across all customer segments.

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

Customer Franchise

Service Quality

With the goal of managing the quality of our Branch Customer Services, a set of service standards for the most common processes has been put on display in the branches. Delivery of these key services such as pay order issuance, account opening, cheque book issuance etc. is measured against the set Turn Around Time standards (TATs). Similarly, service preparedness of the branches and their Staff - from branch ambience to staff grooming - is routinely checked through surprise visits by the SQ Team. In addition to these easily quantifiable measures, the intangible and soft aspects of service are also continuously assessed through the use of Mystery Shopping and Mystery Phone Calls, giving an insight into the competence levels of the front-end staff and their service orientation.

The above measures are now being regularly reported and shared with all stakeholders. As a result, nearly all aspects of Branch Service have shown improvement, some to the extent that we were able to re-set the standards to a much quicker Turn Around Time.

To reinforce service excellence, a 'Service Branch of the Quarter' programme has been launched to recognize and reward the branches which score the highest in the quarter on all measures of service efficiency, preparedness, and customer orientation. This initiative has engendered much healthy competition among branches to out-do each other in Customer Service.

Wealth Management

Faysal Bank Wealth Management inaugurated two priority centres at the Head Office Main Branch and the Khayaban-e-Tanzeem Branch. Faysal Bank's Priority banking services have been introduced under the name of **Solitaire** Wealth Management. The launch of these centres is the first step towards building a strong customer proposition that revolves around excellence in service quality. During the course of the year the **Solitaire** Wealth Management platform shall see a significant augmentation via addition of new centres across major cities of Pakistan. We look forward with great passion towards enhancing our footprint in this segment and developing this proposition as an industry leader.

Bancassurance

The launch of the Faysal aikFaisla Family Assurance Plan marked the first in the line of value-added products, offered under the umbrella brand of **aikFaisla** Bancassurance products. This is an affordable and unique insurance package for customers, which offers built-in terrorism cover - a market first amongst Bancassurance products.

A major highlight during the last quarter was the release of the Faysal **aikFaisla** above-the-line advertising campaign which was the first time the bank has used television and radio media since 2008. The campaign was designed to enhance brand awareness and recognition for the **aikFaisla** brand amongst potential customers.

Corporate and Investment Banking Group

Corporate and Investment Banking Group accomplished following major transactions during the period:

- FBL was mandated to serve as a lead advisor and arranger to a PKR 1.1 billion privately placed, rated, term finance certificate issue for a leading school chain for the acquisition of a minority stake in the two power projects of 365 MW each.
- FBL was mandated to serve as a joint lead advisor and arranger for the commercial leg of an ECA facility for a large power utility company in the private sector amounting to USD 10 million.
- FBL acted as joint lead arranger to the PKR 2.1 billion working capital facility to one of the recently commissioned gas fired independent power producer which has achieved COD.
- FBL was mandated the role of joint arranger for PKR 8 billion syndicated term finance facility for a wind power project.
- FBL disbursed a bilateral term finance facility of PKR 2 billion to a leading telecom service provider.
- FBL extended PKR 2 billion Islamic commodity financing facility to a government entity.
- FBL has been mandated to serve as a co-arranger for a PKR 1.4 billion syndicated term finance facility for a pulp manufacturing company.
- FBL served as a joint lead advisor and arranger for the first ever syndicated term finance facility to one of the larger microfinance providers in Pakistan under SBP's Microfinance Credit Guarantee Facility amounting to PKR 1.2 billion.
- FBL was co-arranger for a long term facility of PKR 8 billion to a large service provider in the ports and logistics sector.
- FBL structured and arranged the PKR 2.4 billion initial public offering for a leading fertilizer company. Financial close was achieved for the Pre IPO, underwriting and IPO during the period under review.
- FBL won the debt restructuring mandate amounting to PKR 38 billion for the largest denim manufacturer in Pakistan and its subsidiary fertilizer company.
- FBL was awarded a mandate for exclusive management of rights issue amounting to PKR 1.4 billion for a local blue chip company in the chemical sector.

People

An Employee Engagement Survey (EES) was conducted by HR in collaboration with external consultants with the objective to gauge employee commitment, engagement, organizational culture and alignment with Bank's core values. The survey was further aimed at getting an insight into levels of satisfaction with key leadership, senior management and the environment. The response received was beyond the expected target, 94% of the employees participated in the survey. The initial responses have already been shared with the top management and the results will be shared with the rest of the employees before the end of 3rd quarter.

On the HR automation front, the Performance Management module has been configured and tested. Further, Phase II implementation of *i*-Recruitment web portal was successfully launched, giving external candidates the ability to explore opportunities at FBL. The HR Business Partners now match online profiles with job requirements giving them a greater database to choose from.

Financial Perspective

After implementation of Oracle General Ledger module in December 2009, the Accounts Payable and Fixed Assets modules of Oracle Financial were successfully launched during the period. With this implementation most of the back office finance functions have been automated and centralized. The implementation of the Oracle Procure to Pay Cycle modules will not only provide a strong platform for effective control over authorization, recording and monitoring of administrative expenses but will also lead to considerable improvement in TATs.

CREDIT RATING

JCR-VIS Credit Rating Company Limited (JCR) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity rating as on June 30, 2010:

Long-Term	AA
Short-Term	A1+

Negative outlook previously assigned to the ratings has been removed by both the agencies. The ratings denote very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings have been placed on 'Ratings Watch Developing' status and 'Rating Watch' by JCR and PACRA respectively in view of the planned acquisition of The Royal Bank of Scotland Limited (Pakistan operations).

FINANCIAL HIGHLIGHTS

	For the quarter ended		For the six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Rupees in millions				
Profit / (Loss) before tax	(498)	423	1,559	775
Charge / (Reversal) for tax	(546)	211	(175)	308
Profit after tax	48	212	1,734	467
Un-appropriated profit brought forward	2,901	510	1,215	1,050
	2,949	722	2,949	1,517
Appropriations:				
Issue of bonus shares (Final 2008 @ 15%)	-	-	-	(795)
Transfer of capital market reserve to un-appropriated profit	390	-	390	-
Un-appropriated profit carried forward	3,339	722	3,339	722
Earning per share (Rupees)	0.08	0.35	2.85	0.77

Markup earned for the six months ended June 30, 2010 increased by Rs. 434 million over corresponding period last year mainly on account of increase in financing volume. Deposits growth during six months period was Rs. 12.7 billion resulting in an increase of Rs. 181 million in Markup expenses.

Despite challenging economic conditions, provision against non performing loans was lower by PKR 54 million over the corresponding period last year.

Non markup income for the six months increased by Rs. 875 million to Rs. 2,042 million mainly on account of capital gain on settlement of NIT LOC Holders' Fund.

Administrative expenses have increased to Rs. 2,538 million from Rs. 2,048 million over the previous period. Reasons for this increase are opening of 7 new branches since June 2009, 2.5% premium charged by NIT on settlement of NIT LOC holders' fund and higher inflation.

Finalization of tax assessment last year and reconciliation of historical tax records have resulted in reversal of provision for tax amounting to Rs. 175 million. Accordingly, net profit after tax for the quarter and six months ended June 30, 2010 was Rs. 48 million and Rs. 1,734 million respectively as against Rs. 212 million and Rs. 467 million for the corresponding periods last year.

Acknowledgement:

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 24, 2010

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Faysal Bank Limited** as at June 30, 2010 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. 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, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2010. The financial statements of the bank for the year ended December 31, 2009 and half year ended June 30, 2009 were audited and reviewed respectively by another auditor whose reports, dated February 23, 2010 and August 20, 2009, expressed unqualified opinion / conclusion on those statements.

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, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. FERGUSON & CO
Chartered Accountants
Dated: August 24, 2010
Karachi

**Unconsolidated Condensed Interim
Financial Statements
for the half year ended June 30, 2010**

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

	Note	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		9,355,904	8,427,202
Balances with other banks	9	392,656	508,795
Lendings to financial institutions	10	6,195,398	15,017,826
Investments	11	59,196,894	56,531,338
Advances	12	92,863,798	91,346,001
Operating fixed assets		2,545,994	2,787,617
Deferred tax assets - net		2,060,829	1,279,918
Other assets		5,585,618	4,966,716
		<u>178,197,091</u>	<u>180,865,413</u>
LIABILITIES			
Bills payable		1,800,363	1,465,451
Borrowings		19,710,420	34,985,766
Deposits and other accounts	14	136,369,228	123,655,188
Sub-ordinated loans		999,000	999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		6,442,863	6,977,069
		<u>165,321,874</u>	<u>168,082,674</u>
NET ASSETS		<u>12,875,217</u>	<u>12,782,739</u>
REPRESENTED BY			
Share capital		6,090,911	6,090,911
Reserves	15	3,640,514	4,030,056
Unappropriated profit		3,338,500	1,215,179
		<u>13,069,925</u>	<u>11,336,146</u>
(Deficit) / surplus on revaluation of assets - net of tax		<u>(194,708)</u>	<u>1,446,593</u>
		<u>12,875,217</u>	<u>12,782,739</u>
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The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

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, 2010

Note	Quarter ended		Half year ended		
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	
	-----Rupees in '000-----				
Mark-up / return / interest earned	4,384,676	4,089,829	8,705,201	8,271,201	
Mark-up / return / interest expensed	2,936,545	2,764,328	6,037,517	5,856,089	
Net mark-up / interest income	1,448,131	1,325,501	2,667,684	2,415,112	
Provision / (reversal) against non-performing loans and advances - net	12.2	331,056	358,342	628,981	682,961
Reversal of provision for consumer loans - general	12.3	(17,554)	(7,426)	(19,586)	(19,279)
Provision for diminution in the value of investments	11.2	182,757	66,534	(6,348)	66,354
Bad debts written off directly		-	-	-	-
		496,259	417,450	603,047	730,036
Net mark-up / return / interest income after provisions		951,872	908,051	2,064,637	1,685,076
Non mark-up / return / interest income					
Fee, commission and brokerage income		216,223	289,644	468,079	475,138
Dividend income		50,648	44,494	171,251	79,327
Income from dealing in foreign currencies		103,421	100,248	239,996	163,962
(Loss) / gain on sale of securities		(451,133)	313,924	1,251,545	491,694
Unrealised loss on revaluation of investments classified as held for trading		(62,233)	(84,412)	(154,955)	(87,319)
Other income		27,871	26,484	66,875	44,039
Total non mark-up / return / interest (loss) / income		(115,203)	690,382	2,042,791	1,166,841
		836,669	1,598,433	4,107,428	2,851,917
Non mark-up / return / interest expenses					
Administrative expenses		1,324,726	1,154,560	2,538,458	2,047,916
Other provisions		-	20,908	-	29,180
Other charges		10,369	1	10,369	91
Total non mark-up / return / interest expenses		1,335,095	1,175,469	2,548,827	2,077,187
		(498,426)	422,964	1,558,601	774,730
Extraordinary / unusual items		-	-	-	-
(Loss) / profit before taxation		(498,426)	422,964	1,558,601	774,730
Taxation - Current period		(10,177)	316,911	322,901	405,057
- Prior years		(254,920)	3,305,364	(239,872)	3,305,364
- Deferred		(281,515)	(3,411,129)	(258,207)	(3,402,763)
		(546,612)	211,146	(175,178)	307,658
Profit after taxation		48,186	211,818	1,733,779	467,072
-----Rupees-----					
Basic and diluted earnings per share	17	0.08	0.35	2.85	0.77

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Faysal Bank Limited
 Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the quarter and half year ended June 30, 2010

	Quarter ended		Half year ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
-----Rupees in '000-----				
Profit for the period	48,186	211,818	1,733,779	467,072
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale securities- net of tax	(191,246)	188,461	(1,641,301)	405,591
Total comprehensive (loss) / income for the period	<u>(143,060)</u>	<u>400,279</u>	<u>92,478</u>	<u>872,663</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Faysal Bank Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended June 30, 2010

	Half year ended	
	June 30, 2010	June 30, 2009
	-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,558,601	774,730
Less: dividend income	(171,251)	(79,327)
Less: mark-up / return / interest earned on available for sale securities	(1,848,264)	(1,902,229)
	<u>(460,914)</u>	<u>(1,206,826)</u>
Adjustments for non cash and other items:		
Depreciation	261,137	255,726
Amortisation	57,006	36,753
Provision against non-performing loans and advances - net	628,981	682,961
Reversal of provision against consumer loans - general	(19,586)	(19,279)
Reversal of provision for diminution in value of investments	(6,348)	(80,885)
Provision against other assets	-	29,180
Unrealised loss on revaluation of investments classified as held for trading	154,955	87,319
Gain on disposal of operating fixed assets	(24,639)	(6,786)
Finance charges on leased assets	-	22
	<u>1,051,506</u>	<u>985,011</u>
	590,592	(221,815)
(Increase) / decrease in operating assets		
Lendings to financial institutions	8,522,428	2,861,401
Held for trading securities	458,394	(789,674)
Advances	(2,127,192)	(5,714,142)
Other assets (excluding advance taxation)	(5,622)	(366,617)
	<u>6,848,008</u>	<u>(4,009,032)</u>
Increase / (decrease) in operating liabilities		
Bills payable	334,912	567,025
Borrowings	(15,275,346)	12,506,047
Deposits and other accounts	12,714,040	3,040,790
Other liabilities (excluding current taxation)	130,273	30,868
	<u>(2,096,121)</u>	<u>16,144,730</u>
	5,342,479	11,913,883
Income tax paid	(1,820,868)	(3,047,805)
Net cash generated from operating activities	<u>3,521,611</u>	<u>8,866,078</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(4,201,389)	(18,769,881)
Net investment in held to maturity securities	(940,174)	8,805,245
Dividend received	175,662	64,272
Markup / return / interest received on available for sale securities	2,009,388	1,736,294
Investments in operating fixed assets	(217,843)	(478,327)
Proceeds realised on disposal of operating fixed assets	165,963	24,160
Net cash used in investing activities	<u>(3,008,393)</u>	<u>(8,618,237)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(200)	(200)
Payments of lease obligations	-	(4,125)
Dividends paid	(455)	(134)
Net cash used in financing activities	<u>(655)</u>	<u>(4,459)</u>
Net increase in cash and cash equivalents	<u>512,563</u>	<u>243,382</u>
Cash and cash equivalents at beginning of the period	9,235,997	9,804,304
Cash and cash equivalents at end of the period	<u>9,748,560</u>	<u>10,047,686</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Half year ended June 30, 2010

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Faysal Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended June 30, 2010

	Reserves				Unappropriated profit (a)	Total
	Capital	Statutory reserve (Note 15.1)	Revenue			
	Reserve for issue of bonus shares		Capital market reserve			
----- Rupees in ' 000 -----						
Balance as at January 1, 2009	5,296,445	-	3,400,481	389,542	1,049,519	10,135,987
Transfer to reserve for issue of bonus shares	-	794,466	-	-	(794,466)	-
Comprehensive Income for the half year ended June 30, 2009	-	-	-	-	467,072	467,072
Issue of bonus shares	794,466	(794,466)	-	-	-	-
Balance as at June 30, 2009	6,090,911	-	3,400,481	389,542	722,125	10,603,059
Transfer to statutory reserve	-	-	240,033	-	(240,033)	-
Comprehensive Income for the half year ended December 31, 2009	-	-	-	-	733,087	733,087
Balance as at December 31, 2009	6,090,911	-	3,640,514	389,542	1,215,179	11,336,146
Comprehensive Income for the half year ended June 30, 2010	-	-	-	-	1,733,779	1,733,779
Transfer to unappropriated profit	-	-	-	(389,542)	389,542	-
Balance as at June 30, 2010	6,090,911	-	3,640,514	-	3,338,500	13,069,925

(a) As more fully explained in note 12.2.2 to these condensed interim financial statements an amount of Rs 504.405 million (December 2009: Rs 502.835 million) representing additional profit arising from available FSV benefit for determining provisioning requirement is not available for the purpose of distribution of cash and stock dividend to share holders.

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

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. The Bank's 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 136 branches (December 2009: 133 branches) including 10 Islamic Banking branches (December 2009: 6) and 2 (December 2009: 2) sub-branches. The registered office (head office) of the Bank is situated at Faysal House, ST-02, Shahrah-e-Faisal, Karachi.

The Pakistan Credit 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+'.

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% of the shareholding of the Bank. Ithmaar Bank B.S.C. is an associate of Dar Al - Maal Al - Islami trust (DMI). The DMI group owns and operates on international network of Islamic Banks and Investment and Insurance companies.

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 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 condensed interim financial results of the Islamic banking branches have been consolidated in these condensed interim financial statements for reporting purposes only after eliminating inter branch transaction and balances. Balance sheet of the Islamic banking branches is disclosed in note 20 to these condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the 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, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SBP shall prevail.

The State Bank of Pakistan 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 No. 10 dated August 26, 2002 till further instructions. In addition the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS 7) on banking companies vide SRO 411(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

The disclosures made in these condensed interim financial statements 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 these condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2009.

SBP through its BSD Circular letter 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 re-named as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available-for-sale Securities (AFS) only, may be included in the 'Statement of Comprehensive Income'. Accordingly, the above requirements have been adopted in the preparation of these condensed interim financial statements.

4 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments and investments classified as held for trading and available for sale, which are measured at fair value.

5 FUNCTIONAL AND PRESENTATION CURRENCY

These 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 condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2009.

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Bank 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.

	Note	June 30, 2010	December 31, 2009
		Rupees in '000	
9	BALANCES WITH OTHER BANKS		
	In Pakistan		
	- Current accounts	187,000	120,292
	Outside Pakistan		
	- Current accounts	<u>205,656</u>	<u>388,503</u>
		<u><u>392,656</u></u>	<u><u>508,795</u></u>
10	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	-	300,000
	Repurchase agreement lendings (Reverse Repo)	10.1 <u>6,195,398</u>	<u>14,717,826</u>
		<u><u>6,195,398</u></u>	<u><u>15,017,826</u></u>

Faysal Bank Limited

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2010

10.1 Securities held as collateral against lendings to financial institutions

	June 30, 2010			December 31, 2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- Rupees in '000 -----						
Market Treasury Bills	6,195,398	-	6,195,398	14,717,826	-	14,717,826

11 INVESTMENTS

11.1 Investments by type

	June 30, 2010			December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- Rupees in '000 -----						
Held for trading securities						
Market Treasury Bills	-	-	-	618,471	-	618,471
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	971,300	-	971,300	811,223	-	811,223
	971,300	-	971,300	1,429,694	-	1,429,694
Available for sale securities						
Market Treasury Bills	35,256,115	3,298,336	38,554,451	14,192,378	17,165,757	31,358,135
Pakistan Investment Bonds	3,778,285	-	3,778,285	5,748,485	97,570	5,846,055
Ijara Sukuk Bonds	436,601	-	436,601	462,000	-	462,000
Units of open end mutual funds						
- National Investment (Unit) Trust (note 11.3)	420,008	-	420,008	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	208,229	-	208,229	207,411	-	207,411
- Faysal Islamic Savings Growth Fund	100,000	-	100,000	-	-	-
- First Habib Income Fund	2,043	-	2,043	-	-	-
- AKD Income Fund	826	-	826	-	-	-
- HBL Income Fund	6,064	-	6,064	-	-	-
- IGI Income Fund	2,046	-	2,046	-	-	-
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	3,531,974	-	3,531,974	1,810,932	-	1,810,932
Fully paid up preference shares	371,607	-	371,607	492,677	-	492,677
Sukuk Bonds	-	-	-	85,000	-	85,000
Term Finance Certificates	1,551,175	-	1,551,175	1,828,288	-	1,828,288
	45,995,347	3,298,336	49,293,683	27,828,967	17,263,327	45,092,294
Held to maturity securities						
Term Finance Certificates	7,698,176	-	7,698,176	7,127,929	-	7,127,929
Sukuk Bonds	2,780,004	-	2,780,004	2,410,077	-	2,410,077
	10,478,180	-	10,478,180	9,538,006	-	9,538,006
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	108,000	-	108,000	108,000	-	108,000
Investments at cost	57,597,827	3,298,336	60,896,163	38,949,667	17,263,327	56,212,994
Provision for diminution in the value of investments (note 11.2)	(1,133,734)	-	(1,133,734)	(1,140,082)	-	(1,140,082)
Investments (net of provisions)	56,464,093	3,298,336	59,762,429	37,809,585	17,263,327	55,072,912
Deficit on revaluation of held for trading securities - net	(204,040)	-	(204,040)	(49,084)	-	(49,084)
(Deficit) / surplus on revaluation of available for sale securities - net	(352,805)	(8,690)	(361,495)	1,535,296	(27,786)	1,507,510
Total investments	55,907,248	3,289,646	59,196,894	39,295,797	17,235,541	56,531,338

	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees in '000	
11.2 Particulars of provision for diminution in the value of investments		
Opening balance	1,140,082	887,890
Charge for the period/ year	223,427	528,403
Reversals during the period/ year	(229,775)	(276,211)
	(6,348)	252,192
Closing balance	<u>1,133,734</u>	<u>1,140,082</u>

- 11.3** NI(U)T LOC Holder's Fund (NIUTL) is an open end mutual fund managed by National Investment Trust Limited (NITL). The Government of Pakistan had issued Letter of Comfort (LOC) to each of its four unit holders, guaranteeing a minimum redemption price of Rs. 13.70 per unit. The 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 (NBP) entered into an agreement dated January 13, 2010 for settlement of the assets of the Fund subsequent to which the Fund would stand dissolved. In accordance with 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%.

During the period, NITL settled 87.61% of NIUTL's units by transferring investments having fair value equal to the Net Asset Value of the units transferred at the settlement date. On settlement of NIUTL units an amount of Rs 1,693.022 million has been recognised as gain on sale of securities which was previously included in equity as surplus on revaluation of securities.

The remaining 22,771,496 units represent shares held by the Fund in PSO and SNGPL which will be purchased by NBP and cash received from NBP will be paid to the all the unit holders in proportion of their investment.

- 11.4** The directors of the bank, in their meeting held on April 28, 2010 gave the approval to acquire the Pakistan operations of the Royal Bank of Scotland (RBS Pakistan). Following the due diligence process, the bank's offer for purchase of 99.37% shares of RBS Pakistan at a total purchase consideration of 41 million Euros (approximately Rs 4.298 billion) was accepted by RBS subject to Regulatory approval. This approval has been received subsequent to the period.

Furthermore, the bank has also made a Public Offer to acquire the remaining 0.63% of the share capital of RBS Pakistan.

	Note	June 30, 2010	December 31, 2009
		Rupees in '000	
12 ADVANCES			
Loans, cash credits, running finances, etc - In Pakistan		88,696,686	85,056,738
Net investment in finance lease - In Pakistan		10,058,249	11,112,580
		<u>98,754,935</u>	96,169,318
Bills discounted and purchased (excluding government market treasury bills)			
- Payable in Pakistan		520,029	438,472
- Payable outside Pakistan		898,055	1,438,480
		1,418,084	1,876,952
Margin financing / reverse repo transactions		338,200	338,200
Gross Advances		<u>100,511,219</u>	98,384,470
Provision against non-performing advances	12.2	(7,476,932)	(6,848,394)
Provision against consumer loans - general	12.3	(170,489)	(190,075)
		<u>92,863,798</u>	<u>91,346,001</u>

Faysal Bank Limited

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- 12.1 Advances include Rs 11.104 billion (December 31, 2009: Rs 10.671 billion) have been placed under non-performing status as detailed below:

	June 30, 2010				
	Domestic	Overseas	Total	Provision required	Provision held
	----- Rupees in '000 -----				
Category of classification					
Other assets especially mentioned - (Agri Financing)	207,362	-	207,362	-	-
Substandard	1,128,472	-	1,128,472	206,751	206,751
Doubtful	1,948,261	-	1,948,261	633,264	633,264
Loss	7,820,018	-	7,820,018	6,636,917	6,636,917
	<u>11,104,113</u>	<u>-</u>	<u>11,104,113</u>	<u>7,476,932</u>	<u>7,476,932</u>
	December 31, 2009				
	Domestic	Overseas	Total	Provision required	Provision held
	----- Rupees '000 -----				
Category of classification					
Other assets especially mentioned - (Agri Financing)	277,202	-	277,202	-	-
Substandard	1,756,150	-	1,756,150	334,776	334,776
Doubtful	2,112,776	-	2,112,776	800,237	800,237
Loss	6,524,902	-	6,524,902	5,529,323	5,529,323
	<u>10,671,030</u>	<u>-</u>	<u>10,671,030</u>	<u>6,664,336</u>	<u>6,664,336</u>

- 12.2 Particulars of provision against non-performing advances

	June 30, 2010		
	Specific	General	Total
	----- Rupees in '000 -----		
Opening balance	6,664,336	184,058	6,848,394
Charge for the period	1,113,220	-	1,113,220
Transfer from / (to) general provision	184,058	(184,058)	-
Reversals during the period	(484,239)	-	(484,239)
	813,039	(184,058)	628,981
Amounts written off	(443)	-	(443)
Closing balance	<u>7,476,932</u>	<u>-</u>	<u>7,476,932</u>
	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
Reversals	(729,255)	(58,000)	(787,255)
	1,841,032	125,382	1,966,414
Amounts written off	(9,795)	-	(9,795)
Closing balance	<u>6,664,336</u>	<u>184,058</u>	<u>6,848,394</u>

- 12.2.1 Until last year, in addition to specific provision against loans and advances, the bank was also maintaining general provision against potential losses on performing loans and finance lease based on management estimate. However, during the period the management has decided that general provision is no longer required as all loan losses are timely identified and are subjected to provision as required under the Prudential Regulations issued by the State Bank of Pakistan. Accordingly, the balance of provision as at December 31, 2009 has been reversed and transferred to specific provision.

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12.2.2 The State Bank of Pakistan (SBP) vide its Circular No. 10 dated October 20, 2009 and BSD Circular No. 2 dated June 3, 2010 has allowed banks to avail the benefit of 40% of forced sale value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against all non-performing loans for 4 years (previously 3 years) from the date of classification for calculating provisioning requirement. However, the additional impact on profitability arising from availing this benefit would not be available for payment of cash or stock dividend. Currently, the Bank has availed benefit amounting to Rs 63.438 million in respect of change of benefit from 3 years to 4 years from the date of classification. The additional profit arising from availing the FSV benefit (net of tax), as at June 30, 2010, which is not available for either cash or stock dividend to shareholders amounted to approximately Rs 504.405 million (December 2009: Rs 502.835 million).

	June 30, 2010	December 31, 2009
12.3 Particulars of provision against consumer loans - general	Rupees in '000	
Opening balance	190,075	216,798
Charge for the period	-	-
Reversals during the period	<u>(19,586)</u>	<u>(26,723)</u>
Closing balance	<u>170,489</u>	<u>190,075</u>

12.3.1 General provision against consumer loans has been maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations for consumer financing issued by the State Bank of Pakistan.

	Half year ended	
	June 30, 2010	June 30, 2009
13 OPERATING FIXED ASSETS	Rupees in '000	
13.1 Additions to operating fixed assets		
Leasehold property and improvements	35,144	72,713
Office furniture, fixtures, equipment and computers	75,181	292,296
Vehicles-owned	11,752	44,365
Capital work-in-progress	74,775	-
13.2 Intangibles		
Software	20,991	68,951
13.3 Disposals of operating fixed assets		
Office furniture, fixtures, equipment and computers	3,639	1,857
Vehicles-owned	188,480	31,383
Vehicles-subject to finance lease	-	10,478
14 DEPOSITS AND OTHER ACCOUNTS	June 30, 2010	December 31, 2009
	Rupees in '000	
Fixed deposits	69,476,021	60,320,421
Saving deposits	42,793,643	40,443,955
Current accounts	22,381,875	21,157,066
Margin accounts	<u>1,717,689</u>	<u>1,733,746</u>
	<u>136,369,228</u>	<u>123,655,188</u>

15 RESERVES

15.1 Statutory Reserve

The statutory reserve is created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

15.2 Capital Market Reserve

The Bank made appropriations to capital market reserve in order to meet unforeseen future contingencies in the capital market. However, during the period the bank has decided to transfer the balance appearing in the reserve to unappropriated profit and not to make additional appropriation on this account. The decision has been taken as in the opinion of the management all capital market losses are accurately reflected in the determination of profit / equity through the mark to market and a robust and timely mechanism for recognition of impairment losses.

16 CONTINGENCIES AND COMMITMENTS

June 30, 2010 **December 31, 2009**

16.1 Direct credit substitutes

Rupees in '000

Contingent liability in respect of guarantees favouring:

- Government	-	-
- Banking companies and other financial institutions	3,275	7,819
- Others	-	-
	3,275	7,819

Acceptances

- Government	-	-
- Banking companies and other financial institutions	-	-
- Others	2,182,556	1,471,261
	2,182,556	1,471,261

16.2 Transaction-related contingent liabilities

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

- Government	3,628,853	4,454,789
- Banking companies and other financial institutions	854,430	41,492
- Others	5,304,912	9,910,872
	9,788,195	14,407,153

16.3 Trade-related contingent liabilities

Letters of credit favouring :

- Government	4,506,635	2,695,731
- Banking companies and other financial institutions	-	-
- Others	10,421,346	7,279,003
	14,927,981	9,974,734

16.4 Other Contingencies

- 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
- Indemnity issued favouring the High Court in above case	457,543	457,543
- Claims against the Bank not acknowledged as debt	4,481,042	1,641,661

16.5 Income tax assessments of the Bank have been finalised upto the tax year 2009. The department and the Bank have disagreements on various matters for tax years from 1994 to 2008. These include disallowance of initial depreciation on leases, disallowances of provision for bad debts, bad debts written off, taxability of NIT dividend, status of AFIBL, excess perquisites and others. The Bank and the department have filed appeals with CIT (Appeals), ITAT and the High Court in respect of the aforementioned matters. The management and the tax consultant are confident that the decision in respect of these matters will be in the Bank's favour.

Faysal Bank Limited

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For the half year ended June 30, 2010

	June 30, 2010	December 31, 2009
	Rupees in '000	
16.6 Commitments in respect of forward lending / purchase		
Commitments to extend credit - advances	2,200,000	2,000,000
Commitments to invest in securities	-	210,000
16.7 Commitments in respect of forward exchange contracts		
Purchase		
- Customers	1,189,479	1,745,536
- Banks	3,990,481	6,390,515
	5,179,960	8,136,051
Sale		
- Customers	-	4,840
- Banks	2,222,714	6,522,648
	2,222,714	6,527,488
16.8 Commitments for acquisition of operating fixed assets	83,936	84,787
16.9 Commitments in respect of repo transactions		
Repurchase	3,315,574	17,250,582
Resale	6,582,451	15,088,857

17 BASIC / DILUTED EARNINGS PER SHARE

	Quarter ended		Half year ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	----- Rupees in '000 -----			
Profit after taxation	<u>48,186</u>	<u>211,818</u>	<u>1,733,779</u>	<u>467,072</u>
	Number of shares in thousands			
Weighted average number of ordinary shares	<u>609,091</u>	<u>609,091</u>	<u>609,091</u>	<u>609,091</u>
	----- Rupees -----			
Basic and diluted earnings per share	<u>0.08</u>	<u>0.35</u>	<u>2.85</u>	<u>0.77</u>

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
- 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.

Faysal Bank Limited

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	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
----- Rupees in '000 -----					
For the half year ended June 30, 2010					
Total income - net	69,654	1,020,877	1,919,391	1,700,553	4,710,475
Total expenses	(38,356)	(443,338)	(1,308,883)	(1,186,119)	(2,976,696)
Net income (loss)	<u>31,298</u>	<u>577,539</u>	<u>610,508</u>	<u>514,434</u>	<u>1,733,779</u>

As at June 30, 2010

Segment assets (Gross)	-	58,667,750	43,289,178	85,122,907	187,079,835
Segment non performing loans	-	338,200	7,870,009	2,895,904	11,104,113
Segment provision required against loans	-	(26,906)	(4,884,998)	(2,735,517)	(7,647,421)
Segment liabilities	-	(47,234,821)	(94,469,642)	(23,617,411)	(165,321,874)
Segment return on assets (ROA) (%)	-	<u>14.74%</u>	<u>10.09%</u>	<u>11.80%</u>	
Segment cost of funds (%)	-	<u>3.75%</u>	<u>6.99%</u>	<u>3.97%</u>	

For the half year ended June 30, 2009

Total income - net	43,680	143,833	1,787,340	1,607,100	3,581,953
Total expenses	(32,664)	(192,645)	(1,707,696)	(1,181,876)	(3,114,881)
Net income	<u>11,016</u>	<u>(48,812)</u>	<u>79,644</u>	<u>425,224</u>	<u>467,072</u>

As at December 31, 2009

Total income - net	113,880	719,586	2,860,306	4,109,283	7,803,055
Total expenses	(58,895)	(293,474)	(2,834,996)	(3,415,531)	(6,602,896)
Net income (loss)	<u>54,985</u>	<u>426,112</u>	<u>25,310</u>	<u>693,752</u>	<u>1,200,159</u>
Segment assets (Gross)	-	51,119,347	73,079,622	64,946,584	189,145,553
Segment non performing loans	-	-	6,693,223	3,977,807	10,671,030
Segment provision required against loans	-	-	(3,677,327)	(3,361,142)	(7,038,469)
Segment liabilities	-	(48,391,126)	(95,523,015)	(24,168,533)	(168,082,674)
Segment return on assets (ROA) (%)	-	<u>12.20%</u>	<u>11.20%</u>	<u>13.60%</u>	
Segment cost of funds (%)	-	<u>4.20%</u>	<u>7.70%</u>	<u>6.90%</u>	

19 RELATED PARTY TRANSACTIONS

The Bank has related party relations with its 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 11.1 to these condensed interim financial statements.

Banking transactions with the related parties are executed substantially on the same terms, except transactions 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, 2010 (Un-audited)						
	Directors and Key Management Personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies	Strategic Investments
----- Rupees in '000 -----						
Deposits						
Balance at the beginning of the period	39,485	350,367	188,070	399	2,181,528	27,085
Placements during the period	335,032	579,922	546,899	195,950	27,500,121	70,799
Withdrawals during the period	(329,741)	(498,282)	(727,545)	(189,333)	(28,869,143)	(63,056)
Balance at end of the period	44,776	432,007	7,424	7,016	812,506	34,828
Advances						
Balance at the beginning of the period	33,576	-	-	-	-	802,558
Disbursements during the period	-	-	-	-	-	1,750
Repayments during the period	(5,985)	-	-	-	-	(1,441)
Balance at end of the period	27,591	-	-	-	-	802,867
					(Un-audited) June 30, 2010	Audited December 31, 2009
					Rupees in '000	
Foreign currency placement of funds / nostro balances with group companies					253	16,215
					(Un-audited) Half year ended	
					June 30, 2010	June 30, 2009
					Rupees in '000	
Transactions involving sale / purchase of investments with related parties						
Shares / units purchased					305,186	767,583
Shares / units sold					359,131	862,161
Profit paid / accrued					111,738	124,558
Profit / return earned					1,056	49,441
Dividend income from subsidiaries					2,808	3,240
Remuneration of key management personnel						
Salaries, bonuses and other short-term employee benefits					100,632	65,758
Post-employment benefits					6,668	1,690
Contribution to staff retirement benefits					70,372	57,947

Faysal Bank Limited

Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2010

20 ISLAMIC BANKING BUSINESS

The Bank is operating with 10 (December 2009: 6) Islamic banking branches. The statement of financial position as at June 30, 2010 is as follows:

	(Un-audited) June 30, 2010	(Audited) December 31, 2009
	Rupees in '000	
20.1 Statement of Financial Position		
ASSETS		
Cash and balances with treasury banks	258,052	27,270
Balances with and due from financial Institutions	82,603	20,159
Investments	1,462,466	535,877
Financing and receivables		
- Murabaha	2,000,000	-
- Ijara	-	-
- Musharaka	-	-
- Diminishing Musharaka	-	-
- Salam	-	-
Other assets	313,976	38,665
	<u>4,117,097</u>	<u>621,971</u>
LIABILITIES		
Bills payable	6,393	6,601
Due to financial institutions	-	-
Deposits and other accounts		
- Current Accounts	574,574	-
- Saving Accounts	2,069,094	32,482
- Term Deposits	506,187	81,575
- Others	-	-
- Deposit from financial institutions - remunerative	-	-
- Deposits from financial institutions - non-remunerative	-	-
Due to head office	-	-
Other liabilities	447,507	5,108
	<u>3,603,755</u>	<u>125,766</u>
	<u>513,342</u>	<u>496,205</u>
NET ASSETS		
REPRESENTED BY		
Islamic Banking Fund	500,000	500,000
Reserves	-	-
Unappropriated / Unremitted loss	8,866	(943)
	<u>508,866</u>	<u>499,057</u>
Surplus/ (deficit) on revaluation of assets- net of tax	4,476	(2,852)
	<u>513,342</u>	<u>496,205</u>
Remuneration to shariah advisor / board	<u>1,052</u>	<u>1,750</u>
CHARITY FUND		
Opening balance	-	-
Additions during the period	-	-
Payments / utilization during the period	-	-
Closing balance	-	-

21 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 24, 2010 by the Board of Directors of the Bank.

22 GENERAL

22.1 Comparative information has been re-classified and re-arranged in these condensed interim financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

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

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Half year ended June 30, 2010

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