

Faysal Bank Limited
Consolidated Financial Statements (unaudited)
For the quarter and six months ended June 30, 2009

DIRECTORS' REVIEW

It gives me great pleasure to present, on behalf of the Board of Directors, the financial statements for the quarter and six months ended June 30, 2009.

Group

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

Holding Company: Faysal Bank Limited

Subsidiary Company: Faysal Management Services (Pvt) Limited (FSML)

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

Ratings

The holding company has been assigned the highest short term rating of A1+ (A One Plus) and AA (Double A) for the long term by JCR-VIS (credit rating company). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. It is pertinent to note that another major credit rating company of Pakistan, PACRA has also assigned the same ratings to the holding company. During the period under review, in view of the prevailing economic environment, the outlook on the rating was changed from stable to negative.

FINANCIAL HIGHLIGHTS

	<i>For the quarter ended</i>		<i>For the six months ended</i>	
	<i>June 30, 2009</i>	<i>June 30, 2008</i>	<i>June 30, 2009</i>	<i>June 30, 2008</i>
	Rupees in millions			
<i>Profit before taxation</i>	427	474	788	1,143
<i>Taxation</i>	213	174	312	396
<i>Profit after tax</i>	214	300	476	747
<i>Profit attributable to minority interest</i>	(1)	(1)	(3)	(2)
<i>Profit attributable to equity holders</i>	213	299	473	745
<i>Un-appropriated profit brought forward</i>	548	626	1,083	1,505
	761	925	1,556	2,250
Appropriations:				
<i>Final cash dividend 2008: Nil (2007 @ 25%)</i>	-	-	-	(1,324)
<i>Issue of bonus shares 2008 @ 15%</i>	-	-	(795)	-
Un-appropriated profit carried forward	761	925	761	926
Earning per share (Rupees)	0.35	0.49	0.78	1.22

Faysal Bank Limited
Consolidated Financial Statements (unaudited)
For the quarter and six months ended June 30, 2009

The markup earned for the quarter increased by Rs. 912 million to Rs. 4,088 million mainly due to higher level of financing and investment in government securities. This increase was however, partly offset by higher markup expense on deposits and borrowings from interbank market (higher volumes). Accordingly, net markup income for the quarter showed an increase of Rs. 57 million over corresponding quarter last year.

Non markup income for the current quarter increased by Rs. 363 million to Rs. 688 million mainly on account of capital gains from equity portfolio.

Despite worsening economic conditions, the bank was able to maintain provision for bad debts at Rs. 358 million as against Rs. 347 million in the same quarter last year.

Administrative expenses have increased to Rs. 1,155 million from Rs. 773 million over the previous period. Reasons for this increase include opening of 28 branches in 2008, higher inflation and investment in high quality HR and efficient systems.

Accordingly, net profit after tax for the quarter and six months ended June 30, 2009 was Rs. 214 million and Rs. 476 million respectively as against Rs. 300 million and Rs. 747 million for the corresponding periods last year.

Acknowledgement

I would like to take this opportunity to thank on behalf of the Board and Management of the Group, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their continued support and guidance; the customers for their patronage and the shareholders for the trust they have reposed in the Group. 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

Karachi
Dated: August 20, 2009

President & CEO

Faysal Bank Limited and its Subsidiaries
Consolidated Condensed Interim Balance Sheet
As at June 30, 2009

	Note	Unaudited June 30, 2009	Audited December 31, 2008
Rupees ' 000			
ASSETS			
Cash and balances with treasury banks		8,429,959	8,927,524
Balances with other banks	10	1,117,727	876,780
Lendings to financial institutions	11	500,000	2,861,401
Investments	12	41,374,362	30,106,298
Advances	13	94,809,249	89,758,789
Operating fixed assets	14	2,815,450	2,646,978
Deferred tax asset - net	15	809,177	-
Other assets		3,502,574	2,984,148
		153,358,498	138,161,918
LIABILITIES			
Bills payable		2,103,542	1,536,517
Borrowings from financial institutions		25,533,515	13,027,468
Deposits and other accounts	16	105,630,318	102,592,473
Sub-ordinated loans		999,400	999,600
Liabilities against assets subject to finance lease		-	4,103
Deferred tax liabilities - net		-	2,484,227
Other liabilities		7,332,621	6,641,902
		141,599,396	127,286,290
NET ASSETS		11,759,102	10,875,628
REPRESENTED BY			
Share capital		6,090,914	5,296,445
Reserves		3,790,023	3,790,023
Unappropriated profit		761,257	1,079,333
		10,642,194	10,165,801
Non-controlling Interest		75,197	73,706
		10,717,391	10,239,507
Surplus on revaluation of assets		1,041,711	636,121
		11,759,102	10,875,628

CONTINGENCIES AND COMMITMENTS

17

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

President & CEO

Director

Director

Director

Faysal Bank Limited and its Subsidiaries
Consolidated Condensed Interim Profit and Loss Account (Unaudited)
For the quarter and six months ended June 30, 2009

Note	For the quarter ended		For the six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Rupees '000				
Mark-up / return / interest earned	4,087,835	3,176,373	8,271,200	6,247,321
Mark-up / return / interest expensed	2,759,279	1,904,250	5,844,670	3,840,992
Net mark-up / interest income	1,328,556	1,272,123	2,426,530	2,406,329
Provision against non-performing loans and advances	13.2 358,342	347,177	682,961	498,452
Reversal of provision against consumer loans - general	13.3 (7,426)	-	(19,279)	(91,600)
Provision for diminution in the value of investments	66,534	2,871	66,354	5,404
Bad debts written off directly	-	-	-	-
	417,450	350,048	730,036	412,256
Net mark-up / interest income after provisions	911,106	922,075	1,696,494	1,994,073
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	289,644	159,910	475,138	363,021
Dividend income	42,334	75,596	76,087	102,066
Income from dealing in foreign currencies	100,248	73,022	163,962	124,762
Gain on sale of investments	313,924	1,475	491,694	14,094
Unrealised loss on revaluation of securities classified as held-for-trading	(84,412)	-	(87,319)	-
Other income	26,484	14,692	44,039	27,960
Total non mark-up / interest income	688,222	324,695	1,163,601	631,903
	1,599,328	1,246,770	2,860,095	2,625,976
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	1,154,672	772,793	2,048,067	1,486,069
Other provisions	20,908	-	29,180	-
Other charges	1	877	91	846
Total non mark-up interest expenses	1,175,581	773,670	2,077,338	1,486,915
Extraordinary items / unusual items	-	-	-	-
Share of income from associates	3,246	444	5,238	4,211
PROFIT BEFORE TAXATION	426,993	473,544	787,995	1,143,272
Taxation - Current	318,640	323,968	409,002	546,522
- Prior years	3,305,364	-	3,305,364	-
- Deferred	(3,411,524)	(150,320)	(3,402,763)	(150,198)
	212,480	173,648	311,603	396,324
PROFIT AFTER TAXATION	214,513	299,896	476,392	746,948
Profit attributable to non-controlling interest	1,284	948	2,931	1,855
Profit attributable to owners of the Bank	213,229	298,948	473,461	745,093
	214,513	299,896	476,392	746,948
Rupees				
Basic and diluted earnings per share attributable to the equity holders	19 0.35	0.49	0.78	1.22

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

President & CEO

Director

Director

Director

Faysal Bank Limited
Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)
For the quarter and six months ended June 30, 2009

	<u>For the quarter ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
	Rupees '000			
PROFIT FOR THE PERIOD	214,513	299,896	476,392	746,948
OTHER COMPREHENSIVE INCOME				
Net change in fair value of available-for-sale financial assets	180,770	(1,800,210)	514,950	(1,300,682)
Income tax on other comprehensive income	7,691	203,586	(109,359)	174,424
Other comprehensive income / (loss) for the period	188,461	(1,596,624)	405,591	(1,126,258)
Total comprehensive income / (loss) for the period	402,974	(1,296,728)	881,983	(379,310)
ATTRIBUTABLE TO:				
Owners of the Bank	213,229	298,948	473,461	745,093
Non-controlling interest	(156)	948	1,491	1,855
Total comprehensive income for the period	213,073	299,896	474,952	746,948

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

President & CEO

Director

Director

Director

Faysal Bank Limited and its Subsidiaries
Consolidated Condensed Interim Cash Flow Statement (Unaudited)
For the six months ended June 30, 2009

	June 30, 2009	June 30, 2008
Rupees '000		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	787,995	1,143,272
Less : Dividend income	(76,087)	(102,066)
Profit on available-for-sale securities	(1,902,229)	(850,126)
	<u>(1,190,321)</u>	<u>191,080</u>
Adjustments for non-cash charges:		
Depreciation / Amortisation	292,479	204,218
Provision against non-performing advances	682,961	498,452
Reversal for consumer loans - general	(19,279)	(91,600)
(Reversal) / Provision for diminution in the value of investments	(80,885)	5,404
Provision for other assets	29,180	-
Unrealised loss on revaluation of held-for-trading financial instruments	87,319	-
Bad debts written off directly	-	-
Gain on sale of operating fixed assets	(6,786)	(2,226)
Finance charges on leased assets	22	125
Exchange loss / (gain)	2,320	(148,477)
	<u>987,331</u>	<u>465,896</u>
	(202,990)	656,976
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	2,861,401	3,575,034
Held-for-trading securities	(789,674)	-
Advances	(5,714,142)	(674,531)
Others assets (excluding advance taxation)	(366,917)	(182,720)
	<u>(4,009,332)</u>	<u>2,717,783</u>
Increase / (Decrease) in operating liabilities:		
Bills payable	567,025	(1,021,595)
Borrowings from financial institutions	12,506,047	742,467
Deposits	3,037,845	(2,450,155)
Other liabilities	27,273	331,261
	<u>16,138,190</u>	<u>(2,398,022)</u>
	11,925,868	976,737
Income tax (paid) / refund received	<u>(3,050,786)</u>	<u>(84,967)</u>
Net cash flow from operating activities	8,875,082	891,770
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(18,769,881)	1,710,930
Net investments in held-to-maturity securities	8,805,245	-
Dividend received	61,032	127,639
Profit received on available-for-sale-securities	1,736,294	849,309
Fixed capital expenditure	(480,332)	(225,858)
Sale proceeds from disposal of fixed assets	24,160	16,607
Net cash flow from investing activities	(8,623,482)	2,478,627
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(4,125)	(1,966)
Repayment of Sub-ordinated loans	(200)	(200)
Dividends paid to Non-controlling interest holders	(1,439)	(4,105)
Dividends paid	(134)	(1,318,599)
Net cash used in financing activities	<u>(5,898)</u>	<u>(1,324,870)</u>
(Decrease) / Increase in cash and cash equivalents	245,702	2,045,527
Cash and cash equivalents at beginning of the period	9,804,304	11,380,488
Effects of exchange rate changes on cash and cash equivalents	(2,320)	148,477
Cash and cash equivalents at beginning of the period	<u>9,801,984</u>	<u>11,528,965</u>
Cash and cash equivalents at end of the period	<u>10,047,686</u>	<u>13,574,492</u>

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

President & CEO

Director

Director

Director

Faysal Bank Limited
Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)
For the six months ended June 30, 2009

	Attributable to the equity holders					Total	Non-controlling Interest	Total Equity
	Reserves			Unappropriated profit				
	Share capital	Capital Reserve for issue of bonus shares	Statutory reserve					
----- Rupees '000 -----								
Balance as at January 1, 2008	5,296,445	-	3,177,491	389,542	1,505,053	10,368,531	75,333	10,443,864
Changes in Equity for the six months ended June 30, 2008 :								
Final cash dividend for the year ended December 31, 2007 at Rs. 2.5 per share approved subsequent to the year end	-	-	-	-	(1,324,111)	(1,324,111)	-	(1,324,111)
Profit after taxation for the six months ended June 30, 2008	-	-	-	-	745,093	745,093	1,855	746,948
Dividend paid	-	-	-	-	-	-	(4,105)	(4,105)
Balance as at June 30, 2008	5,296,445	-	3,177,491	389,542	926,035	9,789,513	73,083	9,862,596
Profit after taxation for the period July 01 to December 31, 2008	-	-	-	-	376,288	376,288	2,854	379,142
Dividend Paid	-	-	-	-	-	-	(2,231)	(2,231)
Transfer to statutory reserve	-	-	222,990	-	(222,990)	-	-	-
Balance as at December 31, 2008	5,296,445	-	3,400,481	389,542	1,079,333	10,165,801	73,706	10,239,507
Changes in Equity for the six months ended June 30, 2009 :								
Profit after taxation for the six months ended June 30, 2009	-	-	-	-	476,392	476,392	2,931	479,323
Dividend paid	-	-	-	-	-	-	(1,439)	(1,439)
Transfer to reserve for issue of bonus shares	-	794,469	-	-	(794,469)	-	-	-
Issue of bonus shares	794,469	(794,469)	-	-	-	-	-	-
Balance as at June 30, 2009	6,090,914	-	3,400,481	389,542	761,256	10,642,193	75,197	10,717,391

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

President & CEO

Director

Director

Director

Faysal Bank Limited and its Subsidiaries
Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)
For the quarter and six months ended June 30, 2009

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 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 bank is engaged in Commercial, Consumer and corporate banking activities. The bank has a branch network of 129 branches (June 30, 2008:113 branches) , 2 sub branches (June 30, 2008 : Nil) and operates 1 (June 30, 2008 : 6) sales service centres.

The Registered Office (Head Office) of the Bank is located at Faysal House, ST-02, Shakra-e-Faisal, Karachi.

Ithmaar Bank B.S.C., an Investment Bank listed in Bahrain, is the ultimate holding company of Faysal Bank Limited.

Faysal Management Services (Private) Limited 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 has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by Group 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.

3. BASIS OF CONSOLIDATION

The basis of consolidation of the financial statements 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, 2008.

4. STATEMENT OF COMPLIANCE

These consolidated condensed interim financial statements are 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, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan shall prevail.

The State Bank of Pakistan as per BSD Circular Letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40). Accordingly, the requirements of these standards and their relevant interpretations (issued by the Standards Interpretation Committee - SICs, and the International Financial Reporting Interpretations Committee - IFRICs) have not been considered in the preparation of these financial statements. However, the investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan through various circulars.

Further, disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the bank for the year ended December 31, 2008.

During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) and International Financial Reporting Standard 8, Operating Segments (IFRS 8) became effective from January 1, 2009. The application of these standards has resulted in certain increased disclosures only. Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the bank's operations, are not detailed in 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 the following financial instruments:

- Derivative financial instruments are measured at fair value; and
- Investments classified as held for trading and available-for-sale are also measured at fair values.

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 adopted for preparation of these consolidated condensed interim financial statements are the same as those applied in preparation of the financial statements for the year ended December 31, 2008.

8. USE OF ESTIMATES AND JUDGEMENTS

The preparation of these consolidated condensed interim financial statements in accordance with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the current and future reporting periods. The actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates (other than adjusting events) are recognized prospectively commencing from the period of revision.

Significant judgements made by the management and the key sources of estimating uncertainty in preparation of these Consolidated condensed interim financial statements were same as those applied to the annual financial statements for the year ended December 31, 2008.

9. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements for the year ended December 31, 2008.

	Note	June 30, 2009	December 31, 2008
		Rupees '000	
10. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		110,040	163,851
- Deposit accounts		-	-
Outside Pakistan			
- Current accounts		1,007,687	712,929
- Deposit accounts		-	-
		<u>1,117,727</u>	<u>876,780</u>
11. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		500,000	-
Repurchase agreement lendings	11.1	-	2,861,401
Certificates of investment		-	-
		<u>500,000</u>	<u>2,861,401</u>

11.1 Repurchase agreement lendings :

	June 30, 2009			December 31, 2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees '000 -----					
Market Treasury Bills	-	-	-	2,861,401	-	2,861,401
Pakistan Investments Bonds	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,861,401</u>	<u>-</u>	<u>2,861,401</u>

12. INVESTMENTS

12.1 Investments by type

	June 30, 2009			December 31, 2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	----- Rupees '000 -----					
Held for trading securities						
Fully paid up ordinary shares	808,778	-	808,778	19,104	-	19,104
Available-for-sale securities						
Market Treasury Bills	14,269,388	12,837,735	27,107,123	11,345,481	1,122,182	12,467,663
Pakistan Investment Bonds	5,110,311	-	5,110,311	1,154,312	-	1,154,312
Units of open ended mutual funds						
- National Investment (Unit) Trust - note 12.2	2,721,544	-	2,721,544	3,475,056	-	3,475,056
- First Habib Income Fund	-	-	-	25,000	-	25,000
- 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	207,411	-	207,411	207,411	-	207,411
- NAFA Cash Fund	-	-	-	50,000	-	50,000
- Atlas Income Fund	-	-	-	35,000	-	35,000
- United Money Market Fund	-	-	-	25,000	-	25,000
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	2,908,039	-	2,908,039	1,750,640	-	1,750,640
Fully paid up preference shares	492,677	-	492,677	492,677	-	492,677
Term finance certificates and bonds	1,446,394	-	1,446,394	1,540,859	-	1,540,859
	<u>27,436,138</u>	<u>12,837,735</u>	<u>40,273,873</u>	<u>20,381,810</u>	<u>1,122,182</u>	<u>21,503,992</u>
Held to Maturity						
Treasury Bills	-	-	-	8,805,245	-	8,805,245
Associates						
- Shares of Faysal Asset Management Ltd.	78,368	-	78,368	73,130	-	73,130
Investments at cost	<u>28,323,284</u>	<u>12,837,735</u>	<u>41,161,019</u>	<u>29,279,289</u>	<u>1,122,182</u>	<u>30,401,471</u>
Provision for diminution in the value of investments	(790,595)	-	(790,595)	(871,481)	-	(871,481)
Investments (Net of Provisions)	<u>27,532,689</u>	<u>12,837,735</u>	<u>40,370,424</u>	<u>28,407,808</u>	<u>1,122,182</u>	<u>29,529,990</u>
Surplus / (Deficit) on revaluation of held for trading securities	(90,730)	-	(90,730)	(3,410)	-	(3,410)
Surplus / (Deficit) on revaluation of available for sale securities (net)	1,077,145	17,523	1,094,668	579,718	-	579,718
Total investments at market value	<u>28,519,104</u>	<u>12,855,258</u>	<u>41,374,362</u>	<u>28,984,116</u>	<u>1,122,182</u>	<u>30,106,298</u>

12.2. This includes 150,268,315 NIT Units (December 31, 2008 : 150,268,315 NIT units) covered under letter of comfort (LOC) dated June 30, 2009 issued by the Federal Government with an expiry / renewal date of December 31, 2009.

13. ADVANCES	Note	June 30, 2009	December 31, 2008
(Rupees in '000)			
Loans, cash credits, running finances, etc.		86,917,031	79,492,629
Net investment in finance lease- In Pakistan		<u>12,146,655</u>	<u>13,493,087</u>
		<u>99,063,686</u>	<u>92,985,716</u>
Bills discounted and purchased (excluding government market treasury bills)			
-Payable in Pakistan		<u>312,922</u>	675,771
-Payable outside Pakistan		<u>883,105</u>	596,917
		<u>1,196,027</u>	<u>1,272,688</u>
		<u>100,259,713</u>	<u>94,258,404</u>
Margin financing / reverse repo transactions		338,200	625,367
Provision for non-performing advances	13.2	(5,591,145)	(4,908,184)
Provision for consumer loans - general	13.3	<u>(197,519)</u>	<u>(216,798)</u>
		<u>94,809,249</u>	<u>89,758,789</u>

13.1 Advances includes Rs. 8.255 billion (December 31, 2008 : Rs. 7.479 billion) which have been placed under non-performing status as detailed below:

June 30, 2009					
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in '000)					
Other assets especially mentioned	321,972	-	321,972	-	-
Substandard	907,866	-	907,866	175,127	175,127
Doubtful	2,247,384	-	2,247,384	1,029,029	1,029,029
Loss	<u>4,777,722</u>	-	<u>4,777,722</u>	<u>4,328,313</u>	<u>4,328,313</u>
	<u>8,254,944</u>	-	<u>8,254,944</u>	<u>5,532,469</u>	<u>5,532,469</u>
December 31, 2008					
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in '000)					
Other assets especially mentioned	242,329	-	242,329	-	-
Substandard	1,882,120	-	1,882,120	655,627	655,627
Doubtful	1,553,008	-	1,553,008	658,836	658,836
Loss	<u>3,801,842</u>	-	<u>3,801,842</u>	<u>3,535,045</u>	<u>3,535,045</u>
	<u>7,479,299</u>	-	<u>7,479,299</u>	<u>4,849,508</u>	<u>4,849,508</u>

13.1.1 In accordance with the directives issued by SBP, the Bank has considered the benefit of 30% of FSV of pledged stocks and mortgaged commercial and residential properties held as collateral against all Non Performing Loans (NPLs), except consumer financing, for three years from the date of classification for calculating provisioning requirements. For Non Performing Loans in respect of consumer financing, benefit of 50% of the FSV of mortgage property is considered in the first two years of classification and 30% in the third year of classification.

13.2 Particulars of provision for non-performing advances

June 30, 2009			
	Specific	General	Total
(Rupees in '000)			
Opening balance	4,849,508	58,676	4,908,184
Charge for the period	<u>1,564,802</u>	-	<u>1,564,802</u>
Transfer to specific provision from general provision	-	-	-
Reversals during the period	<u>(881,841)</u>	-	<u>(881,841)</u>
	682,961	-	682,961
Write off during the period	-	-	-
Closing balance	<u>5,532,469</u>	<u>58,676</u>	<u>5,591,145</u>
December 31, 2008			
	Specific	General	Total
(Rupees in '000)			
Opening balance	3,199,581	148,676	3,348,257
Charge for the period	1,973,009	-	1,973,009
Transfer to specific provision from general provision	90,000	(90,000)	-
Reversals during the period	<u>(411,993)</u>	-	<u>(411,993)</u>
	1,651,016	(90,000)	1,561,016
Write off during the period	<u>(1,089)</u>	-	<u>(1,089)</u>
Closing balance	<u>4,849,508</u>	<u>58,676</u>	<u>4,908,184</u>

	June 30, 2009	December 31, 2008
13.3 Particulars of provision for consumer loans - general	(Rupees in '000)	
Opening balance	216,798	321,620
Charge for the year	-	-
Reversals	<u>(19,279)</u>	<u>(104,822)</u>
Closing balance	<u>197,519</u>	<u>216,798</u>

- 13.3.1 General provision against consumer portfolio has been determined in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan equivalent to (1.5% of secured loans and 5% of unsecured loans).

	For the six months ended	
	June 30, 2009	June 30, 2008
14. OPERATING FIXED ASSETS	(Rupees in '000)	
14.1 Additions to operating fixed assets		
Leasehold property and improvements	72,713	106,721
Office furniture, fixtures, equipment and computers	292,296	131,510
Vehicles-owned	44,365	21,101
Capital work-in-progress	-	71,532
14.2 Intangibles		
Software	68,951	13,652
14.3 Disposals of operating fixed assets		
Leasehold property and improvements	-	-
Office furniture, fixtures, equipment and computers	1,857	13,398
Vehicles-owned	31,383	13,643
Vehicles-subject to finance lease	10,478	-

15. The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as OAEM (in agriculture) and Substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances (provided for half year) and have recognized deferred tax asset on such provision amounting to Rs. 64 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2008 would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banking Association (PBA) has taken up this matter with Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR as proposed by the ICAP and the PBA. Accordingly, the deferred tax asset recognized through December 31, 2008 relating to provisions for advances amounting to Rs. 1,598 million has been carried forward.

	June 30, 2009	December 31, 2008
16. DEPOSITS AND OTHER ACCOUNTS	(Rupees in '000)	
Term deposits	46,674,049	56,750,305
Saving deposits	37,966,830	25,317,608
Current accounts	19,106,990	18,505,883
Margin accounts	<u>1,882,449</u>	<u>2,018,677</u>
	<u>105,630,318</u>	<u>102,592,473</u>

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
17. CONTINGENCIES AND COMMITMENTS		
17.1 Direct credit substitutes		
Contingent liability in respect of guarantees favouring:		
i) Government	-	-
ii) Banking companies and other financial institutions	7,819	11,314
iii) Others	3,013,912	2,298,364
	3,021,731	2,309,678
Acceptances		
i) Government	-	8,903
ii) Banking companies and other financial institutions	-	-
iii) Others	1,388,310	2,115,242
	1,388,310	2,124,145
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	2,485,688	3,940,271
ii) Banking companies and other financial institutions	38,792	121,645
iii) Others	13,440,692	13,053,502
	15,965,172	17,115,418
17.3 Trade-related contingent liabilities		
Letters of credit		
i) Government	1,982,756	302,870
ii) Banking companies and other financial institutions	-	115,210
iii) Others	6,620,365	8,378,903
	8,603,121	8,796,983
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	1,149,116	1,126,990
17.5 The tax department has amended the assessments of the Bank under section 122(5A) of the Income Tax Ordinance, 2001 relating to the tax years 2004 to 2008. The Bank filed an appeal against the amended orders passed, before the Commissioner of Income Tax (CIT)-Appeals. The CIT - Appeals passed a combined order, the effect of which had been accounted for by the Bank. The Bank has now filed an appeal before the Income Tax Appellate Tribunal against the order of the CIT - Appeals on certain issues, which are pending.		

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
17.6 Commitments in respect of forward lending / purchase		
Commitments to extend credit - advances	50,000	3,179,852
Commitments to invest in securities	-	330,000
17.7 Commitments in respect of forward exchange contracts		
Purchase		
- Customers	1,466,739	1,103,966
- Banks	9,436,542	4,905,443
	10,903,281	6,009,409
Sale		
- Customers	-	-
- Banks	9,596,730	3,224,281
	9,596,730	3,224,281
17.8 Commitments for acquisition of operating fixed assets	128,976	196,637
17.9 Commitments in respect of repo transactions		
Resale	10,894,181	1,122,184
Repurchase	426,152	3,448,631

18. CAPITAL MARKET RESERVE

The bank makes appropriation for capital market reserve in order to meet unforeseen future contingencies in the capital market. Appropriation in respect of the current year will be considered at the time of finalisation of the annual statutory financial statements.

19. BASIC / DILUTED EARNINGS PER SHARE

	For the Quarter ended		For the six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	----- (Rupees in '000) -----			
Profit after taxation attributable to equity holders	213,229	298,948	473,461	745,093
	Number of shares in thousands			
Weighted average number of ordinary shares	609,091	609,091	609,091	609,091
Basic / diluted earnings per share	Rs. 0.35	Rs. 0.49	Rs. 0.78	Rs. 1.22

20. 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 the core functions performed by the business groups.

	Corporate finance	Trading & sales	Retail banking	Commercial banking
	----- (Rupees in '000) -----			
June 30, 2009				
Total income	43,680	143,833	1,787,340	1,018,679
Total expenses	(32,664)	(183,325)	(1,707,696)	(593,455)
Net income (loss)	<u>11,016</u>	<u>(39,492)</u>	<u>79,644</u>	<u>425,224</u>
Segment assets (Gross)	-	45,805,433	41,328,511	72,940,973
Segment non performing financing / investment	-	-	4,698,909	3,556,035
Segment provision required	-	(790,595)	(2,928,172)	(2,997,652)
Segment liabilities	-	(42,934,613)	(36,704,159)	(61,960,624)
Segment return on assets (ROA) (%)	<u>-</u>	<u>13.50</u>	<u>11.70</u>	<u>12.70</u>
Segment cost of funds (%)	<u>-</u>	<u>12.00</u>	<u>2.70</u>	<u>9.30</u>
June 30, 2008				
Total income	38,299	126,115	1,567,163	893,191
Total expenses	(24,288)	(142,495)	(1,269,770)	(441,268)
Net income (loss)	<u>14,011</u>	<u>(16,380)</u>	<u>297,393</u>	<u>451,923</u>
December 31, 2008				
Total income	76,060	250,455	3,112,278	1,773,816
Total expenses	(52,978)	(301,312)	(2,769,706)	(962,522)
Net income (loss)	<u>23,082</u>	<u>(50,857)</u>	<u>342,572</u>	<u>811,294</u>
Segment assets (Gross)	-	38,230,305	40,555,319	65,480,790
Segment non performing financing / investment	-	-	6,046,426	4,575,807
Segment provision required	-	(718,565)	(2,661,391)	(2,724,540)
Segment liabilities	-	(38,585,865)	(32,997,331)	(55,703,094)
Segment return on assets (ROA) (%)	<u>-</u>	<u>12.22</u>	<u>10.59</u>	<u>11.49</u>
Segment cost of funds (%)	<u>-</u>	<u>9.41</u>	<u>2.12</u>	<u>7.29</u>

Note :

The above table is based on best estimates / assumptions and other segments (payment & settlement and agency services) as required to be disclosed are not material.

21. RELATED PARTY TRANSACTIONS

The Group has related party relations with its associated undertakings, group companies, employee benefit plans, and its directors and executive officers (including their associates). Transaction with key management personnel and entities in which the Group has strategic investment are also disclosed as related party transactions.

Banking transactions with the related parties are executed substantially on the same terms, except transactions with directors and executive officers 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 / balances with related parties are as follows:

	June 30, 2009				
	Directors and Key management personnel	Group Companies	Associates	Strategic and other investments	Retirement Benefit Plan
	----- (Rupees in '000) -----				
Deposits					
Balance as at January 01, 2009	21,081	1,174,456	958	13,412	148,888
Placements during the period	392,158	17,854,086	44,161	7,876,383	340,791
Withdrawals during the period	(365,356)	(16,616,269)	(39,970)	(7,611,764)	(220,335)
Balance as at June 30, 2009	47,883	2,412,273	5,149	278,031	269,344
Advances					
Balance as at January 01, 2009	71,807	-	-	731,564	-
Disbursement during the period	-	-	-	47,447	-
Repayment during the period	(36,356)	-	-	(837)	-
Balance as at June 30, 2009	35,451	-	-	778,174	-

	June 30, 2009		
	Associates	Strategic Investments	Group Companies
	----- (Rupees in '000) -----		
Investments			
Balance as at January 01, 2009	45,000	853,750	132,487
Investments during the period	-	-	767,583
Sale proceed during the period	-	(37,737)	(824,424)
Balance as at June 30, 2009	45,000	816,013	75,646

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
Nostro balances with related parties	15,688	15,238
	For the six months ended	
	June 30, 2009	June 30, 2008
	----- (Rupees in '000) -----	
Profit paid / accrued	124,558	4,267
Profit / return earned	49,441	13,530
Technical Fee	-	3,986
Remuneration of key management personnel		
Salaries, bonuses and other short-term employee benefits	65,758	72,945
Post-employment benefits	1,690	1,854
Contribution to staff retirement benefits	6,110	19,141

22. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on August 20, 2009 by the Board of Directors of the Bank.

23. GENERAL

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

23.2 Previous periods' figures have been rearranged and reclassified where ever necessary, to facilitate comparison.

President & CEO

Director

Director

Director