

**Consolidated Condensed Interim  
Financial Statements  
for the nine months ended September 30, 2010**

It gives me great pleasure to present, on behalf of the Board of Directors, the financial statements for the quarter and nine months ended September 30, 2010.

### GROUP

For the purpose of these financial statements the Group is defined as given below;

Holding Company: Faysal Bank Limited (FBL)

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

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

On October 15, 2010 after completing all legal formalities, the holding company has acquired 99.37% shares of Royal Bank of Scotland Limited from Royal Bank of Scotland N.V in accordance with the Share Purchase Agreement dated June 15, 2010. A scheme of amalgamation of the two banks has been recommended by the Board to the share holders for approval subject to approval of the State Bank of Pakistan.

### 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 nine months ended	
	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2009
	Rupees in millions			
Profit before tax	91	733	1,660	1,521
Charge / (Reversal) for tax	13	281	(160)	593
Profit after tax	78	452	1,820	928
Profit attributable to non-controlling interest	(1)	(1)	(2)	(4)
Profit attributable to equity holders	77	451	1,818	924
Un-appropriated profit brought forward	2,992	762	1,251	1,084
	3,069	1,213	3,069	2,008
<b>Appropriations:</b>				
Issue of bonus shares 2009 @ 15%	-	-	-	(795)
Transfer of capital market reserve to un-appropriated profit	390	-	390	-
<b>Un-appropriated profit carried forward</b>	<b>3,459</b>	<b>1,213</b>	<b>3,459</b>	<b>1,213</b>
<b>Earnings per share (Rupees)</b>	<b>0.13</b>	<b>0.74</b>	<b>2.98</b>	<b>1.52</b>

Markup earned for the nine months ended September 30, 2010 increased by Rs. 879 million over corresponding period last year mainly on account of increase in financing volume. Markup expenses for the current period have increased by Rs. 620 million mainly due to increase in deposit cost as a result of growth in deposits. Accordingly net markup income increased by 7% or Rs. 258 million over the nine months period last year.

Despite challenging economic conditions, provision against non performing loans was lower by PKR 311 million over the corresponding period last year.

Non markup income for the nine months increased by Rs. 263 million to Rs. 2,430 million mainly on account of capital gain on settlement of NIT LOC Holders' Fund of Rs. 1.7 billion. This was however, offset by decline in dividend income and loss realized on capital market portfolio due to adverse market conditions.

Administrative expenses have increased to Rs. 3,819 million from Rs. 3,153 million over the previous period. Reasons for this increase include opening of 11 new branches since September 2009, 2.5% premium charged by NIT on settlement of NIT LOC holders' fund, higher inflation and staff increments in March 2009 and 2010.

Reconciliation of historical tax records has resulted in reversal of provision for tax amounting to Rs. 160 million. Accordingly, net profit after tax for the quarter and nine months ended September 30, 2010 was Rs. 78 million and Rs. 1,820 million respectively as against Rs. 451 million and Rs. 928 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 Group the shareholders for the trust they have reposed in the Group, 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 Group for their dedication and hard work

On behalf of the Board of Directors

President & CEO

Karachi

Dated: October 28, 2010

# Faysal Bank Limited

## Consolidated Condensed Interim Statement of Financial Position For the nine months ended September 30, 2010

Note	Un-audited September 30, 2010	Audited December 31, 2009
	----- Rupees in '000 -----	

### ASSETS

Cash and balances with treasury banks		9,266,925	8,427,202
Balances with other banks	10	690,641	508,795
Lendings to financial institutions	11	1,779,213	15,017,826
Investments	12	51,799,477	56,459,447
Advances	13	94,734,327	91,346,001
Operating fixed assets		2,678,906	2,787,617
Deferred tax assets - net		2,181,702	1,278,849
Other assets		6,370,772	4,966,716
		<b>169,501,963</b>	<b>180,792,453</b>

### LIABILITIES

Bills payable		1,934,968	1,465,451
Borrowings from financial institutions		14,422,549	34,985,766
Deposits and other accounts	15	132,457,023	123,469,683
Sub-ordinated loans		999,000	999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		6,755,231	6,979,304
		<b>156,568,771</b>	<b>167,899,404</b>
		<b>12,933,192</b>	<b>12,893,049</b>

### NET ASSETS

### REPRESENTED BY

Share capital		6,090,911	6,090,911
Reserves	16	3,640,514	4,030,056
Unappropriated profit		3,459,335	1,252,180
		<b>13,190,760</b>	<b>11,373,147</b>
Non-controlling interest		73,828	73,309
		<b>13,264,588</b>	<b>11,446,456</b>
(Deficit) / Surplus on revaluation of assets - net of tax		<b>(331,396)</b>	<b>1,446,593</b>
		<b>12,933,192</b>	<b>12,893,049</b>

### CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

# Faysal Bank Limited

## Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the nine months ended September 30, 2010

Note	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
----- Rupees in '000 -----				
Mark-up / return / interest earned	4,656,694	4,215,379	13,365,466	12,486,579
Mark-up / return / interest expended	3,345,323	2,914,401	9,379,480	8,759,071
Net mark-up / interest income	1,311,371	1,300,978	3,985,986	3,727,508
Provision against non-performing loans and advances - net	13.2 374,370	590,273	1,003,351	1,273,234
Reversal of provision for consumer loans - general	13.3 (42,599)	(1,402)	(62,185)	(20,681)
Provision for diminution in the value of investments	12.2 (1,141)	(183,269)	(7,489)	(116,915)
Bad debts written off directly	-	-	-	-
	330,630	405,602	933,677	1,135,638
Net mark-up / return / interest income after provisions	980,741	895,376	3,052,309	2,591,870
<b>Non mark-up / return / interest income</b>				
Fee, commission and brokerage income	203,620	184,840	671,697	659,978
Dividend income	84,693	534,710	255,944	610,797
Income from dealing in foreign currencies	99,333	39,243	339,329	203,205
(Loss) / gain on sale of securities	(113,716)	172,888	1,137,829	664,582
Unrealised gain / (loss) on revaluation of investments classified as held for trading	86,145	58,774	(68,810)	(28,545)
Other income	27,547	13,733	94,422	57,772
Total non mark-up / return / interest income	387,622	1,004,188	2,430,411	2,167,789
	1,368,363	1,899,564	5,482,720	4,759,659
<b>Non mark-up / return / interest expenses</b>				
Administrative expenses	1,279,901	1,105,058	3,818,614	3,153,125
Other provisions	-	30,000	-	59,180
Other charges	(260)	32,607	10,109	32,698
Total non mark-up / return / interest expenses	1,279,641	1,167,665	3,828,723	3,245,003
	88,722	731,899	1,653,997	1,514,656
Extraordinary / unusual items	-	-	-	-
Share of income from associates	2,346	1,106	6,449	6,344
<b>Profit before taxation</b>	91,068	733,005	1,660,446	1,521,000
Taxation - Current period	63,063	372,661	388,298	781,663
- Prior years	-	-	(239,872)	3,305,364
- Deferred	(49,778)	(91,534)	(307,984)	(3,494,297)
	13,285	281,127	(159,558)	592,730
<b>Profit after taxation</b>	77,783	451,878	1,820,004	928,270
Profit attributable to non-controlling interest	657	1,255	2,391	4,186
Profit attributable to equity holders	77,126	450,623	1,817,613	924,084
	77,783	451,878	1,820,004	928,270
<b>Basic and diluted earnings per share attributable to equity holders</b>	17 0.13	0.74	2.98	1.52

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Third quarter ended September 30, 2010

# Faysal Bank Limited

## Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the nine months ended September 30, 2010

	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees in '000			
<b>Profit for the period</b>	<b>77,783</b>	451,878	<b>1,820,004</b>	928,270
<b>Components of comprehensive income not reflected in equity</b>				
(Deficit) / Surplus on revaluation of available for sale securities - net of tax	(19,808)	608,013	(1,669,551)	1,013,604
<b>Total comprehensive (loss) / income for the period</b>	<b>57,957</b>	<b>1,059,891</b>	<b>150,453</b>	<b>1,941,874</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Owners of the Company	77,126	450,623	1,817,613	924,084
Non-controlling interest	657	1,255	2,391	4,186
	<b>77,783</b>	<b>451,878</b>	<b>1,820,004</b>	<b>928,270</b>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

# Faysal Bank Limited

## Consolidated Condensed Interim Cash Flow Statement (Un-audited) For the nine months ended September 30, 2010

	Nine months ended	
	September 30, 2010	September 30, 2009
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,660,446	1,521,000
Less: dividend income	(255,944)	(610,797)
Less: mark-up / return / interest earned on available for sale securities	(2,857,334)	(3,072,796)
	<u>1,452,832</u>	<u>(2,162,593)</u>
Adjustments for non cash and other items:		
Depreciation	386,989	388,959
Amortisation	84,783	57,553
Provision against non-performing loans and advances - net	1,003,351	1,273,234
Reversal of provision against consumer loans - general	(62,185)	(20,681)
Reversal of provision for diminution in value of investments	(7,489)	(116,915)
Provision against other assets	-	59,180
Unrealised loss on revaluation of investments classified as held for trading	68,810	28,545
Gain on disposal of operating fixed assets	(24,833)	(7,214)
Finance charges on leased assets	-	22
	<u>1,449,426</u>	<u>1,662,683</u>
	(3,406)	(499,910)
(Increase) / decrease in operating assets		
Lendings to financial institutions	13,438,613	2,385,447
Held for trading securities	(174,406)	(1,008,949)
Advances	(4,329,492)	(5,680,837)
Other assets (excluding advance taxation)	(882,105)	(359,433)
	<u>8,052,610</u>	<u>(4,663,772)</u>
Increase / (decrease) in operating liabilities		
Bills payable	469,517	319,667
Borrowings	(20,563,217)	12,046,818
Deposits and other accounts	8,987,340	6,554,282
Other liabilities (excluding current taxation)	439,359	1,111,675
	<u>(10,667,001)</u>	<u>20,032,442</u>
	(2,617,797)	14,868,760
Income tax paid	<u>(1,838,120)</u>	<u>(3,100,515)</u>
Net cash generated from operating activities	<u>(4,455,917)</u>	<u>11,768,245</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	3,543,296	(24,034,901)
Net investment in held to maturity securities	(847,029)	8,805,245
Dividend received	236,686	587,540
Markup / return / interest received on available for sale securities	3,085,311	3,004,203
Investments in operating fixed assets	(505,979)	(659,029)
Proceeds realised on disposal of operating fixed assets	167,750	30,361
Net cash used in investing activities	<u>5,680,035</u>	<u>(12,266,581)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments of sub-ordinated loan	(200)	(200)
Payments of lease obligations	-	(4,125)
Dividends paid to non-controlling interest holders	(1,872)	(4,500)
Dividends paid	(477)	(288)
Net cash used in financing activities	<u>(2,549)</u>	<u>(9,113)</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,221,569</u>	<u>(507,449)</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>10,457,566</u>	<u>9,296,855</u>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR



# Faysal Bank Limited

## Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the nine months ended September 30, 2010

	Share capital	Attributable to the equity holders					Non-controlling interest	Total
		Capital Reserve for issue of bonus shares	Statutory reserve (Note 16.1)	Revenue	Unappropriated profit (a)	Total		
		Capital market reserve						
----- Rupees in '000 -----								
Balance as at January 1, 2009	5,296,445	-	3,400,481	389,542	1,079,333	10,165,801	73,706	10,239,507
Transfer to reserve for issue of bonus shares	-	794,466	-	-	(794,466)	-	-	-
Comprehensive Income for the nine months ended September 30, 2009	-	-	-	-	928,270	928,270	4,186	932,456
Dividend paid	-	-	-	-	-	-	(4,500)	(4,500)
Issue of bonus shares	794,466	(794,466)	-	-	-	-	-	-
Balance as at September 30, 2009	6,090,911	-	3,400,481	389,542	1,213,137	11,094,071	73,392	11,167,463
Comprehensive Income for the period October to December 31, 2009	-	-	-	-	279,076	279,076	(83)	278,993
Transfer to statutory reserve	-	-	240,033	-	(240,033)	-	-	-
Balance as at December 31, 2009	6,090,911	-	3,640,514	389,542	1,252,180	11,373,147	73,309	11,446,456
Comprehensive Income for the nine months ended September 30, 2010	-	-	-	-	1,817,613	1,817,613	2,391	1,820,004
Dividend paid	-	-	-	-	-	-	(1,872)	(1,872)
Transfer to unappropriated profit	-	-	-	(389,542)	389,542	-	-	-
<b>Balance as at September 30, 2010</b>	<b>6,090,911</b>	<b>-</b>	<b>3,640,514</b>	<b>-</b>	<b>3,459,335</b>	<b>13,190,760</b>	<b>73,828</b>	<b>13,264,588</b>

- (a) As more fully explained in note 13.2.2 to these consolidated condensed interim financial statements an amount of Rs 601.349 million (December 2009: Rs 502.835 million) representing additional profit arising from availing FSV benefit for determining provisioning requirement is not available for the purpose of distribution of cash or stock dividend to share holders.

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

**PRESIDENT & CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

## 1 THE GROUP AND ITS OPERATIONS

The Group consists of following entities:

### Holding Company

Faysal Bank Limited (FBL, the bank)

### Subsidiary Company

Faysal Management Services (Private) Limited (shareholding - 60.00%)

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 141 branches (December 2009: 133 branches) including 10 Islamic Banking branches (December 2009: 6) and 2 sub-branches (December 2009: 2). The registered office (head office) of the Bank is situated at Faysal House, ST-02, Shara-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% 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.

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+'.

Faysal Management Services (Private) Limited (FMSL) is a company formed under the Companies Ordinance, 1984 as a private limited company to float and manage modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980.

## 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 consolidated 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 consolidated condensed interim financial statements for reporting purposes only after eliminating inter branch transaction and balances. Statement of Financial Position of the Islamic banking branches is disclosed in note 21 to these consolidated condensed interim financial statements.

## 3 BASIS OF CONSOLIDATION

The basis of consolidation of the financial statement of subsidiary is the same as that applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2009.

## 4 STATEMENT OF COMPLIANCE

These consolidated 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 consolidated 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 consolidated 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 consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group 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 consolidated condensed interim financial statements.

## 5 BASIS OF MEASUREMENT

These consolidated 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.

## 6 FUNCTIONAL AND PRESENTATION CURRENCY

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

## 7 SIGNIFICANT ACCOUNTING POLICIES

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

## 8 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

## 9 FINANCIAL RISK MANAGEMENT

The Group'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	September 30, 2010	December 31, 2009
		----- Rupees in '000 -----	
<b>10 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- Current accounts		276,361	120,292
- Deposit accounts		184,014	-
Outside Pakistan			
- Current accounts		230,266	388,503
		<u>690,641</u>	<u>508,795</u>
<b>11 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		500,000	300,000
Repurchase agreement lendings (Reverse Repo)	11.1	1,279,213	14,717,826
		<u>1,779,213</u>	<u>15,017,826</u>

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

## 11.1 Securities held as collateral against lendings to financial institutions

	September 30, 2010			December 31, 2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000						
Market Treasury Bills	1,279,213	-	1,279,213	14,717,826	-	14,717,826

## 12 INVESTMENTS

### 12.1 Investments by type

	September 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	781,852	-	781,852	618,471	-	618,471
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	822,248	-	822,248	811,223	-	811,223
	1,604,100	-	1,604,100	1,429,694	-	1,429,694

#### Available for sale securities

Market Treasury Bills	30,021,106	-	30,021,106	14,192,378	17,165,757	31,358,135
Pakistan Investment Bonds	3,718,152	-	3,718,152	5,748,485	97,570	5,846,055
Ijara Sukuk Bonds	436,156	-	436,156	462,000	-	462,000
Units of open end mutual funds						
- National Investment (Unit) Trust (note 12.3)	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	-	-	-
- PICIC Income Fund	100,000	-	100,000	-	-	-
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	4,284,236	-	4,284,236	1,810,932	-	1,810,932
Fully paid up preference shares	371,739	-	371,739	492,677	-	492,677
Sukuk Bonds	-	-	-	85,000	-	85,000
Term Finance Certificates	1,541,504	-	1,541,504	1,828,288	-	1,828,288
	41,542,483	-	41,542,483	27,828,967	17,263,327	45,092,294

#### Held to maturity securities

Term Finance Certificates	7,656,217	-	7,656,217	7,127,929	-	7,127,929
Sukuk Bonds	2,728,818	-	2,728,818	2,410,077	-	2,410,077
	10,385,035	-	10,385,035	9,538,006	-	9,538,006

#### Associate

Fully paid up ordinary shares of - Faysal Asset Management Limited	87,624	-	87,624	81,109	-	81,109
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#### Investments at cost

	53,619,242	-	53,619,242	38,877,776	17,263,327	56,141,103
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Provision for diminution in the value of investments (note 12.2)

	(1,132,593)	-	(1,132,593)	(1,140,082)	-	(1,140,082)
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#### Investments (net of provisions)

	52,486,649	-	52,486,649	37,737,694	17,263,327	55,001,021
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Deficit on revaluation of held for trading securities - net

	(117,894)	-	(117,894)	(49,084)	-	(49,084)
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(Deficit) / Surplus on revaluation of available for sale securities - net

	(569,278)	-	(569,278)	1,535,296	(27,786)	1,507,510
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#### Total investments

	51,799,477	-	51,799,477	39,223,906	17,235,541	56,459,447
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# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

	Unaudited September 30, 2010	Audited December 31, 2009
	----- Rupees in '000 -----	
<b>12.2 Particulars of provision for diminution in the value of investments</b>		
Opening balance	1,140,082	887,890
Charge for the period/ year	223,427	528,403
Reversals during the period/ year	(230,916)	(276,211)
	(7,489)	252,192
Closing balance	1,132,593	1,140,082

- 12.3** NI(UT) 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 have been purchased by NBP, subsequent to the end of the period. The cash in respect of this settlement is yet to be received and cash received from NBP will be paid to all the unit holders in proportion of their investment.

- 12.4** The bank had signed a Share Purchase Agreement (SPA) dated June 15, 2010 to acquire 99.37% shares of Royal Bank of Scotland Limited from Royal Bank of Scotland N.V. After completing all legal formalities, subsequent to the period end on October 15, 2010, the sale consideration of Euro 41.237 million (equivalent Rs. 4.991 billion) was paid and shares were transferred to the Bank. A scheme of amalgamation of the two banks has been recommended by the Board to the share holders for approval subject to approval of the State Bank of Pakistan.

	Note	September 30, 2010	December 31, 2009
		----- Rupees in '000 -----	
<b>13 ADVANCES</b>			
Loans, cash credits, running finances, etc - In Pakistan		91,545,852	85,056,738
Net investment in finance lease - In Pakistan		9,334,310	11,112,580
		100,880,162	96,169,318
Bills discounted and purchased (excluding government market treasury bills)			
- Payable in Pakistan		646,794	438,472
- Payable outside Pakistan		848,363	1,438,480
		1,495,157	1,876,952
Margin financing / reverse repo transactions		338,200	338,200
Gross Advances		102,713,519	98,384,470
Provision against non-performing advances	13.2	(7,851,302)	(6,848,394)
Provision against consumer loans - general	13.3	(127,890)	(190,075)
		94,734,327	91,346,001

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

- 13.1** Advances include Rs 12.244 billion (December 31, 2009: Rs 10.671 billion) which have been placed under non-performing status as detailed below:

September 30, 2010				
Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in '000 -----				
<b>Category of classification</b>				
Other assets especially mentioned - (Agri Financing)	409,096	-	409,096	-
Substandard	1,544,755	-	1,544,755	298,115
Doubtful	1,916,908	-	1,916,908	553,861
Loss	8,373,681	-	8,373,681	6,999,326
	<u>12,244,440</u>	<u>-</u>	<u>12,244,440</u>	<u>7,851,302</u>

December 31, 2009				
Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in '000 -----				
<b>Category of classification</b>				
Other assets especially mentioned - (Agri Financing)	277,202	-	277,202	-
Substandard	1,756,150	-	1,756,150	334,776
Doubtful	2,112,776	-	2,112,776	800,237
Loss	6,524,902	-	6,524,902	5,529,323
	<u>10,671,030</u>	<u>-</u>	<u>10,671,030</u>	<u>6,664,336</u>

## 13.2 Particulars of provision against non-performing advances

	September 30, 2010		
	Specific	General	Total
	----- Rupees in '000 -----		
Opening balance	6,664,336	184,058	6,848,394
Charge for the period	1,514,614	-	1,514,614
Transfer from general to specific provision	184,058	(184,058)	-
Reversals during the period	(511,263)	-	(511,263)
	1,187,409	(184,058)	1,003,351
Amounts written off	(443)	-	(443)
Closing balance	7,851,302	-	7,851,302

	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 during the year	(729,255)	(58,000)	(787,255)
	1,841,032	125,382	1,966,414
Amounts written off	(9,795)	-	(9,795)
Closing balance	6,664,336	184,058	6,848,394

## Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

**13.2.1** 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.

**13.2.2** 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 91.505 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 September 30, 2010, which is not available for either cash or stock dividend to shareholders amounted to approximately Rs 601.349 million (December 2009: Rs 502.835 million).

	September 30, 2010	December 31, 2009
<b>13.3 Particulars of provision against consumer loans - general</b>	----- Rupees in '000 -----	-----
Opening balance	190,075	216,798
Charge for the period	-	-
Reversals during the period	(62,185)	(26,723)
Closing balance	<u>127,890</u>	<u>190,075</u>

**13.3.1** 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.

	Nine months ended	
	September 30, 2010	September 30, 2009
<b>14 OPERATING FIXED ASSETS</b>	----- Rupees in '000 -----	-----

### 14.1 Additions to operating fixed assets

Leasehold land	-	50,756
Leasehold property and improvements	56,149	127,794
Office furniture, fixtures, equipment and computers	127,791	423,252
Vehicles-owned	21,773	93,783
Capital work-in-progress	279,197	-

### 14.2 Additions to intangibles

Software	21,069	82,258
----------	--------	--------

### 14.3 Disposals of operating fixed assets

Leasehold property and improvements	72	-
Office furniture, fixtures, equipment and computers	13,338	10,546
Vehicles-owned	198,775	43,344
Vehicles-subject to finance lease	-	10,478

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

	September 30, 2010	December 31, 2009
	----- Rupees in '000 -----	
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>		
Fixed deposits	61,854,417	56,061,605
Saving deposits	46,870,325	44,523,269
Current accounts	22,056,370	21,151,063
Margin accounts	1,675,911	1,733,746
	<u>132,457,023</u>	<u>123,469,683</u>

## 16 RESERVES

### 16.1 Statutory Reserve

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

### 16.2 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.

	Un-audited September 30, 2010	Audited December 31, 2009
	----- Rupees in '000 -----	
<b>17 CONTINGENCIES AND COMMITMENTS</b>		
<b>17.1 Direct credit substitutes</b>		
Contingent liability in respect of guarantees favouring:		
- Government	-	-
- Banking companies and other financial institutions	3,275	7,819
- Others	-	-
	<u>3,275</u>	<u>7,819</u>
Acceptances		
- Government	-	-
- Banking companies and other financial institutions	-	-
- Others	1,965,245	1,471,261
	<u>1,965,245</u>	<u>1,471,261</u>

### 17.2 Transaction-related contingent liabilities

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

- Government	9,014,738	4,454,789
- Banking companies and other financial institutions	350,549	41,492
- Others	939,819	9,910,872
	<u>10,305,106</u>	<u>14,407,153</u>



# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

	Un-audited September 30, 2010	Audited December 31, 2009
	----- Rupees in '000 -----	
<b>17.3 Trade-related contingent liabilities</b>		
Letters of credit favouring :		
- Government	94,805	2,695,731
- Banking companies and other financial institutions	-	-
- Others	9,074,907	7,279,003
	<b>9,169,712</b>	<b>9,974,734</b>
<b>17.4 Other Contingencies</b>		
- 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	4,416,428	1,641,661
<b>17.5</b> 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.		
	September 30, 2010	December 31, 2009
	----- Rupees in '000 -----	
<b>17.6 Commitments in respect of forward lending / purchase</b>		
Commitments to extend credit - advances	-	2,000,000
<b>17.7 Commitments in respect of forward exchange contracts</b>		
Purchase		
- Customers	779,023	1,745,536
- Banks	9,467,212	6,390,515
	<b>10,246,235</b>	<b>8,136,051</b>
Sale		
- Customers	-	4,840
- Banks	7,195,502	6,522,648
	<b>7,195,502</b>	<b>6,527,488</b>
<b>17.8 Commitments for acquisition of operating fixed assets</b>	<b>68,956</b>	<b>84,787</b>
<b>17.9 Commitments in respect of repo transactions</b>		
Repurchase	-	17,250,582
Resale	1,279,595	15,088,857

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

## 18 BASIC / DILUTED EARNINGS PER SHARE

	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees in '000			
Profit after taxation	<u>77,126</u>	<u>450,623</u>	<u>1,817,613</u>	<u>924,084</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>0.13</u>	<u>0.74</u>	<u>2.98</u>	<u>1.52</u>

## 19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

### Primary segment information

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

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
<b>September 30, 2010</b>					
Total income - net	<u>79,879</u>	<u>974,193</u>	<u>3,344,035</u>	<u>2,024,739</u>	<u>6,422,846</u>
Total expenses	<u>(59,832)</u>	<u>(327,307)</u>	<u>(2,490,953)</u>	<u>(1,724,750)</u>	<u>(4,602,842)</u>
Net income	<u>20,047</u>	<u>646,886</u>	<u>853,082</u>	<u>299,989</u>	<u>1,820,004</u>
Segment assets (Gross)	-	44,791,084	41,909,571	92,014,682	178,715,337
Segment non performing loans	-	338,200	6,341,071	5,565,169	12,244,440
Segment provision required against loans	-	(26,906)	(3,506,177)	(4,446,109)	(7,979,192)
Segment liabilities	-	(6,537,456)	(109,954,191)	(40,077,124)	(156,568,771)
Segment return on assets (ROA) (%)	<u>-</u>	<u>13.37%</u>	<u>12.47%</u>	<u>12.66%</u>	
Segment cost of funds (%)	<u>-</u>	<u>3.98%</u>	<u>7.12%</u>	<u>7.22%</u>	

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
<b>September 30, 2009</b>					
Total income - net	45,296	4,947,139	3,348,545	6,313,388	14,654,368
Total expenses	(55,125)	(4,363,258)	(3,404,517)	(5,903,198)	(13,726,098)
Net income/(loss)	(9,829)	583,881	(55,972)	410,190	928,270
<b>December 31, 2009</b>					
Total income - net	113,880	727,765	2,860,306	4,122,019	7,823,970
Total expenses	(59,263)	(301,653)	(2,834,996)	(3,415,531)	(6,611,443)
Net income	54,617	426,112	25,310	706,488	1,212,527
Segment assets (Gross)	-	51,119,347	72,627,872	65,325,374	189,072,593
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)	(23,985,263)	(167,899,404)
Segment return on assets (ROA) (%)	-	12.20%	11.20%	13.60%	
Segment cost of funds (%)	-	4.20%	7.70%	6.90%	

## 20 RELATED PARTY TRANSACTIONS

The Bank has related party relations with its associated undertaking, 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 associated company is given in note 12.1 to these consolidated 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:

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

September 30, 2010 (Un-audited)					
	Directors and Key Management Personnel	Retirement Benefit Plans	Associate	Group Companies	Strategic Investments
	----- Rupees in '000 -----				
<b>Deposits</b>					
Balance at the beginning of the period	39,485	350,367	399	2,181,528	27,085
Placements during the period	530,790	1,135,085	229,062	42,521,993	71,019
Withdrawals during the period	(505,279)	(1,058,675)	(227,892)	(44,191,028)	(96,349)
<b>Balance at end of the period</b>	<b>64,996</b>	<b>426,777</b>	<b>1,569</b>	<b>512,493</b>	<b>1,755</b>

## Advances

Balance at the beginning of the period	33,576	-	-	-	802,558
Disbursement during the period	-	-	-	2,000,000	1,750
Repayment during the period	(6,644)	-	-	-	(1,733)
<b>Balance at end of the period</b>	<b>26,932</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>802,575</b>

	Un-audited September 30, 2010	Audited December 31, 2009
	----- Rupees in '000 -----	
Nostro balances with group companies	256	16,215

	(Un-audited) Nine months ended September 30, 2010	September 30, 2009
	----- Rupees in '000 -----	

## Transactions involving sale / purchase of investments with related parties

Shares / units purchased	1,286,963	1,240,460
Shares / units sold	1,444,946	1,407,362
Profit paid / accrued	158,112	164,357
Profit / return earned	72,103	79,275
<b>Remuneration of key management personnel</b>		
Salaries, bonuses and other short-term employee benefits	158,076	100,660
Post-employment benefits	10,032	2,535
Contribution to staff retirement benefits	106,701	88,845

# Faysal Bank Limited

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months ended September 30, 2010

## 21 ISLAMIC BANKING BUSINESS

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

### 21.1 Statement of Financial Position

#### ASSETS

Cash and balances with treasury banks	
Balances with and due from financial Institutions	
Investments	
Financing and receivables	
- Murabaha	
- Ijara	
- Musharaka	
- Diminishing Musharaka	
- Salam	
- Other Islamic Modes	
Other assets	

#### TOTAL ASSETS

(Un-audited)  
September 30,  
2010  
(Audited)  
December 31,  
2009  
----- Rupees in '000 -----

289,552	27,270
74,301	20,159
1,717,466	535,877
2,000,000	-
-	-
-	-
325,000	-
-	-
-	-
233,702	38,665
4,640,021	621,971

#### LIABILITIES

Bills payable	
Due to financial institutions	
Deposits and other accounts	
- Current Accounts	
- Saving Accounts	
- Term Deposits	
- Others	
- Deposit from financial institutions - remunerative	
- Deposits from financial institutions - non-remunerative	
Due to head office	
Other liabilities	

#### NET ASSETS

9,629	6,601
-	-
789,529	-
611,287	32,482
730,808	81,575
-	-
1,815,633	-
-	-
500	-
143,084	5,108
4,100,470	125,766
539,551	496,205

#### REPRESENTED BY

Islamic Banking Fund	
Reserves	
Unappropriated profit / (loss)	
Surplus/ (Deficit) on revaluation of assets- net of tax	

500,000	500,000
-	-
34,142	(943)
534,142	499,057
5,409	(2,852)
539,551	496,205

#### Remuneration to shariah advisor

1,506	1,750
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#### CHARITY FUND

Opening balance	
Additions during the period	
Payments / utilization during the period	
Closing balance	

-	-
-	-
-	-
-	-

**22 DATE OF AUTHORISATION FOR ISSUE**

These consolidated condensed interim financial statements were authorised for issue on October 28, 2010 by the Board of Directors of the Group.

**23 NON-ADJUSTING EVENTS**

The Board of Directors of the holding company in its meeting held on October 28, 2010 has declared a bonus issue of 20% (2009: Nil).

**24 GENERAL**

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

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

**PRESIDENT & CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**