

**Consolidated Condensed Interim
Financial Statements
for the quarter ended March 31, 2011**

Faysal Bank Limited

Directors' Review on Consolidated Financial Statements

On behalf of the Board of Directors, I am pleased to present the consolidated financial statements of Faysal Bank Limited for the quarter ended March 31, 2011.

The Group consists of Faysal Bank Limited as the holding company and its subsidiary Faysal Management Services (Private) Limited (FMSL). During 2010 the board of directors of FMSL had resolved to initiate voluntary winding up proceedings under the Companies Ordinance, 1984.

Financial highlights of the Group for the period under review are given below:-

Financial Highlights

| | March 2011 | March 2010 |
|--|-----------------------|---------------|
| | Rs. in million | |
| Operating profit | 783 | 2,170 |
| Provision for non performing advances | (443) | (296) |
| Provision for diminution in value of investments | (1) | 189 |
| | (444) | (107) |
| Profit before tax | 334 | 2,063 |
| Provision for taxation | (89) | (373) |
| Profit after tax | 245 | 1,690 |
| Net profit after tax from discontinued operation | 5 | - |
| | 250 | 1,690 |
| Minority Interest | 2 | 1 |
| Profit after tax attributable to equity holders | 248 | 1,689 |
| Earning per share – Rupees | 0.34 | 2.31 |

Year 2010 comparative figures include one-off profit of Rs.1,473 million on settlement of NIT Units. Ignoring this item Earning per share of position is as follows:

| | | |
|-----------------------------|-------------|------|
| Earnings per share – Rupees | 0.34 | 0.30 |
|-----------------------------|-------------|------|

Backed by increase in advances and investment volume, markup income for the quarter increased by Rs. 2.4 billion to Rs. 6.7 billion. Markup expenses also increased by Rs. 1.4 billion to Rs. 4.5 billion. Accordingly, increase in net markup income was Rs. 933 million or 76% over the corresponding period last year.

Despite difficult economic conditions and increase in size of advances portfolio the bank was able to restrict provisions to Rs. 443 million.

Non markup income for the current quarter increased by 110% over corresponding period last year after excluding one off capital gain of Rs. 1.5 billion realized on settlement of NIT LOC units in the first quarter of previous year. This increase was attributable to higher Bancassurance income, equity market gains and income from derivatives.

After excluding administrative expenses of Rs. 1,251 million relating to RBS operations, administrative expenses increased by Rs. 300 million primarily on account of general inflation, salary increments and IT related expenses.

Credit Rating of the Holding Company:

JCR-VIS Credit Rating Company Limited (JCR) and Pakistan Credit Rating Agency Limited (PACRA) had re-affirmed the following entity ratings for the holding company as on June 30, 2010:

Long-Term AA

Short-Term A1+

The ratings were 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. Subsequently, in view of the successful acquisition and merger of the Royal Bank of Scotland, the 'Ratings Watch - Developing' status has been removed and 'Stable' outlook was assigned to the ratings.

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 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: April 19, 2011

FAYSAL BANK LIMITED

Consolidated Condensed Interim Statement of Financial Position As at March 31, 2011

| | Note | Un-audited March 31, 2011 | Audited December 31, 2010 |
|--|------|---------------------------------|---------------------------------|
| Rupees in '000 | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 15,182,429 | 17,428,924 |
| Balances with other banks | 9 | 3,478,410 | 5,727,909 |
| Lendings to financial institutions | 10 | 100,000 | - |
| Investments | 11 | 71,360,813 | 86,345,801 |
| Advances | 12 | 133,000,116 | 133,706,769 |
| Fixed assets | | 8,475,562 | 8,726,406 |
| Deferred tax assets - net | | 5,025,083 | 5,017,202 |
| Other assets - net [including assets amounting to Rs 194,130 (2010: Rs 189,960) thousand classified as held for distribution to owners] | | 10,096,662 | 10,486,839 |
| | | <u>246,719,075</u> | <u>267,439,850</u> |
| LIABILITIES | | | |
| Bills payable | | 3,014,432 | 3,218,859 |
| Borrowings | | 19,466,650 | 34,635,904 |
| Deposits and other accounts | 13 | 190,794,822 | 195,315,204 |
| Sub-ordinated loans | | 4,395,875 | 4,595,395 |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities - net | | - | - |
| Other liabilities [including liabilities amounting to Rs 1,122 (2010: 1,778) thousand classified as held for distribution to owners] | | 12,552,852 | 13,039,569 |
| | | <u>230,224,631</u> | <u>250,804,931</u> |
| NET ASSETS | | <u>16,494,444</u> | <u>16,634,919</u> |
| REPRESENTED BY | | | |
| Share capital | | 7,327,216 | 7,309,094 |
| Proposed shares to be issued on amalgamation | | - | 28,253 |
| Reserves | | 7,328,722 | 7,354,688 |
| Unappropriated profit | | 2,240,929 | 1,992,719 |
| | | <u>16,896,867</u> | <u>16,684,754</u> |
| Non-controlling interest | | 77,203 | 75,273 |
| | | <u>16,974,070</u> | <u>16,760,027</u> |
| (Deficit) / Surplus on revaluation of assets - net of tax | | (479,626) | (125,108) |
| | | <u>16,494,444</u> | <u>16,634,919</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 14 | | |

The annexed notes 1 to 20 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 quarter ended March 31, 2011

| | Note | March 31, 2011 | March 31, 2010 |
|--|------|-------------------|-------------------|
| Rupees in '000 | | | |
| CONTINUING OPERATIONS | | | |
| Mark-up / return / interest earned | | 6,679,102 | 4,322,283 |
| Mark-up / return / interest expensed | | <u>4,518,534</u> | <u>3,094,253</u> |
| Net mark-up / interest income | | 2,160,568 | 1,228,030 |
| Provision against non-performing loans and advances - net | 12.2 | 475,308 | 297,925 |
| Provision / (reversal) for consumer loans - general | 12.4 | 7,286 | (2,032) |
| Provision / (reversal) for diminution in the value of investments | 11.3 | 1,267 | (189,105) |
| Recovery of written off bad debts | | <u>(39,331)</u> | <u>-</u> |
| Net mark-up / return / interest income after provisions | | <u>1,716,038</u> | <u>1,121,242</u> |
| Non mark-up / interest income | | | |
| Fee, commission and brokerage income | | 416,329 | 251,856 |
| Dividend income | | 125,438 | 120,603 |
| Income from dealing in foreign currencies | | 189,733 | 136,575 |
| Gain on sale of securities | | 147,669 | 1,702,678 |
| Unrealised gain / (loss) on revaluation of investments classified as held for trading | | 269,003 | (92,722) |
| Other income | | <u>234,923</u> | <u>39,004</u> |
| Total non mark-up / interest income | | <u>1,383,095</u> | <u>2,157,995</u> |
| | | 3,099,133 | 3,279,237 |
| Non mark-up / interest expenses | | | |
| Administrative expenses | | 2,764,419 | 1,213,829 |
| Other (reversals) / provisions - net | | (2,670) | - |
| Other charges | | 7,228 | - |
| Total non mark-up / interest expenses | | <u>2,768,977</u> | <u>1,213,829</u> |
| | | 330,156 | 2,065,408 |
| Share of profit of associate | | 4,144 | 2,559 |
| Extraordinary / unusual items | | - | - |
| Profit before taxation from continuing operations | | <u>334,300</u> | <u>2,062,849</u> |
| Taxation - Current period | | 93,166 | 334,220 |
| - Prior years | | - | 15,048 |
| - Deferred | | <u>(4,268)</u> | <u>23,308</u> |
| | | 88,898 | 372,576 |
| Profit after taxation from continuing operations | | <u>245,402</u> | <u>1,690,273</u> |
| Net profit after taxation from discontinued operations | | 4,681 | - |
| | | <u>250,083</u> | <u>1,690,273</u> |
| Profit after taxation attributable to: | | | |
| Equity holders of the parent | | 248,210 | 1,689,425 |
| Non-controlling interest | | <u>1,873</u> | <u>848</u> |
| | | <u>250,083</u> | <u>1,690,273</u> |
| Rupees | | | |
| Earnings per share from continuing operations | 15 | <u>0.33</u> | <u>2.31</u> |
| Earnings per share from discontinued operations | 15 | <u>0.01</u> | <u>-</u> |
| Earnings per share for the period | 15 | <u>0.34</u> | <u>2.31</u> |

The annexed notes 1 to 20 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 Comprehensive Income (Un-audited)

For the quarter ended March 31, 2011

| | March 31, 2011 | March 31, 2010 |
|--|-------------------|-------------------|
| | Rupees in '000 | |
| Profit for the quarter | 250,083 | 1,690,273 |
| Components of comprehensive income not reflected in equity | | |
| Surplus / (Deficit) on revaluation of available for sale securities | 233,837 | (1,656,203) |
| Deferred tax (liability) / asset on revaluation of available for sale securities | (343,445) | 206,148 |
| | (109,608) | (1,450,055) |
| Total comprehensive income for the period | 140,475 | 240,218 |
| Profit for the quarter attributable to: | | |
| Equity holders of the parent | 248,210 | 1,689,425 |
| Non-controlling interest | 1,873 | 848 |
| | 250,083 | 1,690,273 |

The annexed notes 1 to 20 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 quarter ended March 31, 2011

| | March 31, 2011 | March 31, 2010 |
|---|--------------------------|-------------------------|
| | Rupees in '000 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 334,300 | 2,062,849 |
| Less: dividend income | (125,438) | (120,603) |
| Less: mark-up / return / interest earned on available for sale securities | <u>(1,654,033)</u> | <u>(1,068,596)</u> |
| | (1,445,171) | 873,650 |
| Adjustments for: | | |
| Depreciation | 264,304 | 129,587 |
| Amortisation | 30,571 | 27,095 |
| Provision against non-performing loans and advances - net | 475,308 | 297,925 |
| Provision / (reversal) against consumer loans - general | 7,286 | (2,032) |
| Provision for diminution in value of investments | 1,267 | (189,105) |
| Reversal of provision against other assets | (2,670) | - |
| Unrealised (gain) / loss on revaluation of investments classified as held for trading | (269,003) | 92,722 |
| Net profit on sale of property and equipment | (7,894) | (20,306) |
| Bad debts written off directly | (39,331) | - |
| | <u>459,838</u> | <u>335,885</u> |
| | (985,333) | 1,209,535 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | - | 14,717,826 |
| Held for trading securities | (541,393) | (2,087,066) |
| Advances | 263,390 | (3,291,366) |
| Other assets (excluding advance taxation) | <u>606,544</u> | <u>(501,110)</u> |
| | 328,541 | 8,838,284 |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | (204,427) | 251,523 |
| Borrowings | (15,169,254) | 1,119,231 |
| Deposits and other accounts | (4,520,382) | (12,812,272) |
| Other liabilities (excluding current taxation) | <u>(360,969)</u> | <u>(315,858)</u> |
| | (20,255,032) | (11,757,376) |
| | <u>(20,911,824)</u> | <u>(1,709,557)</u> |
| Income tax paid | (361,760) | (947,951) |
| Net cash generated from operating activities | <u>(21,273,584)</u> | <u>(2,657,508)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investment in available for sale securities | 15,270,210 | 983,692 |
| Net investment in held to maturity securities | 181,972 | (172,750) |
| Dividend received | 60,243 | 60,344 |
| Markup / return / interest received on available for sale securities | 1,656,810 | 1,292,776 |
| Investments in operating fixed assets | (117,316) | (94,465) |
| Proceeds realised on disposal of operating fixed assets | <u>26,703</u> | <u>151,023</u> |
| Net cash used in investing activities | 17,078,622 | 2,220,620 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payments of sub-ordinated loan | (199,520) | - |
| Payments of lease obligations | - | - |
| Dividends paid | 4,895 | (92) |
| Net cash used in financing activities | <u>(194,625)</u> | <u>(92)</u> |
| Net increase in cash and cash equivalents | <u>(4,389,587)</u> | <u>(436,980)</u> |
| Cash and cash equivalents at beginning of the period | 23,150,426 | 9,235,997 |
| Cash and cash equivalents at end of the period | <u><u>18,760,839</u></u> | <u><u>8,799,017</u></u> |

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

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

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DIRECTOR

FAYSAL BANK LIMITED

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

For the quarter ended March 31, 2011

| | Reserves | | | | | | | | | | Non-controlling interest | Total | |
|---|---------------|--|-----------------------------------|---------------|-------------------|--|-----------------------------------|-----------------------|-----------|-------------|--------------------------|------------|-----------------|
| | Share capital | Capital | | | Statutory reserve | Revenue | | Unappropriated profit | Total | | | | |
| | | Proposed shares to be issued on amalgamation | Reserve for issue of bonus shares | Share premium | | Non-Distributable Capital gain on bargain purchase | Reserve arising from amalgamation | | | | | | Capital reserve |
| | | | | | | | | | | | | | |
| Balance as at January 1, 2010 | 6,090,911 | - | - | - | - | - | 3,640,514 | 389,542 | 4,030,056 | 2,017,232 | 73,309 | 12,211,508 | |
| Profit after tax for the period ended March 31, 2010 | - | - | - | - | - | - | - | - | - | 1,689,425 | 848 | 1,690,273 | |
| Balance as at March 31, 2010 | 6,090,911 | - | - | - | - | - | 3,640,514 | 389,542 | 4,030,056 | 3,706,657 | 74,157 | 13,901,781 | |
| Transfer to reserve for issue of bonus shares | - | 1,218,183 | - | - | - | - | - | - | 1,218,183 | (1,218,183) | - | - | |
| Bonus shares issued | 1,218,183 | (1,218,183) | - | - | - | - | - | (389,542) | (389,542) | 389,542 | - | - | |
| Transfer to unappropriated profit | - | - | - | - | - | - | - | - | - | - | - | - | |
| Non-controlling interest acquired on acquisition of RBS | - | - | - | - | - | - | - | - | - | - | 52,561 | 52,561 | |
| Gain on bargain purchase | - | - | - | 3,299,146 | - | - | - | - | 3,299,146 | - | - | 3,299,146 | |
| Share of deficit of revaluation of assets on non-controlling interest | - | - | - | - | - | - | - | - | - | - | (220) | (220) | |
| Acquisition of non-controlling interest on amalgamation | - | - | - | - | - | - | - | - | - | - | (52,205) | (52,205) | |
| Surplus on securities transferred to non-controlling interest | - | - | - | - | - | - | - | - | - | - | 70 | 70 | |
| Loss after tax for the period from April 1, 2010 to December 31, 2010 | - | - | - | - | - | - | - | - | - | (494,221) | 2,783 | (491,438) | |
| Dividend attributable to non-controlling interest | - | - | - | - | - | - | - | - | - | - | (1,873) | (1,873) | |
| Transfer to statutory reserve | - | - | - | - | - | - | 391,076 | - | 391,076 | (391,076) | - | - | |
| Balance as at December 31, 2010 | 7,309,094 | 28,253 | - | 3,299,146 | 23,952 | 4,031,590 | - | 7,354,688 | 1,992,719 | 75,273 | 16,780,027 | | |
| Profit after tax for the period ended March 31, 2011 | - | - | - | - | - | - | - | - | - | 248,210 | 1,873 | 250,083 | |
| Issue of shares to shareholders of Ex RBS Pakistan upon amalgamation | 18,122 | (28,253) | - | 10,131 | - | - | - | - | 10,131 | - | - | - | |
| Amortisation of customer relationship net of deferred tax | - | - | - | (36,097) | - | - | - | (36,097) | - | - | - | (36,097) | |
| Surplus on securities transferred to non-controlling interest | - | - | - | - | - | - | - | - | - | - | 57 | 57 | |
| Balance as at March 31, 2011 | 7,327,216 | - | - | 10,131 | 3,263,049 | 23,952 | 4,031,590 | - | 7,328,722 | 2,240,929 | 77,203 | 16,974,070 | |

The annexed notes 1 to 20 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 quarter ended March 31, 2011

1. STATUS AND NATURE OF BUSINESS

1.1 The Group consists of following entities:

Holding Company

Faysal Bank Limited (FBL, the Holding Company)

The Holding Company was incorporated in Pakistan on October 3, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Holding Company is engaged in Corporate, Commercial and Consumer banking activities. The Holding Company has a network of 226 branches (2010: 226); including 14 Islamic banking branches (2010: 13); and operates 2 sub-branches (2010: 2).

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

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

Subsidiary

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

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.

During 2010, the Board of Directors of FMSL have decided to voluntary wind up the company and accordingly, they have resolved to initiate proceedings of voluntary wind up by the members of FMSL under the Companies Ordinance 1984 (the Ordinance). Therefore the assets and liabilities of FMSL have been classified as non-current assets held for distribution to owners as per the requirements of IFRS 5.

- 1.2 During 2010 the Holding Company had acquired the Pakistan operations of the Royal Bank of Scotland of Pakistan (RBS). Consequent to this acquisition and under the scheme of amalgamation approved by the shareholders and the State Bank of Pakistan, the operations of the RBS have been amalgamated and vested into the Holding Company with effect from the close of business on December 31, 2010.
- 1.3 In accordance with BSD Circular No. 30 dated November 25, 2008 issued by the State Bank of Pakistan (SBP), the Group is required to maintain a Capital Adequacy Ratio (CAR) of atleast 10% at March 31, 2011. However, as at March 31, 2011 the CAR of the Group was 9.76% and is therefore lower than the prescribed requirement by 0.24%. This shortfall was however covered under the letter No. BSD/BAI-3/615/4097/2010 dated April 5, 2011 whereby SBP has granted exemption to the Holding Company in meeting the CAR till March 31, 2011.
- 1.4 Based on the financial statements of the Holding Company for the year ended December 31, 2009, the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited have determined the Holding Company's long-term rating as 'AA' and the short term rating as 'A1+'.

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 utilised 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. Inter branch transactions and

balances have been eliminated. In accordance with the directives issued by the SBP, the statement of financial position is disclosed in note 18 to these consolidated condensed interim financial statements.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of Faysal Bank Limited - the Holding Company and its subsidiary company - "the Group".

- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal.
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements.
- Non-controlling interests are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Holding Company.
- Material intra-group balances and transactions have been eliminated.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives issued by the SECP and SBP shall prevail.
- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3** 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, 2010.
- 3.4** SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available for sale (AFS) Securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown

FAYSAL BANK LIMITED

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)
For the quarter ended March 31, 2011

separately in the statement of financial position below equity Accordingly, the above requirements have been adopted in the preparation of these consolidated condensed interim financial statements.

4. BASIS OF MEASUREMENT

These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain investments and derivative financial instruments have been marked to market and are carried at fair value.

5. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in these consolidated condensed interim financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated condensed interim financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

6. SUMMARY OF 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, 2010.

7. 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, 2010.

8. 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, 2010.

| | March 31, 2011 | December 31, 2010 |
|---|-------------------|----------------------|
| | Rupees in '000 | |
| 9. BALANCES WITH OTHER BANKS | | |
| In Pakistan | | |
| - Current accounts | 819,818 | 558,987 |
| Outside Pakistan | | |
| - Current accounts | 204,489 | 2,676,894 |
| - Deposit accounts | 2,454,103 | 2,492,028 |
| | <u>3,478,410</u> | <u>5,727,909</u> |
| 10. LENDINGS TO FINANCIAL INSTITUTIONS | | |
| Call money lendings | 100,000 | - |
| Repurchase agreement lendings (Reverse Repo) | - | - |
| | <u>100,000</u> | <u>-</u> |

FAYSAL BANK LIMITED

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)
For the quarter ended March 31, 2011

11. INVESTMENTS

11.1 Investments by type

| | March 31, 2011 | | | December 31, 2010 | | |
|---|----------------|---------------------|-------------|-------------------|---------------------|-------------|
| | Held by Bank | Given as collateral | Total | Held by Bank | Given as collateral | Total |
| Rupees in '000 | | | | | | |
| Held for trading securities | | | | | | |
| Market Treasury Bills | 3,489,823 | - | 3,489,823 | 2,497,865 | - | 2,497,865 |
| Pakistan Investment Bonds | 2,549 | - | 2,549 | - | - | - |
| Fully paid up ordinary shares / certificates of closed end mutual funds | 565,838 | - | 565,838 | 718,952 | - | 718,952 |
| Ijara Sukuk Bonds | - | - | - | 300,000 | - | 300,000 |
| | 4,058,210 | - | 4,058,210 | 3,516,817 | - | 3,516,817 |
| Available for sale securities | | | | | | |
| Market Treasury Bills | 35,494,954 | 1,967,467 | 37,462,421 | 44,273,115 | 10,724,483 | 54,997,598 |
| Pakistan Investment Bonds | 8,678,055 | - | 8,678,055 | 8,587,713 | - | 8,587,713 |
| Ijara Sukuk Bonds | 3,490,757 | - | 3,490,757 | 1,461,287 | - | 1,461,287 |
| Units of open ended mutual funds | | | | | | |
| - National Investment (Unit) Trust | 420,009 | - | 420,009 | 420,009 | - | 420,009 |
| - NIT Government Bond Fund | - | - | - | - | - | - |
| - NIT Income Fund | 50,000 | - | 50,000 | 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 | 208,230 | - | 208,230 | 208,230 | - | 208,230 |
| - Faysal Islamic Savings Growth Fund | 100,000 | - | 100,000 | 100,000 | - | 100,000 |
| - Faysal Money Market Fund | 100,000 | - | 100,000 | 100,000 | - | 100,000 |
| - PICIC Income Fund | - | - | - | 100,000 | - | 100,000 |
| - AKD Income Fund | 826 | - | 826 | 826 | - | 826 |
| - First Habib Income Fund | - | - | - | 2,043 | - | 2,043 |
| - HBL Income Fund | - | - | - | 6,064 | - | 6,064 |
| - IGI Income Fund | 2,046 | - | 2,046 | 2,046 | - | 2,046 |
| - JS Large Capital Fund | 27,888 | - | 27,888 | 27,888 | - | 27,888 |
| - JS KSE 30 Index Fund | 3,702 | - | 3,702 | 3,709 | - | 3,709 |
| Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds | 5,954,439 | - | 5,954,439 | 5,629,153 | - | 5,629,153 |
| Fully paid up preference shares | 414,219 | - | 414,219 | 415,969 | - | 415,969 |
| Sukuk Bonds | - | - | - | - | - | - |
| Term finance certificates | 1,515,126 | - | 1,515,126 | 1,589,537 | - | 1,589,537 |
| | 56,740,625 | 1,967,467 | 58,708,092 | 63,257,963 | 10,724,483 | 73,982,446 |
| Held to maturity securities | | | | | | |
| Term finance certificates | 7,682,499 | - | 7,682,499 | 7,765,875 | - | 7,765,875 |
| Sukuk Bonds | 2,608,900 | - | 2,608,900 | 2,707,496 | - | 2,707,496 |
| | 10,291,399 | - | 10,291,399 | 10,473,371 | - | 10,473,371 |
| Associate | | | | | | |
| Fully paid up ordinary shares of - Faysal Asset Management Limited | 84,396 | - | 84,396 | 80,252 | - | 80,252 |
| Investments at cost | 71,174,630 | 1,967,467 | 73,142,097 | 77,328,403 | 10,724,483 | 88,052,886 |
| Less: Provision for diminution in the value of investments | (1,496,868) | - | (1,496,868) | (1,495,601) | - | (1,495,601) |
| Investments (net of provisions) | 69,677,762 | 1,967,467 | 71,645,229 | 75,832,802 | 10,724,483 | 86,557,285 |
| Surplus / (deficit) on revaluation of held for trading securities - net | 287,886 | - | 287,886 | 18,883 | - | 18,883 |
| (Deficit) / surplus on revaluation of available for sale securities - net | (570,051) | (2,251) | (572,302) | (193,500) | (36,867) | (230,367) |
| Total investments | 69,395,597 | 1,965,216 | 71,360,813 | 75,658,185 | 10,687,616 | 86,345,801 |

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- 11.2** This represents investment of the Group in units of National Investment (Unit) Trust LOC Holder's Fund (NIUTL). NIUTL is an open end mutual fund managed by the National Investment Trust Limited (NITL). In prior years, the Government of Pakistan (the Government) had issued Letter of Comfort (LOC) to four of its unit holders (including the Holding Company), guaranteeing a minimum redemption price of Rs. 13.70 per unit. The LOC dated June 30, 2009 issued by the Government had expired on December 31, 2009, and was not extended. Subsequent to the expiry, the Government had communicated a methodology to settle this investment to all investors including the Group. In accordance with the methodology, all the underlying assets, except for 'Strategic Assets' representing shares of Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL), have been transferred in specie (after charging agreed premium of 2.5%) to the LOC Holder's according to their respective unit holding. Accordingly, during 2010, NITL settled 87.61% of NIUTL's units (excluding Strategic Assets representing shares of PSO and SNGPL) by transferring investments in specie.

It was also agreed that the Strategic Assets representing shares of PSO and SNGPL will be transferred to the NBP at a rate to be determined and agreed by the respective LOC holders' and the cash received from the NBP by the Fund will be paid to the LOC holders'. In this connection, an agreement has been signed between NITL, the Group and the NBP to facilitate the settlement. The negotiation over the rate at which these Strategic Assets are to be transferred by the Fund to the NBP and consequently to the Group has been finalized. However, the aforementioned Strategic Assets have not been transferred to the NBP as these were frozen by the Government of Pakistan (Privatization Commission) for sale due to their proposed Privatization. In this connection, the Privatization Commission had arranged a meeting on December 28, 2010 to discuss the matter of transferring the Strategic Assets to the NBP. However, the Privatization Commission has not provided final directions in this context to date.

The Group had agreed the market value of "Strategic Assets" as of October 13, 2010 for redeeming its existing units. The management is of the view that since the permission of transfer to NBP of the said "Strategic Assets" has not yet been granted by the Privatisation Commission of Pakistan therefore, the value of the Group's investment representing the "Strategic Assets" should be classified as investments in the books of the Group and should be marked to market on the basis of net assets value as on October 13, 2010 as the Group will receive this amount subsequent to the permission of the Privatisation Commission of Pakistan.

| | Note | March 31, 2011 | December 31, 2010 |
|---|------|-------------------|----------------------|
| Rupees in '000 | | | |
| 11.3 Particulars of provision for diminution in the value of investments | | | |
| Opening balance | | 1,495,601 | 1,140,082 |
| Charge for the period / year | | 30,000 | 531,941 |
| Reversals during the period / year | | (28,733) | (244,686) |
| | | 1,267 | 287,255 |
| Provision against investments transferred from amalgamated entity | | - | 68,264 |
| Closing balance | | 1,496,868 | 1,495,601 |
| 12. ADVANCES | | | |
| Loans, cash credits, running finances, etc. – in Pakistan | | 140,233,421 | 140,249,441 |
| Net investment in finance lease – in Pakistan | | 7,970,614 | 8,689,093 |
| | | 148,204,035 | 148,938,534 |
| Bills discounted and purchased (excluding government treasury bills) | | | |
| Payable in Pakistan | | 805,224 | 645,235 |
| Payable outside Pakistan | | 1,501,246 | 1,284,440 |
| | | 2,306,470 | 1,929,675 |
| Margin financing / reverse repo transactions | | 338,200 | 338,200 |
| Gross advances | | 150,848,705 | 151,206,409 |
| Provision against non-performing advances | 12.2 | (17,504,730) | (17,163,067) |
| Provision against consumer loans - general | 12.4 | (343,859) | (336,573) |
| Advances - net of provision | | 133,000,116 | 133,706,769 |

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- 12.1 Advances include Rs 24.945 billion (December 31, 2010: Rs 24.708 billion) which have been placed under non-performing status as detailed below:

| | March 31, 2011 | | | | |
|---|----------------------------|----------|-------------------|--------------------|-------------------|
| | Domestic | Overseas | Total | Provision required | Provision held |
| | ----- Rupees in '000 ----- | | | | |
| Category of classification | | | | | |
| Other Assets Especially Mentioned (Agri financing) | 398,997 | - | 398,997 | - | - |
| Substandard | 2,350,797 | - | 2,350,797 | 489,542 | 489,542 |
| Doubtful | 1,951,812 | - | 1,951,812 | 624,465 | 624,465 |
| Loss | 20,243,591 | - | 20,243,591 | 16,390,723 | 16,390,723 |
| | <u>24,945,197</u> | <u>-</u> | <u>24,945,197</u> | <u>17,504,730</u> | <u>17,504,730</u> |

| | December 31, 2010 | | | | |
|---|----------------------------|----------|-------------------|--------------------|-------------------|
| | Domestic | Overseas | Total | Provision required | Provision held |
| | ----- Rupees in '000 ----- | | | | |
| Category of classification | | | | | |
| Other Assets Especially Mentioned (Agri financing) | 307,671 | - | 307,671 | - | - |
| Substandard | 2,684,583 | - | 2,684,583 | 646,290 | 646,290 |
| Doubtful | 2,230,321 | - | 2,230,321 | 673,490 | 673,490 |
| Loss | 19,485,183 | - | 19,485,183 | 15,843,287 | 15,843,287 |
| | <u>24,707,758</u> | <u>-</u> | <u>24,707,758</u> | <u>17,163,067</u> | <u>17,163,067</u> |

12.2 Particulars of provision against non-performing advances

| | March 31, 2011 | | |
|---|----------------------------|----------|-------------------|
| | Specific | General | Total |
| | ----- Rupees in '000 ----- | | |
| Opening balance | 17,163,067 | - | 17,163,067 |
| Charge for the period | 745,087 | - | 745,087 |
| Transfer from general to specific provision | - | - | - |
| Reversals during the period | (269,779) | - | (269,779) |
| | 475,308 | - | 475,308 |
| Amounts written off | (133,645) | - | (133,645) |
| Closing balance | <u>17,504,730</u> | <u>-</u> | <u>17,504,730</u> |

| | December 31, 2010 | | |
|---|----------------------------|-----------|-------------------|
| | Specific | General | Total |
| | ----- Rupees in '000 ----- | | |
| Opening balance | 6,664,336 | 184,058 | 6,848,394 |
| Charge for the year | 2,506,791 | - | 2,506,791 |
| Transfer from / to general provision - note 13.4.1 | 184,058 | (184,058) | - |
| Reversals during the year | (600,412) | - | (600,412) |
| Net charge | 2,090,437 | (184,058) | 1,906,379 |
| Amounts written off - note 13.7.1 | (829) | - | (829) |
| Provision against advances transferred from amalgamated entity | 8,409,123 | - | 8,409,123 |
| Closing balance | <u>17,163,067</u> | <u>-</u> | <u>17,163,067</u> |

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- 12.3** Under the revised guidelines issued by the SBP, banks have been allowed to avail the benefit of 40% of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against all non-performing loans for 4 years from the date of classification for calculating provisioning requirement. However, as per the Circular, the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential, commercial and industrial properties would not be available for payment of cash or stock dividend.

The additional profit arising from availing the FSV benefit - net of tax at March 31, 2011 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs 1,284.332 million (2010: 1,466.175 million).

| | March 31, 2011 | December 31, 2010 |
|--|-------------------|----------------------|
| Rupees in '000 | | |
| 12.4 Particulars of provision against consumer loans - general | | |
| Opening balance | 336,573 | 190,075 |
| Charge / (Reversals) during the period / year | 7,286 | (89,730) |
| General provision against consumer loans transferred from amalgamated entity | - | 236,228 |
| Closing balance | <u>343,859</u> | <u>336,573</u> |

- 12.5** 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.

| | March 31, 2011 | December 31, 2010 |
|--|--------------------|----------------------|
| Rupees in '000 | | |
| 13. DEPOSITS AND OTHER ACCOUNTS | | |
| Fixed deposits | 87,886,650 | 91,361,292 |
| Saving deposits | 58,716,584 | 61,531,285 |
| Current accounts | 41,193,630 | 40,017,566 |
| Margin accounts | 2,997,958 | 2,405,061 |
| | <u>190,794,822</u> | <u>195,315,204</u> |

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Contingent liability in respect of guarantees favouring:

| | | |
|--|------------------|----------------|
| i) Government | - | - |
| ii) Banking companies and other financial institutions | 3,275 | 3,275 |
| iii) Others | 1,088,470 | 833,770 |
| | <u>1,091,745</u> | <u>837,045</u> |

Acceptances

| | | |
|--|------------------|------------------|
| i) Government | - | - |
| ii) Banking companies and other financial institutions | - | - |
| iii) Others | 1,617,504 | 1,659,850 |
| | <u>1,617,504</u> | <u>1,659,850</u> |

14.2 Transaction-related contingent liabilities

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

| | | |
|--|-------------------|-------------------|
| i) Government | 8,387,598 | 7,748,465 |
| ii) Banking companies and other financial institutions | 4,863,628 | 11,774,727 |
| iii) Others | 5,723,135 | 4,938,603 |
| | <u>18,974,361</u> | <u>24,461,795</u> |

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| | March 31, 2011 | December 31, 2010 |
|--|-------------------|----------------------|
| | Rupees in '000 | |
| 14.3 Trade-related contingent liabilities | | |
| Letters of credit | | |
| i) Government | 587,789 | 3,067,558 |
| ii) Banking companies and other financial institutions | - | - |
| iii) Others | 14,216,692 | 10,893,659 |
| | <u>14,804,481</u> | <u>13,961,217</u> |
| 14.4 Other Contingencies | | |
| i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh. The Group's legal advisors are confident that the Group has a strong case | <u>2,500,000</u> | <u>2,500,000</u> |
| ii) Indemnity issued favouring the High Court in the above case | <u>457,543</u> | <u>457,543</u> |
| iii) Claims against the Group not acknowledged as debt | <u>27,181,289</u> | <u>26,959,996</u> |
| 14.5 Income tax assessments of the Group have been finalised upto the tax year 2010 (Accounting year 2009). | | |
| <p>The department and the Group have disagreements on various matters for tax years from 1994 to 2009. These include disallowance on certain matters like initial depreciation on leases, provision for bad debts, bad debts written off, taxability of dividend, excess perquisites and certain other matters. The Group and the department have filed appeals with the CIT (Appeals), ITAT and the High Court in the aforementioned matters. The additional tax liability on these matters is Rs 1,343.382 million. The management of the Group is confident that the decision in respect of these matters will be decided in Group's favour and accordingly no provision has been made in these consolidated condensed interim financial statements in respect of this liability.</p> | | |
| 14.6 Commitments in respect of forward lending / purchase | | |
| <p>The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</p> | | |
| | March 31, 2011 | December 31, 2010 |
| | Rupees in '000 | |
| 14.7 Commitments in respect of forward exchange contracts | | |
| Purchase | | |
| - Customers | 1,662,930 | 1,043,656 |
| - Banks | 25,360,513 | 23,244,880 |
| | <u>27,023,443</u> | <u>24,288,536</u> |
| Sale | | |
| - Customers | 32,766 | - |
| - Banks | 7,665,656 | 5,224,327 |
| | <u>7,698,422</u> | <u>5,224,327</u> |
| 14.8 Commitments for the acquisition of operating fixed assets | 82,446 | 82,108 |
| 14.9 Commitments in respect of repo transactions | | |
| Repurchase | 1,966,004 | 10,699,230 |
| Resale | 437,998 | 421,320 |
| 14.10 Other Commitments | | |
| Interest rate swaps and cross currency swaps (notional principal) | 48,942,014 | 53,231,890 |

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15. EARNINGS PER SHARE

| | March 31, 2011 | | | March 31, 2010 | | |
|--|--------------------------------|-------------------------|---------|-----------------------|-------------------------|-----------|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Profit after tax for the period | 245,402 | 4,681 | 250,083 | 1,690,273 | - | 1,690,273 |
| | ----- Number in thousand ----- | | | | | |
| Weighted average number of ordinary shares | 732,118 | 732,118 | 732,118 | 730,909 | - | 730,909 |
| | ----- Rupees ----- | | | | | |
| Earnings per share - basic | 0.33 | 0.01 | 0.34 | 2.31 | - | 2.31 |

16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

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

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

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

| | Continuing operations | | | | | Discontinued operations | Total |
|--|----------------------------|-----------------|----------------|--------------------|---------------|-------------------------|---------------|
| | Corporate Finance | Trading & Sales | Retail Banking | Commercial Banking | Total | Asset Management | |
| | ----- Rupees in '000 ----- | | | | | | |
| March 31, 2011 | | | | | | | |
| Total income - net | 75,200 | 663,334 | 1,592,305 | 1,216,968 | 3,547,807 | 4,850 | 3,552,657 |
| Total expenses | (29,081) | (284,997) | (1,990,740) | (908,688) | (3,213,507) | (169) | (3,213,676) |
| Net income (loss) | 46,119 | 378,337 | (398,435) | 308,280 | 334,300 | 4,681 | 338,981 |
| Segment assets (Gross) | - | 84,646,312 | 58,841,093 | 122,776,217 | 266,263,623 | 194,130 | 266,457,753 |
| Segment non performing loans | - | 677,372 | 10,475,274 | 13,792,551 | 24,945,197 | - | 24,945,197 |
| Segment provision required against loans | - | (49,207) | (6,570,272) | (11,229,110) | (17,848,589) | - | (17,848,589) |
| Segment liabilities | (19,479) | (27,596,908) | (162,378,891) | (40,229,353) | (230,224,631) | (1,122) | (230,225,753) |
| Segment return on assets (ROA) (%) | - | 12.05% | 10.90% | 12.66% | | 3.35% | |
| Segment cost of funds (%) | - | 3.98% | 7.12% | 6.45% | | - | |
| March 31, 2010 | | | | | | | |
| Total income - net | 12,269 | 777,648 | 1,363,639 | 1,232,469 | 3,386,025 | - | |
| Total expenses | (9,653) | (221,131) | (718,606) | (2,623,448) | (1,320,617) | (5,356) | (8,990,822) |
| Net income | 2,616 | 556,517 | 645,033 | 861,242 | 2,065,408 | - | |
| December 31, 2010 | | | | | | | |
| Total income - net | 208,042 | 1,835,115 | 4,405,115 | 3,366,746 | 9,815,018 | 11,413 | 9,826,431 |
| Total expenses | (81,316) | (796,897) | (5,566,419) | (2,623,448) | (8,985,466) | (5,356) | (8,990,822) |
| Net income (loss) | 126,726 | 1,038,218 | (1,161,304) | 743,298 | 829,552 | 6,057 | 835,609 |
| Segment assets (Gross) | - | 91,069,068 | 63,305,812 | 132,009,563 | 286,467,058 | 189,960 | 286,657,018 |
| Segment non performing loans | - | 670,924 | 10,375,566 | 13,661,268 | 24,707,758 | - | 24,707,758 |
| Segment provision required against loans | - | (48,245) | (6,441,819) | (11,009,576) | (17,499,640) | - | (17,499,640) |
| Segment liabilities | (21,220) | (30,063,645) | (176,893,053) | (43,825,235) | (250,803,153) | (1,778) | (250,804,931) |
| Segment return on assets (ROA) (%) | - | 12.20% | 11.20% | 13.60% | | 3.22% | |
| Segment cost of funds (%) | - | 4.20% | 7.70% | 6.90% | | - | |

*These percentages have been computed based on closing assets / liability figure instead of average balances.

Note: The above table is based on best estimates / assumptions.

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17. RELATED PARTY TRANSACTIONS

The Group has related party relationship with 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.

Banking transactions with the related parties are executed substantially on the same terms, except transaction with directors and key management personnel that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Details of transactions with the related parties and balances with them as at period end are as follows:

| | March 31, 2011 | | | | |
|--|--|--------------------------|--------------|------------------|-----------------------|
| | Directors and Key Management Personnel | Retirement Benefit Plans | Associate | Group Companies | Strategic Investments |
| ----- Rupees in '000 ----- | | | | | |
| Deposits | | | | | |
| Balance at the beginning of the period | 77,365 | 1,645,448 | 479 | 515,979 | 17,905 |
| Placements during the period | 251,428 | 355,327 | 78,986 | 4,666,926 | 115,712 |
| Withdrawals during the period | (273,732) | (1,710,799) | (72,427) | (5,169,292) | (65,946) |
| Balance at end of the period | 55,061 | 289,976 | 7,038 | 13,613 | 67,671 |
| Advances | | | | | |
| Balance at the beginning of the period | 50,788 | - | - | 2,014,168 | 802,195 |
| Disbursement during the period | 3,782 | - | - | 900,000 | - |
| Repayment during the period | (20,351) | - | - | - | (116) |
| Balance at end of the period | 34,219 | - | - | 2,914,168 | 802,079 |

| | March 31, 2011 | | | | |
|---|--|--------------------------|-----------|-----------------|-----------------------|
| | Directors and Key Management Personnel | Retirement Benefit Plans | Associate | Group Companies | Strategic Investments |
| ----- Rupees in '000 ----- | | | | | |
| Nostro balances with group companies | - | - | - | - | - |
| Shares / Units purchased during the period | - | - | - | 312,538 | - |
| Shares / Units sold during the period | - | - | - | 348,767 | - |
| Profit paid / accrued | 1,353 | 19,608 | 77 | 65,769 | 360 |
| Profit return / earned | 413 | - | - | 45,410 | 52 |
| Dividend income from subsidiary | - | - | - | - | - |
| Remuneration of key management personnel | | | | | |
| - Salaries and other short-term employee benefits | 38,063 | - | - | - | - |
| - Post-employment benefits | 4,876 | - | - | - | - |
| Contribution to staff retirement benefits | - | 64,956 | - | - | - |
| Guarantees issued favoring related parties or on their behalf | - | - | - | 25,000 | - |

| | March 31, 2010 | | | | |
|---|--|--------------------------|-----------|-----------------|-----------------------|
| | Directors and Key Management Personnel | Retirement Benefit Plans | Associate | Group Companies | Strategic Investments |
| ----- Rupees in '000 ----- | | | | | |
| Nostro balances with group companies | - | - | - | 7,818 | - |
| Shares / Units purchased during the year | - | - | - | 327,377 | - |
| Shares / Units sold during the year | - | - | - | 376,534 | - |
| Profit paid / accrued | 226 | 3,521 | 1 | 82,122 | 367 |
| Profit return / earned | 615 | - | - | - | 44 |
| Dividend income from subsidiary | - | - | - | - | - |
| Remuneration of key management personnel | | | | | |
| - Salaries and other short-term employee benefits | 72,011 | - | - | - | - |
| - Post-employment benefits | 3,208 | - | - | - | - |
| Contribution to staff retirement benefits | - | 34,321 | - | - | - |

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18. ISLAMIC BANKING BUSINESS

The Group is operating 14 Islamic banking branches (2010: 13). The statement of financial position as at March 31, 2011 is as follows:

18.1 Statement of Financial Position

| | Un-audited March 31, 2011 | Audited December 31, 2010 |
|---|---------------------------------|---------------------------------|
| | Rupees in '000 | |
| ASSETS | | |
| Cash and balances with treasury banks | 339,096 | 404,534 |
| Balances with and due from financial Institutions | 30,894 | 47,588 |
| Investments | 3,377,566 | 2,666,067 |
| Financing and receivables | - | - |
| - Murabaha | 693,613 | 1,614,237 |
| - Ijara | 24,784 | 21,091 |
| - Musharaka | - | - |
| - Diminishing Musharaka | 1,760,186 | 1,809,843 |
| - Salam | - | - |
| - Other Islamic Modes | - | - |
| Other assets | 294,062 | 471,827 |
| | 6,520,201 | 7,035,187 |
| LIABILITIES | | |
| Bills payable | 23,527 | 9,623 |
| Due to financial institutions | - | - |
| Deposits and other accounts | - | - |
| - Current Accounts | 1,384,386 | 1,331,527 |
| - Saving Accounts | 944,763 | 1,011,063 |
| - Term Deposits | 1,611,378 | 1,413,258 |
| - Others | 11,045 | 12,288 |
| - Deposits from financial institutions - remunerative | 1,828,101 | 1,492,313 |
| - Deposits from financial institutions - non-remunerative | - | - |
| Due to head office | 12,500 | 1,080,500 |
| Other liabilities | 21,699 | 24,919 |
| | 5,837,399 | 6,375,491 |
| NET ASSETS | 682,802 | 659,696 |
| REPRESENTED BY | | |
| Islamic Banking Fund | 880,000 | 880,000 |
| Reserves | - | - |
| Unappropriated profit / (loss) | (199,956) | (225,003) |
| | 680,044 | 654,997 |
| Surplus on revaluation of assets- net of tax | 2,758 | 4,699 |
| | 682,802 | 659,696 |
| Remuneration to shariah advisor | 991 | 3,503 |
| CHARITY FUND | | |
| Opening balance | 67 | - |
| Charity fund transferred from amalgamated entity | - | (304) |
| Additions during the period | 814 | 371 |
| Payments / utilization during the period | - | - |
| Closing balance | 881 | 67 |

FAYSAL BANK LIMITED

Notes to and forming part of the Consolidated Condensed Interim Financial Statements (Un-audited)
For the quarter ended March 31, 2011

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 19, 2011 by the Board of Directors of the Group.

20. GENERAL

20.1 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.

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

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR