

**Faysal Bank Limited
and Subsidiary
Consolidated Condensed Interim
Financial Statements for the
half year ended June 30, 2010**

Faysal Bank Limited

Directors' Review on Consolidated Financial Statements

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

GROUP

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

Holding Company: Faysal Bank Limited (FBL)

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

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

CREDIT RATING

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

Long-Term AA
Short-Term A1+

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

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

FINANCIAL HIGHLIGHTS

	For the quarter ended		For the six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Rupees in millions				
(Loss) / Profit before tax	(501)	427	1,569	788
Charge / (Reversal) for tax	(546)	213	(173)	312
Profit after tax	45	214	1,742	476
Profit attributable to non-controlling interest	(1)	(1)	(2)	(3)
Profit attributable to equity holders	44	213	1,740	473
Un-appropriated profit brought forward	2,948	548	1,252	1,083
	2,992	761	2,992	1,556
Appropriations:				
Issue of bonus shares 2009 @ 15%	-	-	-	(795)
Transfer of capital market reserve to un-appropriated profit	390	-	390	-
Un-appropriated profit carried forward	3,382	761	3,382	761
Earnings per share (Rupees)	0.07	0.35	2.86	0.78

Markup earned for the six months ended June 30, 2010 increased by Rs. 437 million over corresponding period last year mainly on account of increase in financing volume. Markup expenses for the current period have increased by Rs. 189 million mainly due to increase in deposit cost as a result of growth in deposits.

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

Non markup income for the six months increased by Rs. 879 million to Rs. 2,043 million mainly on account of capital gain on settlement of NIT LOC Holders' Fund of Rs. 1.7 billion.

Administrative expenses have increased to Rs. 2,538 million from Rs. 2,048 million over the previous period. Reasons for this increase include opening of 7 new branches since June 2009, 2.5% premium charged by NIT on settlement of NIT LOC holders' fund, higher inflation and staff increments in March 2009 and 2010.

Reconciliation of historical tax records has resulted in reversal of provision for tax amounting to Rs. 173 million. Accordingly, net profit after tax for the quarter and six months ended June 30, 2010 was Rs. 45 million and Rs. 1,742 million respectively as against Rs. 214 million and Rs. 476 million for the corresponding periods last year.

Acknowledgement:

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

On behalf of the Board of Directors

President & CEO

Karachi
Dated: August 24, 2010

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

	Note	Un-audited June 30, 2010	Audited December 31, 2009
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks		9,355,904	8,427,202
Balances with other banks	10	574,908	508,795
Lendings to financial institutions	11	6,195,398	15,017,826
Investments	12	59,129,172	56,459,447
Advances	13	92,863,798	91,346,001
Operating fixed assets		2,545,994	2,787,617
Deferred tax assets - net		2,060,829	1,278,849
Other assets		5,586,687	4,966,716
		178,312,690	180,792,453
LIABILITIES			
Bills payable		1,800,363	1,465,451
Borrowings		19,710,420	34,985,766
Deposits and other accounts	15	136,364,432	123,469,683
Sub-ordinated loans		999,000	999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		6,446,378	6,979,304
		165,320,593	167,899,404
NET ASSETS			
		12,992,097	12,893,049
REPRESENTED BY			
Share capital		6,090,911	6,090,911
Reserves	16	3,640,514	4,030,056
Unappropriated profit		3,382,209	1,252,180
		13,113,634	11,373,147
Non-controlling interest		73,171	73,309
		13,186,805	11,446,456
(Deficit) / surplus on revaluation of assets - net of tax		(194,708)	1,446,593
		12,992,097	12,893,049
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes 1 to 23 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 and half year ended June 30, 2010

Note	For the quarter ended		For the six months ended	
	June 30,	June 30,	June 30,	June 30,
	2010	2009	2010	2009
	----- Rupees in '000 -----			
Mark-up / return / interest earned	4,384,514	4,087,835	8,708,772	8,271,200
Mark-up / return / interest expensed	2,939,904	2,759,279	6,034,157	5,844,670
Net mark-up / interest income	1,444,610	1,328,556	2,674,615	2,426,530
Provision against non-performing loans and advances - net	13.2 331,056	358,342	628,981	682,961
Reversal of provision for consumer loans - general	13.3 (17,554)	(7,426)	(19,586)	(19,279)
Provision / (Reversal) for diminution in the value of investments	12.2 182,757	66,534	(6,348)	66,354
Bad debts written off directly	-	-	-	-
Net mark-up / return / interest income after provisions	496,259	417,450	603,047	730,036
	948,351	911,106	2,071,568	1,696,494
Non mark-up / return / interest income				
Fee, commission and brokerage income	216,221	289,644	468,077	475,138
Dividend income	50,648	42,334	171,251	76,087
Income from dealing in foreign currencies	103,421	100,248	239,996	163,962
(Loss) / gain on sale of securities	(451,132)	313,924	1,251,545	491,694
Unrealised loss on revaluation of investments classified as held for trading	(62,233)	(84,412)	(154,955)	(87,319)
Other income	27,869	26,484	66,875	44,039
Total non mark-up / return / interest (loss) / income	(115,206)	688,222	2,042,789	1,163,601
	833,145	1,599,328	4,114,357	2,860,095
Non mark-up / return / interest expenses				
Administrative expenses	1,324,884	1,154,672	2,538,713	2,048,067
Other provisions	-	20,908	-	29,180
Other charges	10,369	1	10,369	91
Total non mark-up / return / interest expenses	1,335,253	1,175,581	2,549,082	2,077,338
	(502,108)	423,747	1,565,275	782,757
Extraordinary / unusual items	-	-	-	-
Share of income from associates	1,544	3,246	4,103	5,238
(Loss) / profit before taxation	(500,564)	426,993	1,569,378	787,995
Taxation - Current	(8,985)	318,640	325,235	409,002
- Prior years	(254,920)	3,305,364	(239,872)	3,305,364
- Deferred	(281,514)	(3,411,524)	(258,206)	(3,402,763)
	(545,419)	212,480	(172,843)	311,603
Profit after taxation	44,855	214,513	1,742,221	476,392
Profit attributable to non-controlling interest	886	1,284	1,734	2,931
Profit attributable to equity holders	43,969	213,229	1,740,487	473,461
	44,855	214,513	1,742,221	476,392
	----- Rupees -----			
Basic and diluted earnings per share attributable to equity holders	18 0.07	0.35	2.86	0.78

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

PRESIDENT & CHIEF EXECUTIVE

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Faysal Bank Limited

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

	For the quarter ended		For the six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
----- Rupees in '000 -----				
Profit for the period	44,855	214,513	1,742,221	476,392
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale securities- net of tax	(186,025)	188,461	(1,643,173)	405,591
Total comprehensive (loss) / income for the period	<u>(141,170)</u>	<u>402,974</u>	<u>99,048</u>	<u>881,983</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	43,969	213,229	1,740,487	473,461
Non-controlling interest	886	1,284	1,734	2,931
	<u>44,855</u>	<u>214,513</u>	<u>1,742,221</u>	<u>476,392</u>

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

PRESIDENT & CHIEF EXECUTIVE

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Faysal Bank Limited

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

	June 30, 2010	June 30, 2009
----- Rupees in '000 -----		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,569,378	787,995
Less: dividend income	(171,251)	(76,087)
Less: mark-up / return / interest earned on available for sale securities	<u>(1,848,264)</u>	<u>(1,902,229)</u>
	(450,137)	(1,190,321)
Adjustments for non cash and other items:		
Depreciation	261,395	255,726
Amortisation	57,006	36,753
Provision against non-performing loans and advances - net	628,981	682,961
Reversal of provision against consumer loans - general	(19,586)	(19,279)
Reversal of provision for diminution in value of investments	(6,348)	(80,885)
Provision against other assets	-	29,180
Unrealised loss on revaluation of investments classified as held for trading	154,955	87,319
Gain on disposal of operating fixed assets	(24,639)	(6,786)
Finance charges on leased assets	-	22
	<u>1,051,764</u>	<u>985,011</u>
	601,627	(205,310)
(Increase) / decrease in operating assets		
Lendings to financial institutions	8,522,428	2,861,401
Held for trading securities	458,394	(789,674)
Advances	(2,127,192)	(5,714,142)
Other assets (excluding advance taxation)	<u>(6,690)</u>	<u>(366,917)</u>
	6,846,940	(4,009,332)
Increase / (decrease) in operating liabilities		
Bills payable	334,912	567,025
Borrowings	(15,275,346)	12,506,047
Deposits	12,894,749	3,037,845
Other liabilities (excluding current taxation)	<u>130,226</u>	<u>27,273</u>
	(1,915,459)	16,138,190
	5,533,108	11,923,548
Income tax paid	<u>(1,823,203)</u>	<u>(3,050,786)</u>
Net cash generated from operating activities	<u>3,709,905</u>	<u>8,872,762</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(4,205,558)	(18,769,881)
Net investment in held to maturity securities	(940,174)	8,805,245
Dividend received	175,662	61,032
Markup / return / interest received on available for sale securities	2,009,388	1,736,294
Investments in operating fixed assets	(217,843)	(480,332)
Proceeds realised on disposal of operating fixed assets	<u>165,963</u>	<u>24,160</u>
Net cash used in investing activities	<u>(3,012,562)</u>	<u>(8,623,482)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(200)	(200)
Payments of lease obligations	-	(4,125)
Dividends paid to non-controlling interest holders	(1,872)	(1,439)
Dividends paid	<u>(455)</u>	<u>(134)</u>
Net cash used in financing activities	<u>(2,527)</u>	<u>(5,898)</u>
Net increase in cash and cash equivalents	<u>694,815</u>	<u>243,382</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>9,930,812</u></u>	<u><u>10,047,686</u></u>

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

PRESIDENT & CHIEF EXECUTIVE

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DIRECTOR

Faysal Bank Limited

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

	Attributable to the equity holders					Non-controlling interest	Total	
	Share capital	Capital Reserve for issue of bonus shares	Statutory reserve (Note 15.1)	Revenue Capital market reserve	Unappropriated profit (a)			Total
Rupees in '000								
Balance as at January 1, 2009	5,296,445	-	3,400,481	389,542	1,079,333	10,165,801	73,706	10,239,507
Transfer to reserve for issue of bonus shares	-	794,466	-	-	(794,466)	-	-	-
Bonus shares issued	794,466	(794,466)	-	-	-	-	-	-
Comprehensive Income for the half year ended June 30, 2009	-	-	-	-	476,392	476,392	2,931	479,323
Dividend paid	-	-	-	-	-	-	(1,439)	(1,439)
Balance as at June 30, 2009	6,090,911	-	3,400,481	389,542	761,259	10,642,193	75,198	10,717,391
Transfer to statutory reserve	-	-	240,033	-	(240,033)	-	-	-
Comprehensive Income for the half year ended December 31, 2009	-	-	-	-	730,954	730,954	2,251	733,205
Dividend paid	-	-	-	-	-	-	(4,140)	(4,140)
Balance as at December 31, 2009	6,090,911	-	3,640,514	389,542	1,252,180	11,373,147	73,309	11,446,456
Comprehensive Income for the half year ended June 30, 2010	-	-	-	-	1,740,487	1,740,487	1,734	1,742,221
Dividend paid	-	-	-	-	-	-	(1,872)	(1,872)
Transfer to unappropriated profit	-	-	-	(389,542)	389,542	-	-	-
Balance as at June 30, 2010	6,090,911	-	3,640,514	-	3,382,209	13,113,634	73,171	13,186,805

(a) As more fully explained in note 13.2.2 to these consolidated condensed interim financial statements an amount of Rs 504.405 million (December 2009: Rs 502.835 million) representing additional profit arising from available FSV benefit for determining provisioning requirement is not available for the purpose of distribution of cash and stock dividend to share holders.

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

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

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1. THE GROUP AND ITS OPERATIONS

The Group consists of following entities:

Holding Company

Faysal Bank Limited (FBL, the bank)

Subsidiary Company

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

Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank's shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in Commercial, Consumer and Corporate Banking activities. The Bank has a branch network of 136 branches (December 2009: 133 branches) including 10 Islamic Banking branches (December 2009: 6) and 2 (December 2009: 2) sub-branches. The registered office (head office) of the Bank is situated at Faysal House, ST-02, Shahrah-e-Faisal, Karachi.

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

The Pakistan Credit Agency Limited (PACRA) and JCR-VIS credit Rating Company Limited have determined the Bank's long - term rating as 'AA' and the short term rating as 'A1+'.

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

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The condensed interim financial results of the Islamic banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes only after eliminating inter branch transaction and balances. Balance sheet of the Islamic banking branches is disclosed in note 21 to these consolidated condensed interim financial statements.

3. BASIS OF CONSOLIDATION

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

4. STATEMENT OF COMPLIANCE

These consolidated condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SBP shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 till further instructions. In addition the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS 7) on banking companies vide SRO 411(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and these consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group for the year ended December 31, 2009.

SBP through its BSD Circular letter No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be re-named as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available-for-sale Securities (AFS) only, may be included in the 'Statement of Comprehensive Income'. Accordingly, the above requirements have been adopted in the preparation of these consolidated condensed interim financial statements.

5. BASIS OF MEASUREMENT

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

6. FUNCTIONAL AND PRESENTATION CURRENCY

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

7. SIGNIFICANT ACCOUNTING POLICIES

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

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

9. FINANCIAL RISK MANAGEMENT

The Group's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2009.

10. BALANCES WITH OTHER BANKS

	June 30, 2010	December 31, 2009
	Rupees in '000	
In Pakistan		
- Current accounts	187,000	120,292
- Deposit accounts	182,252	-
Outside Pakistan		
- Current accounts	<u>205,656</u>	<u>388,503</u>
	<u>574,908</u>	<u>508,795</u>

Faysal Bank Limited

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

11. LENDINGS TO FINANCIAL INSTITUTIONS			June 30,	December 31,
			2010	2009
Rupees in '000				
Call money lendings			-	300,000
Repurchase agreement lendings (Reverse Repo)	11.1		<u>6,195,398</u>	<u>14,717,826</u>
			<u>6,195,398</u>	<u>15,017,826</u>

11.1 Securities held as collateral against lendings to financial institutions

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

12. INVESTMENTS

12.1 Investments by type

	June 30, 2010			December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- Rupees in '000 -----						
Held for trading securities						
Market Treasury Bills	-	-	-	618,471	-	618,471
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	<u>971,300</u>	<u>-</u>	<u>971,300</u>	<u>811,223</u>	<u>-</u>	<u>811,223</u>
	971,300	-	971,300	1,429,694	-	1,429,694
Available for sale securities						
Market Treasury Bills	<u>35,256,115</u>	<u>3,298,336</u>	<u>38,554,451</u>	<u>14,192,378</u>	<u>17,165,757</u>	<u>31,358,135</u>
Pakistan Investment Bonds	<u>3,778,285</u>	<u>-</u>	<u>3,778,285</u>	<u>5,748,485</u>	<u>97,570</u>	<u>5,846,055</u>
Ijara Sukuk Bonds	<u>436,601</u>	<u>-</u>	<u>436,601</u>	<u>462,000</u>	<u>-</u>	<u>462,000</u>
Units of open end mutual funds						
- National Investment (Unit) Trust (note - 12.3)	<u>420,008</u>	<u>-</u>	<u>420,008</u>	<u>2,671,422</u>	<u>-</u>	<u>2,671,422</u>
- NIT Government Bond Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
- NIT Income Fund	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>80,374</u>	<u>-</u>	<u>80,374</u>
- Faysal Balanced Growth Fund	<u>80,374</u>	<u>-</u>	<u>80,374</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
- Faysal Income Growth Fund	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>207,411</u>	<u>-</u>	<u>207,411</u>
- Faysal Savings Growth Fund	<u>208,229</u>	<u>-</u>	<u>208,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
- Faysal Islamic Savings Growth Fund	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
- First Habib Income Fund	<u>2,043</u>	<u>-</u>	<u>2,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
- AKD Income Fund	<u>826</u>	<u>-</u>	<u>826</u>	<u>-</u>	<u>-</u>	<u>-</u>
- HBL Income Fund	<u>6,064</u>	<u>-</u>	<u>6,064</u>	<u>-</u>	<u>-</u>	<u>-</u>
- IGI Income Fund	<u>2,046</u>	<u>-</u>	<u>2,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	<u>3,531,974</u>	<u>-</u>	<u>3,531,974</u>	<u>1,810,932</u>	<u>-</u>	<u>1,810,932</u>
Fully paid up preference shares	<u>371,607</u>	<u>-</u>	<u>371,607</u>	<u>492,677</u>	<u>-</u>	<u>492,677</u>
Sukuk certificates	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Term finance certificates	<u>1,551,175</u>	<u>-</u>	<u>1,551,175</u>	<u>1,828,288</u>	<u>-</u>	<u>1,828,288</u>
	45,995,347	3,298,336	49,293,683	27,828,967	17,263,327	45,092,294
Held to maturity securities						
Term finance certificates	<u>7,698,176</u>	<u>-</u>	<u>7,698,176</u>	<u>7,127,929</u>	<u>-</u>	<u>7,127,929</u>
Sukuk certificates	<u>2,780,004</u>	<u>-</u>	<u>2,780,004</u>	<u>2,410,077</u>	<u>-</u>	<u>2,410,077</u>
	10,478,180	-	10,478,180	9,538,006	-	9,538,006
Associate						
Fully paid up ordinary shares of						
- Faysal Asset Management Ltd.	<u>85,278</u>	<u>-</u>	<u>85,278</u>	<u>81,109</u>	<u>-</u>	<u>81,109</u>
	57,530,105	3,298,336	60,828,441	38,877,776	17,263,327	56,141,103
Investments at cost						
Provision for diminution in the value of investments	<u>(1,133,734)</u>	<u>-</u>	<u>(1,133,734)</u>	<u>(1,140,082)</u>	<u>-</u>	<u>(1,140,082)</u>
	56,396,371	3,298,336	59,694,707	37,737,694	17,263,327	55,001,021
Investments (net of Provisions)						
Deficit on revaluation of held for trading securities - net	<u>(204,040)</u>	<u>-</u>	<u>(204,040)</u>	<u>(49,084)</u>	<u>-</u>	<u>(49,084)</u>
(Deficit) / surplus on revaluation of available for sale securities - net	<u>(352,805)</u>	<u>(8,690)</u>	<u>(361,495)</u>	<u>1,535,296</u>	<u>(27,786)</u>	<u>1,507,510</u>
Total investments	<u>55,839,526</u>	<u>3,289,646</u>	<u>59,129,172</u>	<u>39,223,906</u>	<u>17,235,541</u>	<u>56,459,447</u>

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For the half year ended June 30, 2010

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

- 12.3** 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. The bank recognised a gain of Rs 1,693.022 million upon the settlement of the NIUTL units which represents the unrealised appreciation in the value of these units which had previously been recognised in equity.

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

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

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

	Note	June 30, 2010	December 31, 2009
Rupees in '000			
13. ADVANCES			
Loans, cash credits, running finances, etc - In Pakistan		88,696,686	85,056,738
Net investment in finance lease- In Pakistan		10,058,249	11,112,580
		<u>98,754,935</u>	<u>96,169,318</u>
Bills discounted and purchased (excluding government market treasury bills)			
- Payable in Pakistan		520,029	438,472
- Payable outside Pakistan		898,055	1,438,480
		1,418,084	1,876,952
Margin financing / reverse repo transactions		338,200	338,200
Gross Advances		<u>100,511,219</u>	<u>98,384,470</u>
Provision for non-performing advances	13.2	(7,476,932)	(6,848,394)
Provision for consumer loans - general	13.3	(170,489)	(190,075)
		<u>92,863,798</u>	<u>91,346,001</u>

Faysal Bank Limited

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

	June 30, 2010				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Category of classification					
Other assets especially mentioned - (Agri Financing)	207,362	-	207,362	-	-
Substandard	1,128,472	-	1,128,472	206,751	206,751
Doubtful	1,948,261	-	1,948,261	633,264	633,264
Loss	7,820,018	-	7,820,018	6,636,917	6,636,917
	<u>11,104,113</u>	<u>-</u>	<u>11,104,113</u>	<u>7,476,932</u>	<u>7,476,932</u>

	December 31, 2009				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees 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>

- 13.2 Particulars of provision for non-performing advances

	June 30, 2010		
	Specific	General	Total
	Rupees in '000		
Opening balance	6,664,336	184,058	6,848,394
Charge for the period	1,113,220	-	1,113,220
Transfer from / (to) general provision	184,058	(184,058)	-
Reversals during the period	(484,239)	-	(484,239)
	813,039	(184,058)	628,981
Amounts written off	(443)	-	(443)
Closing balance	<u>7,476,932</u>	<u>-</u>	<u>7,476,932</u>
	December 31, 2009		
	Specific	General	Total
	Rupees in '000		
Opening balance	4,833,099	58,676	4,891,775
Charge for the year	2,570,287	183,382	2,753,669
Reversals	(729,255)	(58,000)	(787,255)
	1,841,032	125,382	1,966,414
Amounts written off	(9,795)	-	(9,795)
Closing balance	<u>6,664,336</u>	<u>184,058</u>	<u>6,848,394</u>

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

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

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

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

	For the six months ended	
	June 30, 2010	June 30, 2009
	Rupees in '000	
14. OPERATING FIXED ASSETS		
14.1 Additions to operating fixed assets		
Leasehold property and improvements	35,144	72,713
Office furniture, fixtures, equipment and computers	75,181	292,296
Vehicles-owned	11,752	44,365
Capital work-in-progress	74,775	-
14.2 Intangibles		
Software	20,991	68,951
14.3 Disposals of operating fixed assets		
Leasehold property and improvements	-	-
Office furniture, fixtures, equipment and computers	3,639	1,857
Vehicles-owned	188,480	31,383
Vehicles-subject to finance lease	-	10,478

15. DEPOSITS AND OTHER ACCOUNTS	June 30, 2010	December 31, 2009
	Rupees in '000	
Fixed deposits	69,476,021	60,320,421
Saving deposits	42,793,643	40,443,955
Current accounts	22,377,079	21,157,066
Margin accounts	<u>1,717,689</u>	<u>1,733,746</u>
	<u>136,364,432</u>	<u>123,655,188</u>

16. RESERVES

16.1 Statutory Reserve

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

16.2 Capital Market Reserve

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

17. CONTINGENCIES AND COMMITMENTS

17.1 Direct credit substitutes

Contingent liability in respect of guarantees favouring:

	June 30, 2010	December 31, 2009
i) Government	-	-
ii) Banking companies and other financial institutions	3,275	7,819
iii) Others	-	-
	3,275	7,819

Acceptances

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

17.2 Transaction-related contingent liabilities

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

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

17.3 Trade-related contingent liabilities

Letters of credit

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

17.4 Other Contingencies

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

June 30,
2010
December 31,
2009
Rupees in '000

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17.5 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.

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

18. BASIC / DILUTED EARNINGS PER SHARE

	For the quarter ended		For the six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit after taxation	<u>43,969</u>	<u>213,229</u>	<u>1,740,487</u>	<u>473,461</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>0.07</u>	<u>0.35</u>	<u>2.86</u>	<u>0.78</u>

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

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

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

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

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	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
Rupees in '000					
For the half year ended June 30, 2010					
Total income - net	69,654	1,020,877	1,919,391	1,707,484	4,717,406
Total expenses	(38,356)	(443,338)	(1,308,883)	(1,188,709)	(2,979,286)
Net income (loss)	<u>31,298</u>	<u>577,539</u>	<u>610,508</u>	<u>518,775</u>	<u>1,738,120</u>
As at June 30, 2010					
Segment assets (Gross)	-	58,667,750	43,289,178	85,056,254	187,013,182
Segment non performing loans	-	338,200	7,870,009	2,895,904	11,104,113
Segment provision required against loans	-	(26,906)	(4,884,998)	(2,735,517)	(7,647,421)
Segment liabilities	-	(47,234,821)	(94,469,642)	(23,435,553)	(165,140,016)
Segment return on assets (ROA) (%)	-	<u>14.74%</u>	<u>10.09%</u>	<u>11.80%</u>	
Segment cost of funds (%)	-	<u>3.75%</u>	<u>6.99%</u>	<u>3.97%</u>	
For the half year ended June 30, 2009					
Total income - net	43,680	143,833	1,787,340	1,620,516	3,595,369
Total expenses	(32,664)	(183,325)	(1,707,696)	(1,195,292)	(3,118,977)
Net income	<u>11,016</u>	<u>(39,492)</u>	<u>79,644</u>	<u>425,224</u>	<u>476,392</u>
As at December 31, 2009					
Total income - net	113,880	727,765	2,860,306	4,122,019	7,823,970
Total expenses	(59,263)	(301,653)	(2,834,996)	(3,415,531)	(6,611,443)
Net income (loss)	<u>54,617</u>	<u>426,112</u>	<u>25,310</u>	<u>706,488</u>	<u>1,212,527</u>
Segment assets (Gross)	-	51,119,347	72,627,872	65,325,374	189,072,593
Segment non performing loans	-	-	6,693,223	3,977,807	10,671,030
Segment provision required against loans	-	-	(3,677,327)	(3,361,142)	(7,038,469)
Segment liabilities	-	(48,391,126)	(95,523,015)	(23,985,263)	(167,899,404)
Segment return on assets (ROA) (%)	-	<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>	

20. RELATED PARTY TRANSACTIONS

The Bank has related party relations with its associated undertaking, group companies, retirement benefit plans, directors, key management personnel and entities over which the directors or key management personnel are able to exercise significant influence. The particulars of the Bank's investment in its associated company is given in note 12.1 to these consolidated condensed interim financial statements.

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

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For the half year ended June 30, 2010

	June 30, 2010				
	Directors and Key Management Personnel	Retirement Benefit Plans	Associate	Group Companies	Strategic Investments
	Rupees in '000				
Deposits					
Balance at the beginning of the period	39,485	350,367	399	2,181,528	27,085
Placements during the period	335,032	579,922	195,950	27,500,121	70,798
Withdrawals during the period	(329,741)	(498,282)	(189,333)	(28,869,143)	(63,056)
Balance at end of the period	44,776	432,007	7,016	812,506	34,827
Advances					
Balance at the beginning of the period	33,576	-	-	-	802,558
Disbursements during the period	-	-	-	-	1,750
Repayments during the period	(5,985)	-	-	-	(1,441)
Balance at end of the period	27,591	-	-	-	802,867
			June 30,	December 31,	
			2010	2009	
			Rupees in '000		
Foreign currency placement of funds / nostro balances with group companies			253	16,215	
			For the six months ended		
			June 30,	June 30,	
			2010	2009	
			Rupees in '000		
Transactions involving sale / purchase of investments with related parties					
Shares / units purchased			305,186	767,583	
Shares / units sold			359,131	862,161	
Profit paid / accrued			111,738	124,558	
Profit / return earned			1,056	49,441	
Remuneration of key management personnel					
Salaries, bonuses and other short-term employee benefits			100,632	65,758	
Post-employment benefits			6,668	1,690	
Contribution to staff retirement benefits			70,372	57,947	

21. ISLAMIC BANKING BUSINESS

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

Faysal Bank Limited

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For the half year ended June 30, 2010

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

22. DATE OF AUTHORISATION FOR ISSUE

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

23. GENERAL

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

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

PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Registered Office

Faysal House
ST-02, Shahrah-e-Faisal
Karachi, Pakistan

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