

First Quarter

Ended March 31, 2009

Unaudited Financial Statements



professionalism
teamwork
integrity
respect



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Registered Office

Faysal House, ST-2, Shara-e-Faisal, Karachi
 Tel: 021-2795200, Fax: 021-2795234

Corporate Information

Board of Directors

Syed Naseem Ahmad	Chairman
Naved A. Khan	President & CEO
Graham Roderick Walker	Director
Mohamed A. R. Hussain	Director
Mohammad A. Rahman Bucheerei	Director
Farooq Rahmatullah	Director
Tariq Iqbal Khan	Director
Shahid Ahmad	Director

Audit Committee

Graham Roderick Walker	Chairman
Tariq Iqbal Khan	Member
Mohammed A. Rehman Bucheerei	Member

Board Risk Management Committee (BRMC)

Mohamed A.R. Hussain	Chairman
Naved A. Khan	Member
Syed Naseem Ahmad	Member
Shahid Ahmad	Member

Recruitment Nomination and Remuneration Committee (RNRC)

Syed Naseem Ahmad	Chairman
Farooq Rahmatullah	Member
Naved A. Khan	Member
Mohammed A. Rahman Bucheerei	Member
Shahid Ahmad	Member

Head Office Management

Naved A. Khan	President & CEO
Nauman Ansari	Head of Corporate & Investment Banking
Ahmed Kamran	Head of Services
Bashir A. Shaikh	Advisor on Special Assets / Acting Head of Risk
Aarj Ali	Head of Retail Banking
Mehreen Amin	Head of Human Resources
Nasir Islam	Head of Compliance
Masroor Qureshi	Head of Treasury
Syed Majid Ali	Chief Financial Officer
Enamullah Khan	Head Equity & Capital markets

Raza Mohsin Qizilbash Company Secretary & Legal Advisor

KPMG Taseer Hadi & Co. Auditors
Chartered Accountants

DIRECTORS' REVIEW

It gives me great pleasure to present, on behalf of the Board of Directors, the financial statements for the quarter ended 31 March 2009.

The Bank was incorporated on October 3, 1994 and is quoted at all stock exchanges in Pakistan. Ifhmaar Bank B.S.C., an Investment Bank listed in Bahrain, is the ultimate holding company of the Bank.

Economic & Banking Sector Update

The global recessionary trend seems to be well established during the first quarter of CY2009 and is expected to continue throughout 2009 and 2010. For Pakistan the international recession may prove to be a double-edged sword. While downturn in global commodity markets and specifically in the price of oil has led to a tapering off of domestic inflation, we are also experiencing a slowdown in external demand for Pakistan's goods and services thus putting downward pressure on our export proceeds and negatively affecting the domestic industrial and services sectors.

It is premature to say, yet there are early signs of improvement in the outlook for some important economic variables, i.e. softening of inflationary pressures, stability in foreign exchange reserves, declining imports, disciplined Government borrowing from central bank, recovery of stock market from 4,815 index to 6,860 and higher home remittances. Furthermore, benchmark 6 month KIBOR rate declined to 12.85% as of March 31, 2009 from 15.70% on December 31, 2008 and Rupee depreciated by only 1.80% against USD during the first quarter of the CY2009.

The country's external current account surplus in February 2009 was USD 146 million which is a marked contrast from the nearly USD 1 billion deficit a month run-rate of 2008. FX Reserves rose to just over USD 10 billion in March 2009 showing sizeable improvement from the low of USD 6 billion in mid-2008. Reserve accumulation is, however, mostly owed to loans from International Financial Institutions such as the IMF, World Bank and ADB etc. and only a very small portion of the addition is attributable to FDI activity.

The fiscal deficit was 1.90% of the GDP in the FH FY2009 and is expected to be in the range of 1.00 to 1.20% for the January-March 2009 period which is in line with the IMF prescribed targets for the relevant quarter.

The banking sector is likely to see continued increase in NPLs during 2009 as the pace of economic activity is not expected to gather any momentum. Lending activity may take some time to get back on track this year as most banks' priorities will include capital conservation and resuscitation of weaker assets. There has been an explicit flight to safety in the January-March 2009 quarter as banks curtailed lending activity and chose to direct their liquidity into government securities. This move towards higher credit quality is likely to continue well into the year. Only a broad-based recovery in both domestic and external demand will ensure that credit off-take recovers its lost steam.

In conclusion, 2009 is expected to be another challenging year both for Pakistan's economy and the banking industry, though it seems to hold the promise of a return to less turbulent times on most fronts.

Bank's Performance

During the quarter under review, the bank continued implementation of five year strategy 2009-2013 rolled out in 2008. Some of the significant initiatives taken are as follows:

1. To pursue its vision of Excellence, the Bank started a structured Service Quality Management Programme. This Programme will consist of:
 - a. Measuring the Key Service Indicators of customer critical processes with a view to making them competitive,
 - b. Establishing metrics of Customer Satisfaction / Loyalty, Problem Incidence and Problem Resolution Satisfaction, through periodic surveys, and benchmarking them against competition,
 - c. Customer Engagement Activities to strengthen our relationship with them, and
 - d. Employee Engagement initiatives to reinforce the Service culture by recognizing and rewarding service excellence

To effectively roll out the Service Quality Management Programme, hiring of Service Quality team is underway. Also, service orientation training for branch staff at all levels has started, with the first three sessions having taken place in Karachi.

2. With a view of providing maximum security to Pocketmate card holders, the bank deployed Fraud Alert Warning System (FAWS) which helps determine suspicious and fraudulent transactions made on Pocketmate Visa Debit Card. Through this system proactive measures can be taken in order to protect customers from any possible fraud.
3. Corporate & Investment Banking Group update:

The bank remained active throughout the first quarter of 2009 and concluded a number of milestone transactions. The prominent achievements are highlighted below:

- Faysal Bank acted as one of the Lead Advisors and Arrangers to a Syndicated Finance Facility of PKR 10 billion for a leading fertilizer project. The objective of the transaction was to meet the CAPEX requirements to achieve partial COD for the plant. The project is of strategic national importance and will serve to bridge the demand supply gap in Pakistan's fertilizer industry. The financial close for the first tranche of PKR 4.5 billion has been achieved this quarter with FBL's participation of PKR 500 million.
- Faysal Bank also supported a leading upcoming power generation project in meeting cost over runs to the tune of PKR 1,420 million. This was a landmark transaction and the 165 MW power generation plant achieved COD on 17th March 2009. FBL also acted as the trustee/agent bank for this transaction.
- Faysal Bank participated in a PKR 14,195 million Syndicated Debt transaction for another power project to finance a 200 MW Residual Fuel Oil based Power Project near Faisalabad. FBL's participation in the transaction is PKR 500 million.

Corporate Banking Group of the bank also continued to actively market high quality risk assets. Noteworthy transactions include disbursement of PKR 1.50 billion to a Gas distribution company for capital expenditures, participation in right issue transactions of a leading corporate in the chemical sector and a Structured Trade Finance Transaction in the Fertilizer sector. A good number of new relationships with blue chip corporate clients were established, the benefits of which will continue to flow in future.

4. In continuation of our plan to centralize and streamline processes, processing of term deposits of southern and northern region branches was centralized. Central region branches would be under-taken during the current quarter.
5. To improve service standards for our corporate customers, Corporate Service Centres (CSC) were set up in Karachi and Lahore. Islamabad (CSC) will be set up during the current quarter. These centres have already enhanced efficiency and improved the quality and timeliness of our customer service. Furthermore, Relationship Managers have now more time to perform their core job responsibilities. The scope of CSC concept will be widened to cover the day-to-day requirements of our Commercial Banking clients over the next two months.
6. Continuing with its focus on Compliance, your bank rolled out a new version of Compliance Manual and conducted Compliance Orientation Training programmes to new inductees.
7. The Human Resources Function implemented an improved Performance Appraisal cycle, rolled out critical modules of Human Resource Management Information Systems (HRMIS), filled in critical positions in the senior and middle management and initiated service quality and orientation programmes for employees.

Ratings

Faysal Bank 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 Bank.

Financial Highlights

Profit after tax for the quarter under review at Rs.255 million was lower than the same period last year

	For the quarter ended	
	March 31 2009	March 31 2008
	Rupees in million	
Profit before taxation	352	662
Taxation	(97)	(221)
Profit after taxation	255	441
Un-appropriated profit brought forward	1,050	1,482
Appropriations:		
Final cash dividend 2007 @ 25% (2006: @ 25%)	-	(1,324)
Transfer to reserve for issue of bonus shares 2008 @ 15% (2007 : NIL)	(795)	-
Un appropriated profit carried forward	510	599
Earning Per Share (Rupees)	0.48	0.83

mainly due to higher provisions for non performing loans. Your bank, in view of difficult economic conditions and resultant higher Non Performing loans in the banking industry, taking a prudent and conservative view on some loans, has made provisions. Despite economically difficult period, profit before tax and provisions for the quarter at Rs. 673 million was not far from the last year's comparative figure of Rs. 725 million.

As a result of bank's efforts to improve its core revenue streams, mark up income increased by over Rs. 1.1 billion i.e. 36%. This higher mark up income enabled the bank to absorb the higher cost of deposits mobilized during the last quarter of 2008 to improve its liquidity position, given the current economic situation.

Non markup income for the quarter increased by Rs. 169 million to Rs. 477 million mainly due to higher capital gains from sale of equity securities.

Administrative expenses for the quarter increased by 25% over the previous period. This increase is attributable to opening of 24 branches in 2008 and higher level of inflation last year which has increased the cost base for 2009.

On the balance sheet side, total assets of the bank increased by Rs.11.5 billion i.e. 8.3% over December 31, 2008. Major growth was in the areas of Lending to financial institutions Rs. 5.8 billion, investments Rs. 3.0 billion and Advances Rs. 2.2 billion.

On the liability side, deposits continued to grow and increased from Rs.102.7 billion in December 2008 to Rs. 106.1 billion in March 2009. The bank, during the quarter under review has been able to improve its deposit mix showing a growth of Rs. 15.0 billion in current and saving deposits (CASA). Borrowing from financial institutions also contributed to funding assets growth.

Acknowledgement

I would like to take this opportunity to thank on behalf of the Board and Management of the Bank, 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 bank. 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

Dubai
Dated: 21 April 2009

President & CEO

Faysal Bank Limited

**Unconsolidated Condensed Interim
Financial Statements
for the quarter ended
March 31, 2009**

UNCONSOLIDATED CONDENSED INTERIM
BALANCE SHEET
As at March 31, 2009



	Note	Un-audited March 31, 2009	Audited December 31, 2008
(Rupees '000)			
ASSETS			
Cash and balances with treasury banks		7,809,030	8,927,524
Balances with other banks	9	2,260,850	876,780
Lendings to financial institutions	10	8,699,584	2,861,401
Investments	11	33,218,482	30,186,168
Advances	12	91,986,045	89,758,789
Operating fixed assets	13	2,666,318	2,646,978
Deferred tax assets - net		-	-
Other assets		3,108,465	2,983,846
		149,748,774	138,241,486
LIABILITIES			
Bills payable		1,278,890	1,536,517
Borrowings from financial institutions		20,243,982	13,027,468
Deposits and other accounts	14	106,060,941	102,776,793
Sub-ordinated loans		999,600	999,600
Liabilities against assets subject to finance lease		-	4,103
Deferred tax liabilities - net		2,600,403	2,483,355
Other liabilities		7,320,466	6,641,542
		138,504,282	127,469,378
NET ASSETS		11,244,492	10,772,108
REPRESENTED BY			
Share capital		5,296,445	5,296,445
Reserves		4,584,492	3,790,023
Unappropriated profit		510,304	1,049,519
		10,391,241	10,135,987
Surplus on revaluation of assets - net of deferred tax		853,251	636,121
		11,244,492	10,772,108
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

President & CEO

Director

Director

Director

	Note	March 31, 2009	March 31, 2008
(Rupees '000)			
Mark-up / return / interest earned		4,181,372	3,070,946
Mark-up / return / interest expensed		3,091,761	1,940,315
Net mark-up / interest income		1,089,611	1,130,631
Provision against non-performing loans and advances	12.2	324,619	151,275
(Reversal) for consumer loans - general	12.3	(11,853)	(91,600)
(Reversal) / Provision for diminution in the value of investments		(180)	2,533
Bad debts written off directly		-	-
		312,586	62,208
Net mark-up / interest income after provisions		777,025	1,068,423
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		185,494	203,111
Dividend income		34,833	26,470
Income from dealing in foreign currencies		63,714	51,740
Gain on sale of investments		177,770	12,619
Unrealised (loss) / gain on revaluation of securities classified as held-for-trading		(2,907)	-
Other income		17,555	13,270
Total non mark-up / interest income		476,459	307,210
		1,253,484	1,375,633
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses		893,356	713,190
Other provisions		8,272	-
Other charges		90	(31)
Total non mark-up interest expenses		901,718	713,159
Extraordinary items / unusual items		-	-
PROFIT BEFORE TAXATION		351,766	662,474
Taxation - Current		88,146	221,333
- Prior years		-	-
- Deferred		8,366	-
		96,512	221,333
PROFIT AFTER TAXATION		255,254	441,141
Rupees			
Basic and Diluted earnings per share	17	0.48	0.83

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

President & CEO

Director

Director

Director

UNCONSOLIDATED CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)
For the quarter ended March 31, 2009



	March 31, 2009	March 31, 2008
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	351,766	662,474
Less: Dividend income	(34,833)	(26,470)
Profit on available-for-sale securities	(1,012,228)	(408,588)
	<u>(695,295)</u>	<u>227,416</u>
Adjustments for non-cash charges:		
Depreciation / Amortisation	136,916	96,108
Provision against non-performing advances	324,619	151,275
(Reversal) for consumer loans - general	(11,853)	(91,600)
(Provision) / Reversal for diminution in the value of investments	(180)	2,533
Provision for other assets	8,272	-
Unrealised (loss) / gain on revaluation of held-for-trading financial instruments	(2,907)	-
Bad debts written off directly	-	-
Gain on sale of operating fixed assets	(5,677)	(1,011)
Finance charges on leased assets	22	56
Exchange gain	(1,239)	(47,722)
	<u>447,973</u>	<u>109,639</u>
	<u>(247,322)</u>	<u>337,055</u>
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(4,938,183)	(9,227,672)
Held-for-trading securities	(85,226)	-
Advances	(2,540,022)	3,868,159
Other assets (excluding advance taxation)	(120,359)	76,151
	<u>(7,683,790)</u>	<u>(5,283,362)</u>
Increase / (Decrease) in operating liabilities		
Bills payable	(257,627)	175,584
Borrowings from financial institutions	7,216,514	4,226,759
Deposits	3,284,148	(813,206)
Other liabilities (excluding taxation)	585,983	181,423
	<u>10,829,018</u>	<u>3,770,560</u>
	<u>2,897,906</u>	<u>(1,175,747)</u>
Income tax refund / (paid)	4,861	(59,243)
Net cash flow from operating activities	<u>2,902,767</u>	<u>(1,234,990)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(11,337,218)	840,574
Net investments in held-to-maturity securities	8,805,245	-
Dividends received	39,220	67,032
Profit received on available-for-sale securities	995,310	407,949
Fixed capital expenditure	(258,092)	(138,361)
Sale proceeds from disposal of fixed assets	21,296	12,720
Net cash flow from investing activities	<u>(1,734,239)</u>	<u>1,189,914</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(4,125)	(984)
Repayment of Sub-ordinated loans	-	-
Dividends paid	(66)	(374)
Net cash flow from financing activities	<u>(4,191)</u>	<u>(1,358)</u>
(Decrease) / Increase in cash and cash equivalents	<u>1,164,337</u>	<u>(46,434)</u>
Cash and cash equivalents at beginning of the period	9,804,304	11,380,484
Effects of exchange rate changes on cash and cash equivalents	1,239	47,722
Cash and cash equivalents at beginning of the period	9,805,543	11,428,206
Cash and cash equivalents at end of the period	<u>10,969,880</u>	<u>11,381,772</u>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

President & CEO

Director

Director

Director

**UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**
For the quarter ended March 31, 2009

Share capital	Reserves			Unappropriated profit	Total
	Capital Reserve for issue of bonus shares	Statutory reserve	Revenue Capital market reserve		

(Rupees '000)

Balance as at January 1, 2008	5,298,445	-	3,177,491	389,542	1,481,668	10,345,146
Changes in equity for quarter ended March 31, 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)
Profit after taxation for the quarter ended March 31, 2008	-	-	-	-	441,141	441,141
Balance as at March 31, 2008	5,298,445	-	3,177,491	389,542	598,698	9,462,176
Profit after taxation for the period April 01, 2008 to December 31, 2008						
	-	-	-	-	673,811	673,811
Transfer to statutory reserve	-	-	222,990	-	(222,990)	-
Balance as at December 31, 2008	5,298,445	-	3,400,481	389,542	1,049,519	10,135,987
Changes in equity for quarter ended March 31, 2009 :						
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	255,254	255,254
Transfer to reserve for issue of bonus shares	-	794,469	-	-	(794,469)	-
Balance as at March 31, 2009	5,298,445	794,469	3,400,481	389,542	510,304	10,391,241

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

President & CEO

Director

Director

Director

1. STATUS AND NATURE OF BUSINESS

Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the Companies Ordinance, 1984. 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 (2008: 129 branches) and operates 2 (2008: 2) service centres.

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

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

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, 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 financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up there on.

3. STATEMENT OF COMPLIANCE

These interim financial statements are presented in a condensed form in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting.

The disclosures made in these unconsolidated 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 and approved accounting standards as applicable in Pakistan for interim financial reporting.

These unconsolidated condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statement of the Bank for the year ended December 31, 2008.

4. BASIS OF MEASUREMENT

These 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.

5. FUNCTIONAL AND PRESENTATION CURRENCY

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

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2008.

7. USE OF ESTIMATES AND JUDGEMENTS

The preparation of these unconsolidated condensed interim financial statements in accordance with approved accounting standards require 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.

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

8. FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2008.

	Note	March 31, 2009	December 31, 2008
(Rupees in '000)			
9. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		93,572	163,851
Outside Pakistan			
- Current accounts		1,899,753	712,929
- Deposit accounts		267,525	-
		<u>2,260,850</u>	<u>876,780</u>
10. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		900,000	-
Repurchase agreement lendings	10.1	7,799,584	2,861,401
		<u>8,699,584</u>	<u>2,861,401</u>

10.1 Repurchase agreement lendings

	March 31, 2009			December 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees '000)						
Market Treasury Bills	7,799,584	-	7,799,584	2,861,401	-	2,861,401
	<u>7,799,584</u>	<u>-</u>	<u>7,799,584</u>	<u>2,861,401</u>	<u>-</u>	<u>2,861,401</u>

11. INVESTMENTS

11.1 Investments by type

	March 31, 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	104,330	-	104,330	19,104	-	19,104
Available-for-sale securities						
Market Treasury Bills	17,082,678	6,203,074	23,285,752	11,345,480	1,122,983	12,468,463
Pakistan Investment Bonds	1,777,028	-	1,777,028	1,154,312	-	1,154,312
Units of open end mutual funds						
- National Investment (Unit) Trust - nde 112	3,475,056	-	3,475,056	3,475,056	-	3,475,056
- First Habib Income Fund	25,000	-	25,000	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	50,000	-	50,000
- Atlas Income Fund	35,000	-	35,000	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	1,699,351	-	1,699,351	1,750,640	-	1,750,640
Fully paid up preference shares	492,677	-	492,677	492,677	-	492,677
Term finance certificates and bonds	1,513,561	-	1,513,561	1,540,859	-	1,540,859
	26,638,136	6,203,074	32,841,210	20,381,809	1,122,983	21,503,992
Held to maturity						
Market Treasury Bills	-	-	-	8,805,245	-	8,805,245
Associates						
Shares of						
- Faysal Asset Management Ltd.	45,000	-	45,000	45,000	-	45,000
Subsidiaries						
Shares of Faysal Management Services (Private) Ltd.	108,000	-	108,000	108,000	-	108,000
Investments at cost	26,895,466	6,203,074	33,098,540	29,359,158	1,122,983	30,482,141
Provision for diminution in the value of investments	(787,638)	-	(787,638)	(871,481)	-	(871,481)
Investments (Net of Provisions)	26,107,828	6,203,074	32,310,902	28,487,677	1,122,983	29,609,960
Surplus / (Deficit) on revaluation of held for trading securities	(6,318)	-	(6,318)	(3,410)	-	(3,410)
Surplus / (Deficit) on revaluation of available for sale securities (net)	913,898	-	913,898	579,718	-	579,718
Total Investments at market value	27,015,408	6,203,074	33,218,482	29,063,985	1,122,983	30,186,968

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

In accordance with the policy decision of the Government of Pakistan (GOP) and approval of the Board of Directors of National Investment Unit Trust (NITL), the NITL has been split in two broad segments from April 01, 2007 i.e. one belonging to the LOC holders and the other segment belonging to the non-LOC holders. The two segments are being managed separately from April 01, 2007.

So far both GOP as well as the bank have exchanged proposals offering various exit options but the matter is yet to be finalised.

12. ADVANCES	Note	March 31, 2009	December 31, 2008
		(Rupees in '000)	
Loans, cash credits, running finances, etc - In Pakistan		83,052,205	79,492,629
Net investment in finance lease- In Pakistan		<u>12,719,449</u>	<u>13,493,087</u>
		95,771,654	92,985,716
Bills discounted and purchased (excluding government market treasury bills)			
-Payable in Pakistan		<u>580,662</u>	<u>675,771</u>
-Payable outside Pakistan		<u>724,448</u>	<u>596,917</u>
		<u>1,305,110</u>	<u>1,272,688</u>
		97,076,764	94,258,404
Margin financing / reverse repo transactions		347,029	625,367
Provision for non-performing advances	12.2	(5,232,803)	(4,908,184)
Provision for consumer loans - general	12.3	<u>(204,945)</u>	<u>(216,798)</u>
		<u>91,986,045</u>	<u>89,758,789</u>

12.1 Advances include Rs. 8.357 billion (December 31, 2008 : Rs. 7.479 billion) which have been placed under non-performing status as detailed below:

	March 31, 2009				
	Domestic	Overseas	Total	Provision required	Provision held
	----- (Rupees '000) -----				
Category of classification					
Other assets especially mentioned - (Agri)	528,204	-	528,204	-	-
Substandard	1,427,549	-	1,427,549	312,740	312,740
Doubtful	2,342,298	-	2,342,298	1,159,765	1,159,765
Loss	4,059,321	-	4,059,321	3,701,622	3,701,622
	<u>8,357,372</u>	-	<u>8,357,372</u>	<u>5,174,127</u>	<u>5,174,127</u>

12.1.1 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.

12.2 Particulars of provision for non-performing advances

	March 31, 2009		
	Specific	General	Total
	(Rupees in '000)		
Opening balance	4,849,508	58,676	4,908,184
Charge for the period	554,861	-	554,861
Transfer to specific provision from general provision	-	-	-
Reversals during the period	(230,242)	-	(230,242)
	324,619	-	324,619
Write off during the period	-	-	-
Closing balance	5,174,127	58,676	5,232,803

	December 31, 2008		
	Specific	General	Total
	(Rupees in '000)		
Opening balance	3,199,581	148,676	3,348,257
Charge for the year	1,973,009	-	1,973,009
Transfer to specific provision from general provision	90,000	(90,000)	-
Reversals	(411,993)	-	(411,993)
	1,651,016	(90,000)	1,561,016
Write off during the period	(1,089)	-	(1,089)
Closing balance	4,849,508	58,676	4,908,184

12.3 Particulars of provision for consumer loans - general

	March 31,	December 31,
	2009	2008
	(Rupees in '000)	
Opening balance	216,798	321,620
Charge for the period	-	-
Reversals during the period	(11,853)	(104,822)
Closing balance	204,945	216,798

12.3.1 General provision against consumer loans has been determined in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan (i.e. 1.5% secured loans and 5% of unsecured loans).

	For the Quarter ended	
	March 31, 2009	March 31, 2008
	(Rupees in '000)	
13. OPERATING FIXED ASSETS		
13.1 Additions to operating fixed assets		
Leasehold property and improvements	45,976	404
Office furniture, fixtures, equipment and computers	114,252	70,058
Vehicles-owned	19,199	2,129
Capital Work-in-progress	60,616	65,798
13.2 Intangibles		
Software	18,049	28
13.3 Disposals of operating fixed assets		
Office furniture, fixtures, equipment and computers	687	13,157
Vehicles-owned	28,271	5,960
Vehicles-subject to finance lease	10,478	-

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
14. DEPOSITS AND OTHER ACCOUNTS		
Fixed deposits	45,168,584	56,930,591
Saving deposits	40,112,979	25,317,608
Current accounts	18,511,012	18,509,917
Margin accounts	2,268,366	2,018,677
	106,060,941	102,776,793
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Contingent liability in respect of guarantees favouring:		
i) Government	-	-
ii) Banking companies and other financial institutions	11,314	11,314
iii) Others	2,251,801	2,298,364
	2,263,115	2,309,678
15.2 Transaction-related contingent liabilities		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
i) Government	3,974,871	3,940,271
ii) Banking companies and other financial institutions	38,792	121,645
iii) Others	12,046,867	13,053,502
	16,060,530	17,115,418
15.3 Trade-related contingent liabilities		
Letters of credit		
i) Government	-	302,870
ii) Banking companies and other financial institutions	53,608	115,210
iii) Others	11,185,181	8,378,903
	11,238,789	8,796,983
Acceptances		
i) Government	-	8,903
ii) Banking companies and other financial institutions	-	-
iii) Others	2,182,298	2,115,242
	2,182,298	2,124,145
15.4 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	1,126,990	1,126,990
15.5 The income tax assessments of the Bank have been finalized upto tax year 2005. The Taxation Officer has issued notice u/s 122 (5A) of the Income Tax Ordinance, 2001 for the tax years from 2004 to 2008, intending to disallow certain deductions in Bank's return filed under universal self assessment scheme. The management is of the view that the Bank has made adequate provisions for tax.		

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
15.6 Commitments in respect of forward lending / sale		
Commitments to extend credit advances	1,144,000	3,179,852
Commitments to invest in securities	-	330,000
15.7 Commitments in respect of forward exchange contracts		
Purchase		
- Customers	1,440,752	1,103,966
- Banks	10,847,320	4,905,443
	12,288,072	6,009,409
Sale		
- Customers	-	-
- Banks	12,290,683	3,224,281
	12,290,683	3,224,281
15.8 Commitments for acquisition of operating fixed assets	160,985	196,637
15.9 Commitments in respect of repo transactions		
Repurchase	8,287,953	3,448,631
Resale	6,203,074	1,122,184

16. 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.

17. BASIC / DILUTED EARNINGS PER SHARE

	For the quarter ended	
	March 31, 2009	March 31, 2008
	----- (Rupees in '000) -----	
Profit after taxation	255,254	441,141
	Number of shares in thousands	
Weighted average number of ordinary shares	529,644	529,644
Basic / diluted earnings per share	Rs. 0.48	Rs. 0.83

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

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

Corporate Finance
Trading and Sales
Retail Banking and
Commercial Banking

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

	Corporate finance	Trading & sales	Retail banking	Commercial banking
	(Rupees in '000)			
March 31, 2009				
Total income	240,659	716,512	1,388,132	2,312,527
Total expenses	(198,649)	(695,667)	(1,296,839)	(2,211,421)
Net income (loss)	42,010	20,845	91,293	101,106
Segment assets (Gross)	7,772,193	19,266,554	51,854,735	77,080,678
Segment non performing financing / investment	1,621,284	1,316,016	2,908,885	4,081,063
Segment provision required	(367,984)	(536,767)	(1,866,305)	(3,454,330)
Segment liabilities	(1,595,709)	(17,682,868)	(45,935,691)	(73,290,013)
Segment return on assets (ROA) (%) *	12.39	14.88	10.71	12.00
Segment cost of funds (%) *	10.26	9.39	6.02	6.34
December 31, 2008				
Total income	811,944	2,417,389	4,683,320	7,802,072
Total expenses	(658,759)	(2,306,964)	(4,300,561)	(7,333,489)
Net income (loss)	153,185	110,425	382,759	468,583
Segment assets (Gross)	7,187,378	17,816,850	47,952,947	71,280,774
Segment non performing financing / investment	1,734,787	1,408,147	3,112,530	4,366,769
Segment provision required	(354,452)	(517,029)	(1,797,676)	(3,327,306)
Segment liabilities	(1,468,576)	(16,274,040)	(42,275,906)	(67,450,856)
Segment return on assets (ROA) (%) *	11.30	13.57	9.77	10.95
Segment cost of funds (%) *	10.46	9.57	6.14	6.46

* Segment ROA = Net income / (Segment assets - Segment provisions). 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.

Segment cost of funds include all expenses except non mark-up expenses.

19. RELATED PARTY TRANSACTIONS

The Bank has related party relations with its associated undertakings, subsidiary company, Group companies, employee benefit plans, and its directors and executive officers (including their associates). Transaction with key Management Personnel and entities in which the Bank has strategic investment are also disclosed as part of 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.

March 31, 2009						
Directors and Key Management Personnel	Group Companies	Associates	Subsidiaries	Strategic Investments	Retirement Benefit Plan	
(Rupees in '000)						
Deposits						
Balance as at January 01, 2009	21,081	1,174,456	958	184,051	13,412	148,888
Placements during the period	122,378	12,947,585	24,156	548,590	3,455,660	252,547
Withdrawals during the period	(70,168)	(13,995,981)	(24,832)	(723,707)	(3,353,975)	(158,355)
Balance as at March 31, 2009	73,291	126,060	282	8,934	115,097	243,080
Advances						
Balance as at January 01, 2009	71,807	-	-	-	731,564	-
Disbursement during the period	-	-	-	-	-	-
Repayment during the period	(1,165)	-	-	-	(18,409)	-
Balance as at March 31, 2009	70,641	-	-	-	713,155	-

	March 31, 2009	December 31, 2008
	(Rupees in '000)	
Foreign currency placement of funds / nostro balances	-	15,238
Transactions involving sale / purchase of investments with related parties		
Shares / units purchased during the period	298,609	550,383
Shares / units sold during the period	486,709	428,411
	For the Quarter ended	
	March 31, 2009	March 31, 2008
	(Rupees in '000)	
Profit paid / accrued	109,868	2,051
Profit / return earned	34,582	243
Technical Fee	-	3,935
Remuneration of key management personnel		
Salaries, bonuses and other short-term employee benefits	55,976	57,721
Post-employment benefits	2,944	853
Contribution to staff retirement benefits	28,031	15,247

20. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on April 21, 2009 by the Board of Directors of the Bank.

21. GENERAL

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

President & CEO

Director

Director

Director