

Third Quarter

Ended September 30, 2010
Unaudited Financial Statements



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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
Hassan Mohammed Mahmood Hassan	Member

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.

ECONOMIC UPDATE

Pakistan encountered a massive natural disaster in the form of devastating floods which began in July 2010 and submerged a fifth of the country and directly affected 10% of the population. Given its sheer scale it is difficult to fully and accurately ascertain the damage to the economy but it is clear that the costs arising from the floods (for humanitarian relief and reconstruction) would be in billions of dollars. Consequently the economic outlook has deteriorated sharply and it is unlikely that the real Gross Domestic Product (GDP) growth would exceed 2.5% during Fiscal Year 2011 (FY '11) against an earlier estimate of 4.5%. On the fiscal side the rehabilitation challenge is far too great for Pakistan's economy to absorb on its own and unless substantial foreign aid is forthcoming the economy could easily go into a tail spin due to meagre internal resource mobilization.

The paramount challenge in FY'11 is going to be curtailing the fiscal deficit which was initially budgeted at 4% of GDP. After the announcement of the provincial budgets and the aftermath of the floods this deficit is now expected in excess of 6% of GDP. The fall out of this slippage during the 3rd quarter of this Calendar Year (CY) is exacerbated by the mode of its financing; as of 24 September '10 Government of Pakistan (GOP) had borrowed PKR 220 billion from State Bank of Pakistan (SBP) – this monetization of the fiscal deficit if not sterilized will have 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.

Rising Consumer Price Index (CPI) inflation (which was recorded at 13.8% during July-September '10 vs. 10.7% during the same time last year) is extremely disturbing as its impact is substantial and felt by the whole economy. The disruption in the supply chain which has fueled food inflation is the major culprit but there is a real risk of this seeping into other sub-groups. The SBP expects CPI in FY '11 to range between 13.5%-14.5% which is considerably higher than the pre-flood target of 9.5%. These expectations are built in lieu of likely increases in the price of electricity, induction of reformed General Sales Tax (GST) and continued reliance of GOP on borrowings from the SBP. This in turn necessitated a policy response by the SBP which came in the form of two discount rate hikes during this quarter; 50 bps July '10 and another 50 bps in September '10.

During FY '10 the current account deficit showed significant improvement on the back of stellar growth in remittances and a fall in aggregate demand recorded at USD 3.495 billion vs USD 9.261 billion in FY'09. However, during the first two months of this quarter July- August '10 the deficit was recorded at USD 944 million vs. USD 635 million during the same time last year.

Home remittances for FY'10 were recorded at USD 8.905 billion up from USD 7.811 billion during the same period last year and this momentum carried into July – September '10 quarter as well where remittances were up 13.54% at USD 2.646 billion. Going forward aggregate demand is expected to rise due to flooding 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.

Looking ahead the economy's prospects are largely dependent on how it 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 and increase our domestic resource mobilization. Our tax to GDP ratio which is still hovering around 10%, one of the lowest in the world is simply unsustainable. Hence it is imperative that we divert a lot more attention towards disciplining the fiscal side of the economy wherein perpetual slippages have over shadowed improvements elsewhere.

This difficult economic environment where on one hand will pose challenge for the banking industry in the form of higher NPLs, it will also create some opportunities in the areas of SME, agri, cement and steel sectors.

BANK'S PERFORMANCE

We are pleased to inform you that as part of our strategy of profitable growth your bank has acquired controlling interest of Pakistan Operations of The Royal Bank of Scotland Limited (RBS Pakistan) on October 15, 2010. RBS Pakistan comprises of Retail, Corporate, Commercial and Islamic businesses spread across the country.

This is a significant milestone for the bank as it complements our ambitious growth plans. RBS Pakistan provides a strong customer franchise and an excellent fit to Faysal Bank's existing businesses. We will ensure that we optimize on the opportunities arising from this acquisition through providing necessary support, investment and resources to the management of the bank. The combined entity will have an asset base in excess of Rs. 265 billion with a network of over 220 branches, making FBL one of the top ten banks in Pakistan.

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

Customer Franchise

Corporate and Investment Banking Group

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

- FBL extended a PKR 2.2 billion working capital finance facility to a leading local business group engaged in the production of cold rolled coils, galvanized sheets and welded steel pipes and tubes.

- FBL served as a joint lead arranger for a PKR 11 billion structured long-term vessel finance facility to a large shipping company.
- FBL extended a PKR 600 million finance facility to a leading denim fabric & garment manufacturing house for their backward integration project.
- FBL was awarded a mandate for exclusive management of rights issue amounting to PKR 300 million for a leading modaraba company.
- FBL was awarded dividend mandate for a large multinational company dealing in the business of paints, polyester and chemicals.

Service Quality

The key to improving customer satisfaction with our service, is the ability to measure the quality of our processes in quantitative and qualitative terms. Hence, a set of service indicators has been introduced in Branch Banking that measure Turnaround Times of commonly used services. In addition, customer experience is continually assessed for walk-in and phone-in customers through Mystery Shopping.

A monthly Service Metrics Report encompassing all the service indicators is being shared with the retail management and the branches with a view to improving the failing indicators. As a result of ongoing feedback and coaching, almost all indicators have shown a positive trend during the year so far, most notably those of Service Turnaround Time and of Branch Preparedness. To reinforce the Service Culture, a "Service Branch of the Quarter" award has been initiated, which is encouraging branches to outdo each other in Customer Service and is helping build a Service Culture in the Bank.

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 second 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.

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.

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.

Risk Management

- In the month of July, the new Credit Policy Manual (CPM) governing the rules for the extension of credit for conventional banking was rolled out. This document replaced the existing Credit Policy and Credit Manual (CPCM) of the Bank as part of Risk Management Group's philosophy of adopting best market practices for improving the risk culture in the Bank. The new document aims at further strengthening the credit risk management framework of the Bank. The highlights of the amendment were introduction of new policies and fortification of existing ones to improve risk monitoring, risk identification and risk approval mechanisms.
- The Bank also enhanced the overall internal risk rating framework in line with industry best practices and regulatory guidelines. A two dimensional rating system has been introduced for Corporate and Commercial borrowers, which has been calibrated based on empirical evidence.
- On Operational Risk front, the bank has implemented enterprise wide Key Risk Indicators program for robust Operational Risk management and monitoring.

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 finance related processing 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.

On the development of MIS front we introduced a new set of interactive deposit MIS at the regional and area manager level. This easy to use MIS tool enables the users to dissect their deposit base from various angles thus providing them a greater capability to monitor and manage their performance.

CREDIT RATING

JCR-VIS Credit Rating Company Limited (JCR) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity ratings 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 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	86	731	1,645	1,505
Charge / (Reversal) for tax	12	279	(162)	587
Profit after tax	74	452	1,807	918
Un-appropriated profit brought forward	2,948	721	1,215	1,050
	3,022	1,173	3,022	1,968
Appropriations:				
Issue of bonus shares 2009 @ 15%	-	-	-	(795)
Transfer of capital market reserve to un-appropriated profit	390	-	390	-
Un-appropriated profit carried forward	3,412	1,173	3,412	1,173
Earnings per share (Rupees)	0.12	0.74	2.97	1.51

Markup earned for the nine months ended September 30, 2010 increased by Rs. 872 million over corresponding period last year mainly on account of increase in financing volume. Deposits growth during nine months period was Rs. 8.8 billion resulting in an increase of Rs. 608 million in markup expenses. Accordingly net markup income increased by 7% or Rs. 264 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. 256 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 on Equity capital market portfolio due to adverse market conditions.

Administrative expenses increased to Rs. 3,817 million from Rs. 3,153 million over the previous period. Reasons for this increase are 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.

Finalization of tax assessment last year and reconciliation of tax records have resulted in reversal of provision for tax amounting to Rs. 162 million. Accordingly, net profit after tax for the quarter and nine months ended September 30, 2010 was Rs. 74 million and Rs. 1,808 million respectively as against Rs. 451 million and Rs. 918 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: October 28, 2010

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

Faysal Bank Limited
Condensed Interim Statement of Financial Position
As at 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	9	506,626	508,795
Lendings to financial institutions	10	1,779,213	15,017,826
Investments	11	51,864,853	56,531,338
Advances	12	94,734,327	91,346,001
Operating fixed assets		2,678,906	2,787,617
Deferred tax assets - net		2,181,702	1,279,918
Other assets		6,369,923	4,966,716
		169,382,475	180,865,413
LIABILITIES			
Bills payable		1,934,968	1,465,451
Borrowings from financial institutions		14,422,549	34,985,766
Deposits and other accounts	14	132,458,312	123,655,188
Sub-ordinated loans		999,000	999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		6,755,320	6,977,069
		156,570,149	168,082,674
NET ASSETS		<u>12,812,326</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		3,412,297	1,215,179
		13,143,722	11,336,146
(Deficit) / Surplus on revaluation of assets - net of tax		(331,396)	1,446,593
		<u>12,812,326</u>	<u>12,782,739</u>
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The annexed notes 1 to 23 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 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	4,653,088	4,215,378	13,358,289	12,486,579
Mark-up / return / interest expensed	3,345,322	2,919,227	9,382,839	8,775,316
Net mark-up / interest income	<u>1,307,766</u>	<u>1,296,151</u>	<u>3,975,450</u>	<u>3,711,263</u>
Provision against non-performing loans and advances - net	12.2 374,370	590,273	1,003,351	1,273,234
Reversal of provision for consumer loans - general	12.3 (42,599)	(1,402)	(62,185)	(20,681)
Provision for diminution in the value of investments	11.2 (1,141)	(183,269)	(7,489)	(116,915)
Bad debts written off directly	-	-	-	-
	<u>330,630</u>	<u>405,602</u>	<u>933,677</u>	<u>1,135,638</u>
Net mark-up / return / interest income after provisions	<u>977,136</u>	<u>890,549</u>	<u>3,041,773</u>	<u>2,575,625</u>
Non mark-up / return / interest income				
Fee, commission and brokerage income	203,618	184,840	671,697	659,978
Dividend income	84,693	538,220	255,944	617,547
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	<u>387,620</u>	<u>1,007,698</u>	<u>2,430,411</u>	<u>2,174,539</u>
	<u>1,364,756</u>	<u>1,898,247</u>	<u>5,472,184</u>	<u>4,750,164</u>
Non mark-up / return / interest expenses				
Administrative expenses	1,278,817	1,105,063	3,817,275	3,152,979
Other provisions	-	30,000	-	59,180
Other charges	(260)	32,607	10,109	32,698
Total non mark-up / return / interest expenses	<u>1,278,557</u>	<u>1,167,670</u>	<u>3,827,384</u>	<u>3,244,857</u>
	<u>86,199</u>	<u>730,577</u>	<u>1,644,800</u>	<u>1,505,307</u>
Extraordinary / unusual items	-	-	-	-
Profit before taxation	<u>86,199</u>	<u>730,577</u>	<u>1,644,800</u>	<u>1,505,307</u>
Taxation - Current period	62,179	370,971	385,080	776,028
- Prior years	-	-	(239,872)	3,305,364
- Deferred	(49,777)	(91,743)	(307,984)	(3,494,506)
	<u>12,402</u>	<u>279,228</u>	<u>(162,776)</u>	<u>586,886</u>
Profit after taxation	<u>73,797</u>	<u>451,349</u>	<u>1,807,576</u>	<u>918,421</u>
----- Rupees -----				
Basic and diluted earnings per share	17 <u>0.12</u>	<u>0.74</u>	<u>2.97</u>	<u>1.51</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

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Faysal Bank Limited

Condensed Interim Statement of Comprehensive Income (Un-audited)
For the quarter and 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			
Profit for the period	73,797	451,349	1,807,576	918,421
Components of comprehensive income not reflected in equity				
(Deficit) / Surplus on revaluation of available for sale securities - net of tax	(136,688)	608,013	(1,777,989)	1,013,604
Total comprehensive (loss) / income for the period	(62,891)	1,059,362	29,587	1,932,025

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

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Faysal Bank Limited
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 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,644,800	1,505,307
Less: dividend income	(255,944)	(617,547)
Less: mark-up / return / interest earned on available for sale securities	(2,857,334)	(3,066,452)
	<u>(1,468,478)</u>	<u>(2,178,692)</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>
	(19,052)	(516,009)
(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)	(881,472)	(359,133)
	<u>8,053,243</u>	<u>(4,663,472)</u>
Increase / (decrease) in operating liabilities		
Bills payable	469,517	319,667
Borrowings	(20,563,217)	12,046,818
Deposits and other accounts	8,803,124	6,555,223
Other liabilities (excluding current taxation)	442,752	1,111,680
	<u>(10,847,824)</u>	<u>20,033,388</u>
	(2,813,633)	14,853,907
	<u>(1,834,686)</u>	<u>(3,096,913)</u>
Income tax paid		
Net cash generated from operating activities	<u>(4,648,319)</u>	<u>11,756,994</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	3,549,811	(24,028,556)
Net investment in held to maturity securities	(847,029)	8,805,245
Dividend received	236,686	594,290
Markup / return / interest received on available for sale securities	3,085,311	2,997,859
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>5,686,550</u>	<u>(12,259,830)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(200)	(200)
Payments of lease obligations	-	(4,125)
Dividends paid	(477)	(288)
Net cash used in financing activities	<u>(677)</u>	<u>(4,613)</u>
Net increase in cash and cash equivalents	<u>1,037,554</u>	<u>(507,449)</u>
Cash and cash equivalents at beginning of the period	<u>9,235,997</u>	<u>9,804,304</u>
Cash and cash equivalents at end of the period	<u><u>10,273,551</u></u>	<u><u>9,296,855</u></u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

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Faysal Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months ended September 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 nine months ended September 30, 2009	-	-	-	-	918,418	918,418
Issue of bonus shares	794,466	(794,466)	-	-	-	-
Balance as at September 30, 2009	6,090,911	-	3,400,481	389,542	1,173,471	11,054,405
Comprehensive Income for the period October to December 31, 2009	-	-	-	-	281,741	281,741
Transfer to statutory reserve	-	-	240,033	-	(240,033)	-
Balance as at December 31, 2009	6,090,911	-	3,640,514	389,542	1,215,179	11,336,146
Comprehensive Income for the nine months ended September 30, 2010	-	-	-	-	1,807,576	1,807,576
Transfer to unappropriated profit	-	-	-	(389,542)	389,542	-
Balance as at September 30, 2010	6,090,911	-	3,640,514	-	3,412,297	13,143,722

(a) As more fully explained in note 12.2.2 to these 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 23 form an integral part of these condensed interim financial statements.

PRESIDENT & CHIEF EXECUTIVE

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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 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.

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. Statement of Financial Position 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	September 30, 2010	December 31, 2009
		----- Rupees in '000 -----	
9 BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		276,361	120,292
Outside Pakistan			
- Current accounts		<u>230,265</u>	<u>388,503</u>
		<u>506,626</u>	<u>508,795</u>
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		500,000	300,000
Repurchase agreement lendings (Reverse Repo)	10.1	<u>1,279,213</u>	<u>14,717,826</u>
		<u>1,779,213</u>	<u>15,017,826</u>

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For the nine months ended September 30, 2010

10.1 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	<u>1,279,213</u>	<u>-</u>	<u>1,279,213</u>	<u>14,717,826</u>	<u>-</u>	<u>14,717,826</u>

11 INVESTMENTS

11.1 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
	<u>1,604,100</u>	<u>-</u>	<u>1,604,100</u>	<u>1,429,694</u>	<u>-</u>	<u>1,429,694</u>
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 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	-	-	-
- 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
	<u>41,542,483</u>	<u>-</u>	<u>41,542,483</u>	<u>27,828,967</u>	<u>17,263,327</u>	<u>45,092,294</u>
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
	<u>10,385,035</u>	<u>-</u>	<u>10,385,035</u>	<u>9,538,006</u>	<u>-</u>	<u>9,538,006</u>
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	<u>53,684,618</u>	<u>-</u>	<u>53,684,618</u>	<u>38,949,667</u>	<u>17,263,327</u>	<u>56,212,994</u>
Provision for diminution in the value of investments (note 11.2)	<u>(1,132,593)</u>	<u>-</u>	<u>(1,132,593)</u>	<u>(1,140,082)</u>	<u>-</u>	<u>(1,140,082)</u>
Investments (net of provisions)	<u>52,552,025</u>	<u>-</u>	<u>52,552,025</u>	<u>37,809,585</u>	<u>17,263,327</u>	<u>55,072,912</u>
Deficit on revaluation of held for trading securities - net	(117,894)	-	(117,894)	(49,084)	-	(49,084)
(Deficit) / Surplus on revaluation of available for sale securities - net	(569,278)	-	(569,278)	1,535,296	(27,786)	1,507,510
Total investments	<u>51,864,853</u>	<u>-</u>	<u>51,864,853</u>	<u>39,295,797</u>	<u>17,235,541</u>	<u>56,531,338</u>

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	Unaudited September 30, 2010	Audited December 31, 2009
11.2 Particulars of provision for diminution in the value of investments	----- Rupees in '000 -----	
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	<u>1,132,593</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 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.

- 11.4** 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
12 ADVANCES	----- Rupees in '000 -----		
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
		<u>100,880,162</u>	<u>96,169,318</u>
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		<u>102,713,519</u>	<u>98,384,470</u>
Provision against non-performing advances	12.2	(7,851,302)	(6,848,394)
Provision against consumer loans - general	12.3	(127,890)	(190,075)
		<u>94,734,327</u>	<u>91,346,001</u>

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- 12.1** 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 -----					
Category of classification					
Other assets especially mentioned - (Agri Financing)	409,096	-	409,096	-	-
Substandard	1,544,755	-	1,544,755	298,115	298,115
Doubtful	1,916,908	-	1,916,908	553,861	553,861
Loss	8,373,681	-	8,373,681	6,999,326	6,999,326
	<u>12,244,440</u>	<u>-</u>	<u>12,244,440</u>	<u>7,851,302</u>	<u>7,851,302</u>

	December 31, 2009				
	Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in '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

	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)
	<u>1,187,409</u>	<u>(184,058)</u>	<u>1,003,351</u>
Amounts written off	(443)	-	(443)
Closing balance	<u>7,851,302</u>	<u>-</u>	<u>7,851,302</u>
----- Rupees in '000 -----			
	December 31, 2009		
	Specific	General	Total
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)
	<u>1,841,032</u>	<u>125,382</u>	<u>1,966,414</u>
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.

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 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
	----- Rupees in '000 -----	
12.3 Particulars of provision against consumer loans - general		
Opening balance	190,075	216,798
Charge for the period	-	-
Reversals during the period	<u>(62,185)</u>	<u>(26,723)</u>
Closing balance	<u>127,890</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.

	Nine months ended	
	September 30, 2010	September 30, 2009
	----- Rupees in '000 -----	
13 OPERATING FIXED ASSETS		

13.1 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	-

13.2 Additions to intangibles

Software	21,069	82,258
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13.3 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

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	September 30, 2010	December 31, 2009
	----- Rupees in '000 -----	
14 DEPOSITS AND OTHER ACCOUNTS		
Fixed deposits	61,854,417	56,241,107
Saving deposits	46,870,325	44,523,269
Current accounts	22,057,659	21,157,066
Margin accounts	1,675,911	1,733,746
	<u>132,458,312</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.

	Un-audited September 30, 2010	Audited December 31, 2009
	----- Rupees in '000 -----	
16 CONTINGENCIES AND COMMITMENTS		
16.1 Direct credit substitutes		
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	1,965,245	1,471,261
- Others	-	-
	1,965,245	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	9,014,738	4,454,789
- Banking companies and other financial institutions	350,549	41,492
- Others	939,819	9,910,872
	10,305,106	14,407,153

16.3 Trade-related contingent liabilities

Letters of credit favouring :

- Government	94,805	2,695,731
- Banking companies and other financial institutions	-	-
- Others	9,074,907	7,279,003
	9,169,712	9,974,734

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	Un-audited September 30, 2010	Audited December 31, 2009		
	----- Rupees in '000 -----			
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	4,416,428	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.				
	September 30, 2010	December 31, 2009		
	----- Rupees in '000 -----			
16.6 Commitments in respect of forward lending / purchase				
Commitments to extend credit - advances	-	2,000,000		
16.7 Commitments in respect of forward exchange contracts				
Purchase				
- Customers	779,023	1,745,536		
- Banks	9,467,212	6,390,515		
	10,246,235	8,136,051		
Sale				
- Customers	-	4,840		
- Banks	7,195,502	6,522,648		
	7,195,502	6,527,488		
16.8 Commitments for acquisition of operating fixed assets	68,956	84,787		
16.9 Commitments in respect of repo transactions				
Repurchase	-	17,250,582		
Resale	1,279,595	15,088,857		
17 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>73,797</u>	<u>451,349</u>	<u>1,807,576</u>	<u>918,421</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>0.12</u>	<u>0.74</u>	<u>2.97</u>	<u>1.51</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.

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	----- Rupees in '000 -----				
September 30, 2010					
Total income - net	79,879	974,193	3,344,035	2,007,754	6,405,861
Total expenses	<u>(59,832)</u>	<u>(327,307)</u>	<u>(2,490,953)</u>	<u>(1,720,193)</u>	<u>(4,598,285)</u>
Net income	<u>20,047</u>	<u>646,886</u>	<u>853,082</u>	<u>287,561</u>	<u>1,807,576</u>
Segment assets (Gross)	-	44,791,084	41,909,571	91,895,194	178,595,849
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)	(40,078,502)	(156,570,149)
Segment return on assets (ROA) (%)	-	<u>13.37%</u>	<u>12.47%</u>	<u>12.66%</u>	
Segment cost of funds (%)	-	<u>3.98%</u>	<u>7.12%</u>	<u>7.22%</u>	
September 30, 2009					
Total income - net	45,296	4,947,139	3,348,545	6,320,138	14,661,118
Total expenses	<u>(55,125)</u>	<u>(4,363,258)</u>	<u>(3,404,517)</u>	<u>(5,919,797)</u>	<u>(13,742,697)</u>
Net income / (loss)	<u>(9,829)</u>	<u>583,881</u>	<u>(55,972)</u>	<u>400,341</u>	<u>918,421</u>
December 31, 2009					
Total income - net	113,880	719,586	2,860,306	4,109,283	7,803,055
Total expenses	<u>(58,895)</u>	<u>(293,474)</u>	<u>(2,834,996)</u>	<u>(3,415,531)</u>	<u>(6,602,896)</u>
Net income	<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:

September 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	530,790	1,135,085	546,899	229,062	42,521,993	71,019
Withdrawals during the period	(505,279)	(1,058,675)	(728,310)	(227,892)	(44,191,028)	(96,349)
Balance at end of the period	64,996	426,777	6,659	1,569	512,493	1,755

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)
Balance at end of the period	26,932	-	-	-	2,000,000	802,575

	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
Dividend income from subsidiaries	2,808	6,750

Remuneration of key management personnel

Salaries, bonuses and other short-term employee benefits	158,076	100,660
Post-employment benefits	9,921	2,535
Contribution to staff retirement benefits	106,701	88,845

Faysal Bank Limited

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

	(Un-audited) September 30, 2010	(Audited) December 31, 2009
	----- Rupees in '000 -----	
20.1 Statement of Financial Position		
ASSETS		
Cash and balances with treasury banks	289,552	27,270
Balances with and due from financial Institutions	74,301	20,159
Investments	1,717,466	535,877
Financing and receivables		
- Murabaha	2,000,000	-
- Ijara	-	-
- Musharaka	-	-
- Diminishing Musharaka	325,000	-
- Salam	-	-
- Other Islamic Modes	-	-
Other assets	233,702	38,665
TOTAL ASSETS	4,640,021	621,971
LIABILITIES		
Bills payable	9,629	6,601
Due to financial institutions	-	-
Deposits and other accounts		
- Current Accounts	789,529	-
- Saving Accounts	611,287	32,482
- Term Deposits	730,808	81,575
- Others	-	-
- Deposit from financial institutions - remunerative	1,815,633	-
- Deposits from financial institutions - non-remunerative	-	-
Due to head office	500	-
Other liabilities	143,084	5,108
	<u>4,100,470</u>	<u>125,766</u>
NET ASSETS	539,551	496,205
REPRESENTED BY		
Islamic Banking Fund	500,000	500,000
Reserves	-	-
Unappropriated profit / (loss)	34,142	(943)
	<u>534,142</u>	<u>499,057</u>
Surplus / (Deficit) on revaluation of assets - net of tax	5,409	(2,852)
	<u>539,551</u>	<u>496,205</u>
Remuneration to shariah advisor	1,506	1,750
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 October 28, 2010 by the Board of Directors of the Bank.

22 NON-ADJUSTING EVENTS

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

23 GENERAL

23.1 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.

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

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR