



faysalbank

کاروانِ وفا



2015

HALF YEAR

ENDED JUNE 30, 2015

UNAUDITED FINANCIAL STATEMENTS

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A revelation of natural beauty



بنام ایبٹ آباد،

پیارے ایبٹ آباد سلام

خوبصورت پہاڑوں سے گھری ہنسٹ نظیر ہادی، تم انگریزوں کے دور میں ہزارہ ڈویژن کے صدر مقام رہے اور جنوری 1953 میں تمہارا نام میجر جنرل ایبٹ کے نام سے منسوب کیا گیا جو 1849 سے اپریل 1853 تک ہزارہ ڈویژن کے فنی کمنڈر رہے اور جنہوں نے تمہاری بنیاد بھی رکھی۔ ایبٹ آباد تم کس قدر حسین ہو اس کا اندازہ اس بات سے بخوبی لگایا جاسکتا ہے کہ جب میجر جنرل ایبٹ انگلستان واپس گئے تو انہوں نے تمہاری یاد میں ایبٹ آباد کے نام سے قصیدہ بھی لکھا۔

تیسویں صدی کی شروعات تک تم نے ایک اہم ملٹری کنٹونمنٹ کی حیثیت حاصل کرنی اور تم میں سیکنڈ ڈویژن آف ناردرن آرمی کور کے بریگیڈ کے ہیڈ کوارٹر کا قیام عمل میں آیا، اور قیام پاکستان کے فوراً بعد 1947 میں یہاں پاکستان ملٹری اکیڈمی قائم ہوئی جہاں پاکستان آرمی کے ہائیڈرکیشن، انصران تربیت پاتے ہیں۔

ایبٹ آباد میں تو گوانے کے لئے تم میں لاکھوں خوبیاں ہیں پر ہم یہاں چند کافی ذکر کر سکتے ہیں، سب سے پہلے ذکر کرتے ہیں تمہارے محل وقوع کا، ایبٹ آباد تمہاری خوبیاں یہ ہے کہ تم ایسے مقام پر آباد ہو جو شاہراہ ریشم کی ان قدیم گزرگاہوں میں سے ایک ہے جو مغرب پاس تک جاتی ہے، جس کی بنا پر قراقرم، ہمالیہ اور ہندو کش کے پہاڑوں تک جانے والے سیاحوں کے لئے تم سحر انگیز نظاروں سے بھر پور ایک حسین جگہ پیش کرتے ہو۔ اس کے علاوہ تمہارے اپنے گرد و نواح میں حسین دیوایوں اور آفرنگی مقامات کی بہتات ہے، جس میں صحت یابی، ابوہ، بارہ گلی، ڈونگا گلی، ہشتیا گلی، شملہ پہاڑی، میرنجانی پہاڑی اور ٹمکیش پوری پہاڑی جیسی دلکش وادیوں اور چوٹیوں موجود ہیں۔

ایبٹ آباد اب بات ہو جائے ذرا تمہارے یہاں بسنے والے لوگوں کی، کبھی ایک بات تو طے ہے کہ جیسے جیسے چاروں طرف سے پہاڑوں نے اپنی آغوش میں گھیر رکھا ہے بالکل ویسے ہی تمہارے ہاں ہر مہمان کو اپنے دل کی آغوش میں بسا لیتے ہیں۔ اور تمہارے یہاں کے بچہ دلوں کا تو جواب ہی نہیں، خوبصورت پہاڑوں کا نظارہ کرتے ہوئے جب تازہ مرغ کی چکن کڑائی، گلی یا قورمہ سامنے آجائیں تو بس عید ہی ہو جاتی ہے۔ اور یہاں اگر توں شہر کے بازار کے چمکی کباب کا ذکر نہ کیا جائے تو زیادتی ہوگی۔

پیارے ایبٹ آباد اب کیا کیا خوبیاں گنواؤں تمہاری، جیسے تو میں اس بات کی خوشی ہے کہ تم تمہاری آغوش میں آجے ہیں، اور یہاں سے جانے کا تو اب سوال ہی پیدا نہیں ہوتا۔

تمہارا لہنا

فیصل بیک

CORPORATE INFORMATION

Board of Directors

Mr. Farooq Rahmatullah	Chairman
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Vice Chairman
Mr. Nauman Ansari	President & CEO
Mian Muhammad Younis	Director
Mr. Imtiaz Ahmad Pervez	Director
Mr. Juma Hasan Ali Abul	Director
Mr. Muhammad Wasif Ijlal	Director
Mr. Abdulelah Ebrahim Mohamed AlQasimi	Director

Board Audit & Corporate Governance Committee

Mian Muhammad Younis	Chairman
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Member
Mr. Juma Hasan Ali Abul	Member

Board Risk Management Committee

Mr. Imtiaz Ahmad Pervez	Chairman
Mr. Nauman Ansari	Member
Mr. Abdulelah Ebrahim Mohamed AlQasimi	Member

Recruitment Nomination and Remuneration Committee

Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Chairman
Mr. Juma Hasan Ali Abul	Member
Mr. Nauman Ansari	Member

Board Steering Committee for Conversion of Faysal Bank into Islamic Bank

Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Chairman
Mr. Juma Hasan Ali Abul	Member
Mr. Nauman Ansari	Member

DIRECTORS' REVIEW

On behalf of the Board of Directors, I am pleased to present Financial Statements of Faysal Bank Limited for the six months ended June 30, 2015.

ECONOMIC UPDATE

The economic indicators for first half CY'15 remained favorable. Real GDP growth in FY'15 was recorded at 4.2 percent which is marginally higher than 4.03 percent growth of FY'14. External account depicting considerable improvement was aided by low international oil and commodity prices globally. These positive developments contributed to the SBP's decision in aggressively slashing the discount rate by 250bps in first half of CY'15 from 9.5% to 7.0%. In addition, contraction in fiscal deficit and an increase in the FX reserves improved the overall business sentiment.

Headline inflation continued to follow a downward trajectory in FY'15 averaging at 4.5 percent compared to 8.6 percent in FY'14 - well below the initial target of 8 percent set by the government. Going forward this trend is challenged by the low base effect, adverse impact of recent floods, lagged impact of monetary easing and probable increase in energy tariffs. However, decelerating demand for commodities globally and an expected further fall in international oil prices due to Iran deal can provide some relief to CPI trajectory.

The balance of payment continued to improve in the 2nd half of FY'15 aided largely by the current account which turned positive in the 3rd quarter of FY'15 due to plummeting international oil prices and strong growth in remittances (15 percent YoY). The current account deficit is expected to remain stable at around 0.5 percent of GDP in next fiscal year. However, going forward, the benefits of strong remittances and low oil prices could be partially offset by continued weak export performance due to structural bottlenecks, lackluster global demand and real exchange rate appreciation.

FX reserves touched all time high of USD 18.7 billion as of end June'15 due to the successful completion of reviews under EFF program, issuance of international sukuk, privatization proceeds and growing remittances. Accumulation of FX reserves are expected to gain further momentum due to multilateral and bilateral disbursements, receipt of coalition support funds and increase in investment through China Pakistan Economic Corridor (CPEC).

On the fiscal side, preliminary estimates show fiscal deficit of 5 percent in FY'15 compared to 5.7 percent in FY'14. This improved performance is primarily due to an increase in tax revenues. On the other hand, expenditures continued to remain higher than the budget estimates due to subsidies over-run and ongoing military operations. Achieving the FY'16 deficit target of 4.3 percent can prove to be little challenging for government and will mainly depend upon collection of FBR revenue target of PKR 3,104 Billion and PKR 145 Billion from Gas Infrastructure Development Cess.

Going forward, much still needs to be done to achieve a sustainable economic transformation. Pakistan needs growth of 5-7 percent to absorb new entrants into work force. Public debt is still high and tax to GDP ratio remains a concern. Noteworthy reforms are still needed to enhance private investment, expand the tax base, improve tax administration, ease growth bottlenecks, and boost the economy's productivity and competitiveness.

PERFORMANCE UPDATE FOR THE SECOND QUARTER 2015

In the second quarter of 2015 the bank continued with its strategy to improve and enhance its sustainable core banking income and rationalise costs. Performance of various business

DIRECTORS' REVIEW

segments is given below:-

Customer Franchise

Corporate and Investment Banking

The corporate banking continued to play its role of providing finance to promote economic activity in the country. Their focus remained on consolidation of portfolio.

Project Finance & Syndications

During the period, Investment Banking managed several high profile transactions, some of the notable transaction are highlighted below:

New Mandates

- FBL is jointly leading the arrangement mandate of PKR 12 bn for one of the oldest and largest telecom operators in Pakistan to support its infrastructure expansion
- FBL has been jointly mandated by the gas utility and distribution company operating in the southern part of the country to arrange financing of PKR 15 bn for its pipe line infrastructure project in relation to LNG.
- FBL is part of the consortium which has been mandated to structure and arrange (as Mandated Lead Arranger) PKR 50 bn for one of the largest business group of the country for development of 6.5 MTPA coal mine in Thar.
- FBL will be part of the syndicate as Joint Arranger for PKR 20 bn coal fired (mine mouth) power plant in Thar being developed and to be operated by an SPV being put up by one of the largest and strongest conglomerate in the business sector.
- FBL is part of the consortium which is putting together incremental financing of PKR 2bn for the largest marine transportation company for procurement of new vessels.
- FBL is taking a lead in structuring and arranging an incremental tranche of PKR 3.7 bn for overlay and modernization of a prime motor way in northern region. The base facility of PKR 22 bn for the motorway was closed in later part of last year under a joint mandate.

Financial Closures during the quarter

- FBL as part of the joint consortium has arranged and closed (as Lead Advisor and Arranger) PKR 16.7 bn in conventional and Islamic mode of financing for the largest gas utility company for northern part of the country for its pipe line infrastructure in relation to LNG.
- FBL has achieved financial closure under a joint mandate of PKR 2.5 bn for one of the reputable spinning groups in the country for expansion of its spinning division in one of its group companies.
- FBL has successfully closed its sole mandate to arrange a PKR 1.5 bn SBLC Facility for one of the most efficient IPPS based on 1994 power policy

DIRECTORS' REVIEW

- FBL has participated as Joint Arranger in PKR 25.5 bn conventional and Islamic financing for construction and rehabilitation of 136 km Motorway connecting Hyderabad to Karachi.

Retail Banking:

Branch Distribution

Deposits, being linchpin for the bank, has been key focus in terms of achieving the bank's goals. Taking forward our focus on augmenting the Current and Savings deposits (CASA), we grew the CASA book to the tune of PKR 14 billion during half year of 2015. The total deposits' base has increased by PKR 12.8 billion in the last 6 months. To protect our margins in wake of sharp decline in Discount Rate in the first half, we have been aggressively re-profiling the savings book along with sharp focus on market competitive pricing and related discipline. Consequent to this, the cost of funds has also dropped significantly. CASA mix as of June 30, 2015 stands at 67.6%.

Consumer Finance

In the first-half of 2015, the consumer franchise has shown remarkable resilience and consequently achieved its half-year earnings target and became a major contributor among different businesses. Team is committed to keep fueling the portfolio while maintaining a cost discipline within a defined risk appetite.

This year also brings with it regulatory challenges around business processes, customer engagement and fee & charges. However, the team has aligned itself to address all challenges while keeping the franchise intact.

Wealth Management

The Wealth Management segment saw significant growth in portfolio during first half of 2015. Continuing with the strategic objective of providing the best solutions to our customers and maintaining a diverse menu of products, a new business partnership was initiated with IGI Life Insurance Ltd. With multiple distribution channels and a strong, professional team at the frontline, the business is well poised to carry this positive momentum into the future as well.

Agri Business

Agri business continues to be a priority area of activity at Faysal Bank. Encouraged from our past experience and achievements, we are continuously endeavoring to develop and offer innovative products to suit day to day requirements of the farming community. We are pleased to express that FBL has, over the time, consolidated its position of being one of the most popular banks among the progressive agriculturists. FBL's leadership role in the field of Agricultural Financing is equally acknowledged by the related quarters including its peers, competitors and the regulators.

SME and Commercial

Faysal Bank is one of the key players of financial sector being actively involved in lending to Commercial & SMEs. We understand and appreciate the pivotal role of SMEs as engine of economic development. We are focused and strategically positioned in the market for expansion in lending to Small & Medium Enterprises.

DIRECTORS' REVIEW

Islamic Banking

Barkat Islamic Banking continued its branch growth strategy and during first six months of 2015, we converted 3 conventional branches to Islamic. 3 branches were relocated to more suitable newly developed premises to access broader segments of customers while 1 new branch was opened. As of June 2015, the Barkat Islamic Banking has increased its foot print across Pakistan from 58 branches and 1 sub branch in 28 cities to 62 branches and 1 sub branch in 29 cities.

Keeping in view Barkat's Islamic Banking zero tolerance policy for Shari'ah non-compliance and to enhance the staff knowledge & skills related to Islamic financial products; extensive training sessions & conferences were conducted. Moreover, apart from routine training sessions, Bank also arranged specialized Islamic training sessions for its management teams & executives to further improve the operation excellence.

It is also pertinent to mention here that IBD's product team participated in syndicated Islamic transactions involving hybrids of various structures such as Diminishing Musharakah & Ijarah ul Musha (Musharakah) etc.

RISK MANAGEMENT

The Retail Risk Management function continued to provide full support to Consumer Finance Business in order to augment its growth plans while increasing concentration in profitable segments, at the same time proactively managing and monitoring the risk indicators and health of the portfolio. A number of new initiatives were taken on acquisition front, which included exploration of new low risk segments and tailored respective policies to target preferred segments more effectively. As a result, upward trend in acquisition numbers has been observed in second quarter. Furthermore, various strategic initiatives were undertaken to streamline processes, enhance employee productivity and maintain the function's cost efficiency.

It is ensured that adequate capital was maintained in line with Basel III phase-in implementation guidelines. The Market and Liquidity Risk management unit was further strengthened with implementation of additional internal and regulatory limits in live limit monitoring dashboard.

Operational Risk Management policy/ procedures have been aligned with enhanced regulatory requirements. Additionally, Operational Risk Management has been made part of "Change Management Control (CMC)", enabling it perform operational risk assessments before inception of any changes associated with products, systems, processes and organizational structures.

The Credit Risk Management Framework continues to evolve and address business segment-specific risk through specialized Risk Management functions under the umbrella of Risk Management Group (RMG).

Efforts to reduce provisions for non-performing loans through recoveries will continue.

PEOPLE

Learning & Development

Our penetration rate for second half of 2015 stood at 89% and a total of 3,786 participants including TPC (1,150) and FTE (2,636) staff were trained in both online and classroom trainings. 1,030 participants were trained through online trainings whereas 2,756 participants were trained through classroom training in Quarter 2.

DIRECTORS' REVIEW

Additional 11 participants identified in the Islamic Conversion TNA successfully completed NIBAF's Islamic Banking Certification Course bringing the completion percentage of the program to 60%. Whereas, MT-1 and senior regional team were also trained on a two day program on "An Introduction to Islamic Banking" by Mufti Mohib Ul Haq at Lahore. Fundamentals of Islamic Banking-1 day refresher course was also launched for the Islamic Branch Banking teams pan country and 92 employees were trained in phase 1 of this refresher training.

Additionally, regular certification programs for front end staff were offered as part of our induction programs for various job families other than our New Hires Orientation Program. A total of 946 employees were trained on Account opening Framework which was a bank wide training exercise conducted for all front-end staff. For the first time, L&D could offer a formal Branch Banking Certification Program for the Gilgit Baltistan and Interior Sindh staff covering the entire staff on Product and Process training, which was much appreciated.

Regular online trainings such as the Mandatory Islamic Banking Training, CAAML and Excel training were started for all staff.

Internal Communication

Faysal Bank embarked on the journey towards conversion to Islamic Banking in 2014. The year 2015 continued to pose different sets of challenges with reference to the transformation. Therefore, as part of a strategic meeting with the Board of Directors, it was decided that the transformation to Islamic Banking would be done in a very careful way so that shareholder and franchise value could be increased. There were communications by the President & CEO to keep each employee apprised of the progress on the transformation. This truly helps in keeping employees motivated and engaged.

The current Blue Octagram was placed on the intranet so that all the employees could be aware of the events and other things the Bank had during the 2nd quarter.

Internal emails for discounts and premium benefits by different businesses were also circulated for our employees.

SUPPORT SERVICES

Information Technology through commitment, team work and hard work has provided seamless services to internal and external customers. Major achievements for the quarter, are as follows:

- Internet Banking was launched for closed group & staff thus enhancing products suite and customer reach of the Bank.
- First phase of up grading iMAL has been completed. After upgrade Centralized Pool Management will be automated as per SBP Regulatory requirement. Also bank can offer more Islamic Products & added features to customers.
- Introduced Home Remittance Solution for Emirates National Bank, Dubai customers through Faysal Rapid Cash product.
- Technology Infra Structure Upgrade project has been started and Mobile banking hardware revamped.

DIRECTORS' REVIEW

- System on collection of withholding tax on FBL Bonus shares was developed & deployed thereby facilitating collection across Pakistan.
- Password security enhanced by implementing EEP-Electronic Envelope Password application with Left Hand Side & Right Hand Side (LHS/RHS) mechanism (similar to Swift).

FINANCIAL PERSPECTIVE

On the recommendation of Board of Directors, Shareholders had approved 15% bonus share to all shareholders' in February 2015. After completing all formalities share were credited in shareholders' accounts.

The Financial Control Unit efforts were focused on providing timely and accurate MIS to business partners. In this regard, further developments were made in QlikView Business Intelligence implementation. The dashboards today not only provide data regarding deposits mobilization, lending, documentary credit and CRM but also provide segment wise Monthly Profitability Report to user for reviewing their performance. Businesses have been provided with their customer wise profitability to evaluate their relationships and to explore the opportunities for Cross Sell.

The bank's strategy is to redefine processes and develop alternates to enhance cost efficiency. The focus was on reducing costs on sustainable basis without affecting smooth operations while improving return to shareholders.

Special emphasis was given to energy saving measures not only for controlling cost but also for saving precious natural resources. Staff is advised to observe working hours, avoidable late sitting is discouraged. Strategy of installing heavy duty UPS is working well, generators working at night are discontinued thus reducing fuel consumption.

Future Outlook

Bank is currently evaluating the decision of transforming the bank into Islamic with respect to the impact which it will have on the future profitability of the Bank in order to make sure that the interest of the depositors and shareholders are well protected. The final decision on the timing and modality will only be taken after the impacts have been fully assessed.

Bank's strategy is to mobilize stable low cost core deposits to improve CASA mix. It has established countrywide branch network with footprints in all major financial and agriculture areas. Branches have been transformed to a multiproduct selling hub through facilitation, persuasion and training. Cross sell opportunities are being turned into business through synergies and partnerships between SME, Agri and Retail groups.

DIRECTORS' REVIEW

FINANCIAL HIGHLIGHTS

A summary of operating profit as shown in the financial statements is given below:-

	June 30, 2015	June 30, 2014
	Rs in Million	
Operating profit	5,347	2,341
Provision for non performing advances	(725)	(1,268)
Provision for diminution in value of investments	(259)	(204)
	(984)	(1,472)
Profit before tax	4,363	869
Provision for taxation	(1,795)	(129)
Profit after tax	2,568	740
Earnings per share – Rupees	2.14	0.62

Profit after tax for the period ended June 30, 2015 at PKR 2,568 million is almost 3.5 times of corresponding period last year figure of PKR 740 million. Bank's strategy of managing balance sheet at macro level has started paying dividend. Bank has started developing low cost long term core deposit relationships which bring regular flow of deposits despite difficult environment. As a result, deposit cost of the Bank has also reduced by healthy 74 bps during 1st six month of the year and simultaneously CASA deposits are now at 67.6% of total deposits. These funds are placed in low risk avenues so as to have stable income without undue utilizing precious CAR (Capital Adequacy Reserve). These measures have contributed significantly in increasing margins during the current period.

Non funded revenue streams of the Bank remained diversified and growing across the branch banking, consumer asset and corporate portfolios. The fee based revenue levels are also showing a sustainable growth. Bank has sold a portion of investment at the right time at attractive prices and booked capital gain.

Administrative costs remained an area of focus and measures were taken to eliminate avoidable costs without affecting operations. Cost rationalization, the optimization of technology infrastructure and upgradation of network has resulted in major cost savings for the Bank. Despite high energy cost and GST, overall administrative costs were PKR 5.40 billion for first six months of 2015 as compared to PKR 6.56 billion in the same period of last year thus reducing costs by healthy 17.62%. The two major factors in this cost reduction are Voluntary Severance introduced in 2014 and continuous search for cost effective alternatives for non-HR costs. The rationalization measures would continue to contribute towards saving.

DIRECTORS' REVIEW

As a result of all the above factors EPS (Earning Per Share) for the period increased by impressive 3.4 times i.e. from PKR 0.62 last year to PKR 2.14. Bank's total assets increased by 16.1% and touched PKR 450 billion mark as at June 30, 2015.

CREDIT RATING

JCR-VIS Credit Rating Company Limited (JCR) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity ratings based on the financial statements for the year ended December 31, 2014:

Long-Term	AA
Short-Term	A1+

"Stable" outlook has been assigned to the ratings by both the agencies.

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, 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.

Karachi
Dated: August 26, 2015

On behalf of the Board of Directors
President & CEO

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Faysal Bank Limited** as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended March 31, 2015 and March 31, 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity.' A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: August 27, 2015

Karachi.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2015

	Un-audited June 30, 2015	Audited December 31, 2014
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----- Rupees '000 -----

ASSETS

Cash and balances with treasury banks		24,114,489	20,285,851
Balances with other banks	9	753,467	1,422,699
Lendings to financial institutions		7,820,125	-
Investments	10	201,217,000	155,210,513
Advances	11	186,143,014	181,224,805
Operating fixed assets	12	11,530,879	11,543,356
Deferred tax assets - net		2,964,463	2,428,817
Other assets	13	16,006,366	16,009,743
		450,549,803	388,125,784

LIABILITIES

Bills payable		6,199,844	5,347,774
Borrowings		108,519,282	60,926,863
Deposits and other accounts	14	296,155,658	283,345,739
Sub-ordinated loans		2,994,600	2,995,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	15	8,482,697	9,207,632
		422,352,081	361,823,208
		28,197,722	26,302,576

NET ASSETS

REPRESENTED BY

Share capital	11,997,601	10,432,697
Reserves	5,640,722	5,703,155
Unappropriated profit	6,726,444	5,696,366
	24,364,767	21,832,218
Surplus on revaluation of assets - net of tax	3,832,955	4,470,358
	28,197,722	26,302,576

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

Note	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
----- Rupees '000 -----				
Mark-up / return / interest earned	8,103,216	7,903,849	16,536,332	15,679,772
Mark-up / return / interest expensed	4,647,331	4,544,499	9,315,434	9,000,212
Net mark-up / interest income	3,455,885	3,359,350	7,220,898	6,679,560
Provision against non-performing loans and advances - net	11.2 642,749	813,945	780,993	1,317,502
Provision / (reversal of provision) for consumer and small enterprise loans - general	11.3 (1,501)	12,930	(3,960)	35,368
Provision for diminution in value of investments - net	10.7 131,662	52,395	258,714	204,201
Recoveries against written-off debts - net	(23,150)	(46,446)	(51,878)	(85,126)
	749,760	832,824	983,869	1,471,945
Net mark-up / interest income after provisions	2,706,125	2,526,526	6,237,029	5,207,615
Non mark-up / interest income				
Fee, commission and brokerage income	592,796	573,900	1,202,774	1,131,859
Dividend income	144,550	68,438	205,409	136,167
Income from dealing in foreign currencies	217,885	373,630	471,403	614,463
Gain on sale of securities - net	398,851	35,852	1,667,991	130,625
Unrealised loss on revaluation of investments classified as held for trading - net	(11,622)	(26,229)	(100,107)	(37,628)
Other income	140,629	107,553	176,560	229,375
Total non mark-up / interest income	1,483,089	1,133,144	3,624,030	2,204,861
	4,189,214	3,659,670	9,861,059	7,412,476
Non mark-up / interest expenses				
Administrative expenses	2,695,421	3,418,291	5,402,401	6,556,237
Reversal of other provisions - net	(35,265)	(19,342)	(12,839)	(36,885)
Other charges	40,757	19,604	105,869	24,169
Total non mark-up / interest expenses	2,700,913	3,418,553	5,495,431	6,543,521
	1,488,301	241,117	4,365,628	868,955
Share of (loss) / profit of associate	461	533	(2,527)	64
Extraordinary / unusual items	-	-	-	-
Profit before taxation	1,488,762	241,650	4,363,101	869,019
Taxation - Current	17 626,689	346,277	1,743,874	613,497
Taxation - Prior years	264,797	(142,629)	264,797	(142,629)
Taxation - Deferred	(90,722)	(269,634)	(213,470)	(341,390)
	800,764	(65,986)	1,795,201	129,478
Profit after taxation	687,998	307,636	2,567,900	739,541
----- Rupees -----				
Basic earnings per share	18 0.57	0.26	2.14	0.62

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

	For the quarter ended		For the half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Rupees '000			
Profit after taxation for the period	687,998	307,636	2,567,900	739,541
Other comprehensive income:				
Items that will not be reclassified to profit and loss account				
Components of comprehensive income reflected in equity				
- Remeasurements of defined benefit plan	-	82,414	-	82,414
- Deferred tax liability on remeasurements of defined benefit plan	-	(28,845)	-	(28,845)
	-	53,569	-	53,569
Comprehensive income transferred to equity	687,998	361,205	2,567,900	793,110
Items that may be reclassified subsequently to profit and loss account				
Components of comprehensive income not reflected in equity				
- Net change in value of available for sale securities	(725,967)	(317,834)	(898,881)	66,611
- Deferred tax asset / (liability) on change in value of available for sale securities - net	270,239	89,250	288,560	(14,683)
	(455,728)	(228,584)	(610,321)	51,928
Total comprehensive income	<u>232,270</u>	<u>132,621</u>	<u>1,957,579</u>	<u>845,038</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2015

Particulars	Share capital	Reserves					Statutory reserve	Sub Total	Unappropriated profit	Total
		Capital								
		Reserve for issue of bonus shares	Share premium	Non-distributable capital reserve (NCR) - gain on bargain purchase	Reserve arising on amalgamation					
Rupees '000										
Balance as at January 1, 2014	10,432,697	-	10,131	2,477,908	23,952	4,042,206	6,554,197	3,600,828	20,587,722	
Total comprehensive income for the period										
Profit after taxation for the period ended June 30, 2014	-	-	-	-	-	-	-	739,541	739,541	
Other comprehensive income for the period										
- Remeasurements of defined benefit plan	-	-	-	-	-	-	-	82,414	82,414	
- Tax on remeasurements of defined benefit plan	-	-	-	-	-	-	-	(28,845)	(28,845)	
	-	-	-	-	-	-	-	53,569	53,569	
Total comprehensive income for the six months ended June 30, 2014 transferred to equity	-	-	-	-	-	-	-	793,110	793,110	
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(62,433)	-	-	(62,433)	-	(62,433)	
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	39,603	39,603	
Provision against non-performing loans and advances directly charged to equity as per SBP directive and adjusted against Non-distributable Capital Reserve	-	-	-	(1,221,567)	-	-	(1,221,567)	-	(1,221,567)	
Balance as at June 30, 2014	10,432,697	-	10,131	1,193,908	23,952	4,042,206	5,270,197	4,433,541	20,136,435	
Total comprehensive income for the period										
Profit after taxation for the period from July 01, 2014 to December 31, 2014	-	-	-	-	-	-	-	1,737,418	1,737,418	
Other comprehensive income for the period										
- Remeasurements of defined benefit plan	-	-	-	-	-	-	-	(40,948)	(40,948)	
- Tax on remeasurements of defined benefit plan	-	-	-	-	-	-	-	14,332	14,332	
	-	-	-	-	-	-	-	(26,616)	(26,616)	
Total comprehensive income for the six months ended December 31, 2014 transferred to equity	-	-	-	-	-	-	-	1,710,802	1,710,802	
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(62,434)	-	-	(62,434)	-	(62,434)	
Transfer to statutory reserve	-	-	-	-	-	495,392	495,392	(495,392)	-	
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	47,415	47,415	
Balance as at December 31, 2014	10,432,697	-	10,131	1,131,474	23,952	4,537,598	5,703,155	5,696,366	21,832,218	
Total comprehensive income for the period										
Profit after taxation for the period ended June 30, 2015	-	-	-	-	-	-	-	2,567,900	2,567,900	
Other comprehensive income for the period										
- Remeasurements of defined benefit plan	-	-	-	-	-	-	-	-	-	
- Tax on remeasurements of defined benefit plan	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	
Total comprehensive income for the six months ended June 30, 2015 transferred to equity	-	-	-	-	-	-	-	2,567,900	2,567,900	
Transactions with owners recognised directly in equity										
- Transfer to reserve for issue of bonus shares	-	1,564,904	-	-	-	-	1,564,904	(1,564,904)	-	
- Bonus shares issued	1,564,904	(1,564,904)	-	-	-	-	(1,564,904)	-	-	
	1,564,904	-	-	-	-	-	-	(1,564,904)	-	
Amortisation of intangible assets - customer relationship - net of tax (note 19)	-	-	-	(62,433)	-	-	(62,433)	-	(62,433)	
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	27,082	27,082	
Balance as at June 30, 2015	11,997,601	-	10,131	1,069,041	23,952	4,537,598	5,640,722	6,726,444	24,364,767	

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2015

	June 30, 2015	June 30, 2014
	-----Rupees '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,363,101	869,019
Less: dividend income	(205,409)	(136,167)
	<u>4,157,692</u>	<u>732,852</u>
Adjustments for non-cash and other items:		
Depreciation	302,942	357,201
Amortisation	111,696	88,812
Workers' Welfare Fund	101,684	34,500
Provision against non-performing loans and advances - net	780,993	1,317,502
(Reversal) / provision for consumer and small enterprise loans - general	(3,960)	35,368
Provision for diminution in value of investments - net	258,714	204,201
Reversal of other provisions - net	(12,839)	(36,885)
Unrealised loss on revaluation of investments classified as held for trading	100,107	37,628
Net profit on disposal of property and equipment	(4,655)	(3,420)
Net gain on disposal of non-banking assets	(103,798)	(30,866)
Charge for defined benefit plan	50,407	52,241
Amortisation of prepaid employee benefits	68,920	67,602
Recoveries against written-off debts	(51,878)	(85,126)
Share of loss / (profit) of associate	2,527	(64)
	<u>1,600,860</u>	<u>2,038,694</u>
	<u>5,758,552</u>	<u>2,771,546</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(7,820,125)	300,000
Held for trading securities	15,066,086	5,995,349
Advances	(5,643,364)	6,105,309
Other assets	<u>(1,675,143)</u>	<u>(1,839,289)</u>
	<u>(72,546)</u>	<u>10,561,369</u>
Increase / (decrease) in operating liabilities		
Bills payable	852,070	4,284,846
Borrowings	47,773,836	(14,989,822)
Deposits and other accounts	12,809,919	809,532
Other liabilities	<u>(711,047)</u>	<u>1,234,222</u>
	<u>60,724,778</u>	<u>(8,661,222)</u>
	<u>66,410,784</u>	<u>4,671,693</u>
Income tax paid	<u>(515,643)</u>	<u>(926,443)</u>
Net cash generated from operating activities	<u>65,895,141</u>	<u>3,745,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(62,685,316)	5,487,610
Net investment in held to maturity securities	352,514	(9,530,417)
Dividend income received	95,552	121,935
Investment in operating fixed assets	(499,365)	(457,640)
Proceeds realised on disposal of operating fixed assets	5,805	19,339
Proceeds realised on disposal of non-banking assets	<u>177,124</u>	<u>69,328</u>
Net cash used in investing activities	<u>(62,553,686)</u>	<u>(4,289,845)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(600)	(250,100)
Dividends paid	<u>(32)</u>	<u>(17)</u>
Net cash used in financing activities	<u>(632)</u>	<u>(250,117)</u>
Increase / (decrease) in cash and cash equivalents	<u>3,340,823</u>	<u>(794,712)</u>
Cash and cash equivalents at the beginning of the period	<u>20,666,451</u>	<u>28,617,034</u>
Cash and cash equivalents at the end of the period	<u>24,007,274</u>	<u>27,822,322</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

1 STATUS AND NATURE OF BUSINESS

- 1.1 Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is mainly engaged in Corporate, Commercial and Consumer banking activities. The Bank has a network of 276 branches (2014: 274); including 62 Islamic banking branches (2014: 58) and 1 Islamic sub-branch (2014: 1) in Pakistan.

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

Ithmaar Bank B.S.C., a Bahrain based retail bank, is the parent company of the Bank, holding, directly and indirectly through subsidiaries 66.78% (2014: 66.78%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMIT), (ultimate parent of the Bank) is the holding company of Ithmaar Bank B.S.C. The DMIT group owns and operates an international network of Islamic Banks, Investment Banks and Insurance Companies.

- 1.2 Based on the financial statements of the Bank for the year ended December 31, 2014, the Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' (December 31, 2013: 'AA') and the short term rating as 'A1+' (December 31, 2013: 'A1+').

2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding 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 this condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 The results of Islamic banking branches have been consolidated in this condensed interim financial information for reporting purposes only. Inter branch transactions and balances have been eliminated. In accordance with the directives issued by the SBP, the key financial figures of Islamic banking branches are disclosed in note 22 to this condensed interim financial information.

3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the requirements of the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 or the directives issued by the SECP and the SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 or the requirements of the said directives issued by the SECP and the SBP prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has also deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its S.R.O. 633(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their condensed interim financial information in line with the format prescribed under BSD Circular Letter No. 2 dated May 12, 2004. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim financial information is based on the requirements laid down by the SBP.
- 3.4 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

- 3.5** The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. The standard is effective from January 1, 2014 and deals with the accounting for transactions relating to "Profit and Loss Sharing on Deposits" as defined by the standard. However, the SBP vide its BPRD Circular No. 4 dated February 25, 2015 has deferred the disclosure requirements of IFAS-3 till further notification.
- 3.6** The disclosures made in this condensed interim financial information 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 this condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2014.
- 3.7 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:**

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are, therefore, not disclosed in this condensed interim financial information.

4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention, except that certain fixed assets are carried at revalued amounts and certain investments and derivative contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefit is carried at present value and investments in associate is carried using the equity method.

5 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014 except for change in useful life of certain operating fixed assets as disclosed in note 12.4 to the condensed interim financial information.

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, 2014.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

	Un-audited June 30, 2015	Audited December 31, 2014
	-----Rupees '000-----	
9 BALANCES WITH OTHER BANKS		
In Pakistan		
- Current accounts	382,004	868,011
Outside Pakistan		
- Current accounts	371,463	554,688
	<u>753,467</u>	<u>1,422,699</u>

10 INVESTMENTS

10.1 Investments by type

Note	Un-audited June 30, 2015			Audited December 31, 2014		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- Rupees '000 -----						
Held for trading securities						
Market Treasury Bills	7,825,090	-	7,825,090	16,355,610	7,918,016	24,273,626
Pakistan Investment Bonds	3,106,663	460,263	3,566,926	2,467,424	318,224	2,785,648
Fully paid up ordinary shares / certificates of closed end mutual funds	867,565	-	867,565	266,393	-	266,393
	11,799,318	460,263	12,259,581	19,089,427	8,236,240	27,325,667
Available for sale securities						
Market Treasury Bills	41,721,477	31,834,589	73,556,066	33,390,917	11,054,584	44,445,501
Pakistan Investment Bonds	15,390,087	51,672,209	67,062,296	15,333,043	19,890,625	35,223,668
Ijara Sukuk Bonds	17,574,002	-	17,574,002	17,579,035	-	17,579,035
Units of open end mutual funds						
- Faysal Balanced Growth Fund *	12,480	-	12,480	12,480	-	12,480
- Faysal Income Growth Fund *	107,919	-	107,919	57,919	-	57,919
- Faysal Savings Growth Fund *	455,412	-	455,412	155,412	-	155,412
- Faysal Islamic Savings Growth Fund *	185,000	-	185,000	85,000	-	85,000
- Faysal Money Market Fund *	749,000	-	749,000	549,000	-	549,000
- Faysal Asset Allocation Fund *	105,491	-	105,491	15,491	-	15,491
- Faysal Financial Sector Opportunity Fund *	34,000	-	34,000	39,000	-	39,000
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds	3,760,902	-	3,760,902	2,752,299	-	2,752,299
Fully paid up preference shares	197,490	-	197,490	197,490	-	197,490
Term finance certificates	929,853	-	929,853	932,300	-	932,300
	81,223,113	83,506,798	164,729,911	71,099,386	30,945,209	102,044,595
Held to maturity securities						
Pakistan Investment Bonds	19,688,822	-	19,688,822	19,606,773	-	19,606,773
Term finance certificates	2,695,428	-	2,695,428	2,798,791	-	2,798,791
Sukuk Bonds	3,668,538	-	3,668,538	3,999,738	-	3,999,738
	26,052,788	-	26,052,788	26,405,302	-	26,405,302
Associate *						
Fully paid up ordinary shares of Faysal Asset Management Limited	72,557	-	72,557	75,084	-	75,084
	119,147,776	83,967,061	203,114,837	116,669,199	39,181,449	155,850,648
Investments at cost						
Less: provision for diminution in the value of investments at cost	(3,086,926)	-	(3,086,926)	(2,828,212)	-	(2,828,212)
Investments (net of provisions)						
	116,060,850	83,967,061	200,027,911	113,840,987	39,181,449	153,022,436
(Deficit) / surplus on revaluation of investments classified as held for trading - net	(68,438)	(15,085)	(83,523)	11,110	5,474	16,584
Surplus on revaluation of investments classified as available for sale - net	354,017	918,595	1,272,612	1,084,848	1,086,645	2,171,493
Total investments - net	<u>116,346,429</u>	<u>84,870,571</u>	<u>201,217,000</u>	<u>114,936,945</u>	<u>40,273,568</u>	<u>155,210,513</u>

* related parties

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

- 10.2** These include Pre IPO investment of Rs 500 million (December 31, 2014: Rs 500 million) made in the unlisted term finance certificates (TFCs) of Dewan Cement Limited. The State Bank of Pakistan through its letter BPRD/BLRD-3/DMG/2011-1035 had advised the Banks to maintain provision at least at the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. The Bank as per the above directive had availed the relaxation and maintained a provision of Rs 450 million against this investment. Had the provision been made as per the time based criteria specified in the Prudential Regulations issued by the SBP, the provision for diminution in the value of investments for the period ended June 30, 2015 would have been higher by Rs 50 million (June 30, 2014: Rs 50 million) and the profit before taxation for the period ended June 30, 2015 would have been lower by Rs 50 million (June 30, 2014: Rs 50 million).
- 10.3** These include the term finance certificates and Sukuk Bonds of Rs 999.172 million (December 31, 2014: Rs 999.172 million) and Rs 500 million (December 31, 2014: Rs 500 million) respectively issued by Agritech Limited. The impact of relaxation availed by the Bank for maintaining the provision against these investments is disclosed in note 11.2.1 to this condensed interim financial information.
- 10.4** These include 8,868,843 equity shares (December 31, 2014: 8,868,843) of Rs 310.410 million (December 31, 2014: Rs 310.410 million) of Agritech Limited acquired at the rate of Rs. 35 each as part of a debt share swap agreement with Azgard Nine Limited. The impact of relaxation availed by the Bank for impairment against these shares is disclosed in note 11.2.1 to this condensed interim financial information.
- 10.5** These include an investment of the Bank in unlisted shares of DHA Cogen Limited (DHA) (a related party of the bank) representing 19.1% equity holding of DHA. During 2013, the Bank acquired additional equity shares of 9.35% by exercising its right over pledged shares after eventual non-compliance by DHA in respect of 'Rehabilitation and Standstill Agreement' made between the consortium banks (including FBL) and DHA for repayment of liabilities.
- 10.6** The Bank does not prepare consolidated financial statements as it does not have any subsidiary company as at June 30, 2015. Accordingly, investment of the Bank in Faysal Asset Management Limited (FAML) has been accounted for under the equity method of accounting as per the requirement of IAS 28 - Investment in associates and joint ventures. The Bank's share of post acquisition profit or loss is recognised using the latest available unaudited financial statements of FAML which relate to the period ended June 30, 2015 with a corresponding adjustment to the carrying amount of investment. The details of the Bank's investment, post acquisition changes and certain other details relating to FAML are as under:

	Un-audited June 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
10.6.1 Faysal Asset Management Limited - percentage holding 30% (December 31, 2014: 30%)		
At January 1	75,084	75,829
Post acquisition changes during the period / year - recognised in the profit and loss account	(2,527)	(745)
Closing Balance	<u>72,557</u>	<u>75,084</u>
Cost of Investment	<u>45,000</u>	<u>45,000</u>
10.6.2 Particulars of the assets and liabilities of the associate		
Assets	<u>253,983</u>	<u>279,063</u>
Liabilities	<u>31,414</u>	<u>28,783</u>
Revenue	<u>62,745</u>	<u>114,775</u>
Loss	<u>(8,424)</u>	<u>(2,483)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

	Note	Un-audited June 30, 2015	Audited December 31, 2014
		----- Rupees '000 -----	
10.7 Particulars of provision for diminution in the value of investments			
Opening balance		2,828,212	2,430,829
Charge during the period / year		282,786	549,145
Reversals during the period / year		(24,072)	(151,762)
		258,714	397,383
Closing balance		3,086,926	2,828,212

11 ADVANCES

Loans, cash credits, running finances, etc. – in Pakistan	11.2.1	195,455,483	188,265,398
Net investment in finance lease – in Pakistan		11,104,681	11,047,764
		206,560,164	199,313,162
Bills discounted and purchased (excluding government treasury bills)			
- Payable in Pakistan		2,526,966	4,136,469
- Payable outside Pakistan		1,192,590	1,130,241
		3,719,556	5,266,710
Margin financing / reverse repo transactions		88,200	96,200
Gross advances		210,367,920	204,676,072
Provision against non-performing advances	11.1 & 11.2	(23,789,342)	(23,011,743)
Provision against consumer and small enterprise loans - general	11.3 & 11.3.1	(435,564)	(439,524)
		(24,224,906)	(23,451,267)
Advances - net of provision		186,143,014	181,224,805

11.1 Advances includes Rs. 30,058 million (2014: Rs. 29,293 million) which have been placed under non-performing status as detailed below:

		June 30, 2015 (Un-audited)								
Particulars	Note	Classified Advances			Provision required			Provision held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees '000										
Category of classification										
Other Assets Especially Mentioned (OAEM)	11.1.1	307,911	-	307,911	415	-	415	415	-	415
Substandard		2,540,471	-	2,540,471	385,968	-	385,968	385,968	-	385,968
Doubtful		2,368,861	-	2,368,861	735,966	-	735,966	735,966	-	735,966
Loss		24,840,800	-	24,840,800	22,666,993	-	22,666,993	22,666,993	-	22,666,993
		30,058,043	-	30,058,043	23,789,342	-	23,789,342	23,789,342	-	23,789,342

		December 31, 2014 (Audited)								
Particulars	Note	Classified Advances			Provision required			Provision held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees '000 -----										
Category of classification										
Other Assets Especially Mentioned (OAEM)	11.1.1	206,095	-	206,095	36	-	36	36	-	36
Substandard		2,717,410	-	2,717,410	406,705	-	406,705	406,705	-	406,705
Doubtful		1,675,067	-	1,675,067	523,630	-	523,630	523,630	-	523,630
Loss		24,694,748	-	24,694,748	22,081,372	-	22,081,372	22,081,372	-	22,081,372
		29,293,320	-	29,293,320	23,011,743	-	23,011,743	23,011,743	-	23,011,743

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

11.1.1 This represents non-performing portfolio of agricultural, housing and small enterprise financing classified as ODEM as per the requirements of the Prudential Regulations for agricultural, housing and small enterprise financing issued by the SBP.

	Un-audited June 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
11.2 Particulars of provision against non-performing advances		
Opening balance	23,011,743	19,746,517
Recognised in the profit & loss account		
- Charge for the period / year	1,390,107	2,900,885
- Reversals during the period / year	(609,114)	(845,065)
	780,993	2,055,820
Recognised in equity		
- Provision against non-performing loans and advances adjusted against NCR	-	1,221,567
Net charge	780,993	3,277,387
Amounts written off	(3,394)	(12,161)
Closing balance	23,789,342	23,011,743

11.2.1 This includes classified advances of Rs 350 million (December 31, 2014: Rs. 350 million) disbursed to Agritech Limited (AGL). In addition, as disclosed in notes 10.3 and 10.4, the Bank had also made investments in term finance certificates, sukuk bonds and equity shares of Rs 999.172 million, Rs 500 million and Rs 310.410 million respectively of AGL. In accordance with the requirements of the approved accounting standards as applicable in Pakistan, the Bank was required to maintain a provision of Rs 2,074.751 (net of FSV benefit) million as at June 30, 2015 (December 31, 2014: Rs 2,067.716 million) against the above exposure of AGL. The required provision as per the approved accounting standards as applicable in Pakistan and as per the requirements of the Prudential Regulations has not been fully made by the Bank as the SBP has given relaxation to the Bank in maintaining provision against the outstanding exposure of AGL. The Bank is required to make the provisions against the outstanding exposure (including investment in equity shares) of at least 85%, 90% and 100% of the required provision as at June 30, 2015, September 30, 2015 and December 31, 2015 respectively. The Bank has availed the relaxation provided by the SBP and has recorded total provision of Rs 1,763.538 million (net of FSV benefit and including impairment loss of Rs 205.802 million) (December 31, 2014: Rs 1,550.787 million net of FSV benefit and including impairment loss of Rs 181.257 million).

Had the SBP not provided this exemption, the profit before taxation for the current period would have been lower by Rs 311.212 million and the provision against advances and investments would have been higher by Rs 52.5 million and Rs 258.712 million respectively.

11.2.2 As allowed by the SBP the Bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs 2,572.903 million (December 31, 2014: Rs 2,771.857 million) relating to advances and Rs 32.123 million (December 31, 2014: Rs 28.324 million) relating to investments while determining the provisioning requirement against non-performing financing as at June 30, 2015. The additional profit arising from availing the FSV benefit - net of tax as at June 30, 2015 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs 1,693.267 million (December 31, 2014: Rs 1,820.118 million).

	Un-audited June 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
11.3 Particulars of provision against consumer loans and small enterprise - general		
Opening balance	439,524	406,365
(Reversal) / charge during the period / year	(3,960)	33,159
Closing balance	435,564	439,524

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

- 11.3.1** The Bank maintains general provision in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing, Housing Finance and Small and Medium Enterprise Financing issued by the SBP. As per these regulations, the Bank maintains general provision as follows:

	Secured	Unsecured
Housing Finance Portfolio	1.5%	-
Consumer portfolio	1.5%	5.0%
Small enterprise portfolio	1.0%	2.0%

- 11.4** Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loans, however, the Bank still holds enforceable collateral against certain non-performing loans in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade, etc.

12 OPERATING FIXED ASSETS

- 12.1** Capital work-in-progress
Tangible fixed assets
Intangible assets

Un-audited June 30, 2015	Audited December 31, 2014
----- Rupees '000 -----	
545,355	145,908
8,897,233	9,108,566
<u>2,088,291</u>	<u>2,288,882</u>
<u>11,530,879</u>	<u>11,543,356</u>

Un-audited For the half year ended	
June 30, 2015	June 30, 2014
----- Rupees '000 -----	

12.2 Additions to operating fixed assets - cost

Leasehold property and improvements	<u>24,690</u>	<u>110,511</u>
Office furniture, fixtures, equipment and computers	<u>60,967</u>	<u>51,642</u>
Vehicles	<u>7,105</u>	<u>33,406</u>
Capital work-in-progress	<u>399,447</u>	<u>221,484</u>

Additions to Intangibles

Software	<u>7,156</u>	<u>40,597</u>
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12.3 Disposals of operating fixed assets - cost

Leasehold property and improvements	<u>-</u>	<u>7,000</u>
Office furniture, fixtures, equipment and computers	<u>61,603</u>	<u>3,295</u>
Vehicles	<u>4,487</u>	<u>12,042</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

12.4 Change in accounting estimate

During the current period, the management of the Bank has revised its estimate of the useful life of 'Building on freehold land' and 'Building on leasehold land'. Previously all buildings under above categories were depreciated over 20 years and now these are being depreciated over useful lives ranging from 8 to 43 years. The revision is based on estimation of useful lives of buildings provided by professional property valuer and takes into account the expected pattern of economic benefits associated with the use of these assets.

The revision has been accounted for as a change in accounting estimate as defined in accordance with the requirements of International Accounting Standards (IAS) 8 'Accounting policies, changes in accounting estimates and errors'. Had the revision in useful lives of buildings not been made, depreciation expense for the period would have been higher by Rs. 214.326 million and consequently profit before tax would have been lower by the same amount.

13 OTHERASSETS

These include non-banking assets acquired in satisfaction of claims amounting to Rs 1,988.178 million (December 31, 2014: Rs 1,913.178 million).

14 DEPOSITS AND OTHER ACCOUNTS

Customers

	Un-audited June 30, 2015	Audited December 31, 2014
Fixed deposits	94,483,125	95,714,523
Saving deposits	91,734,445	87,507,426
Current accounts – Remunerative	2,463,525	2,572,655
Current accounts – Non-remunerative	92,685,538	85,073,620
Margin accounts	2,115,904	2,067,200
	<u>283,482,537</u>	<u>272,935,424</u>

Financial institutions

Remunerative deposits	12,390,836	10,167,344
Non-remunerative deposits	282,285	242,971
	<u>12,673,121</u>	<u>10,410,315</u>
	<u>296,155,658</u>	<u>283,345,739</u>

15 OTHER LIABILITIES

The bank has maintained a provision amounting to Rs. 134.125 (December 31, 2014: Rs 149.772 million) million in respect of certain instances of employee infidelity.

16 CONTINGENCIES AND COMMITMENTS

16.1 Direct credit substitutes

Contingent liability in respect of guarantees favouring:

- Banking companies and other financial institutions	<u>692,933</u>	<u>618,456</u>
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Acceptances

- Others	<u>5,898,700</u>	<u>10,719,676</u>
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

Un-audited June 30, 2015	Audited December 31, 2014
----- Rupees '000 -----	

16.2 Transaction-related contingent liabilities

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

- Government
- Banking companies and other financial institutions
- Others

8,937,275	8,098,193
2,018	12,765
1,266,513	1,870,207
10,205,806	9,981,165

16.3 Trade-related contingent liabilities

Letters of credit

- Government
- Others

7,090,659	2,292,534
11,329,261	16,781,954
18,419,920	19,074,488

16.4 Other contingencies

- i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case

2,500,000	2,500,000
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- ii) Indemnity issued favouring the High Court in the above case

457,543	457,543
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- iii) Claims against the Bank not acknowledged as debt

31,719,469	30,404,910
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These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing and certain cases filed by ex- employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. The above also includes an amount of Rs 25,299 million in respect of a suit filed against the Bank for declaration, recovery of monies, release of securities, rendition of account and damages.

Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in this condensed interim financial information.

- (iv) Income tax assessments of the Bank have been finalised upto the tax year 2014 (Accounting year 2013). Return of income for tax year 2015 will be e-filed within due date.

The department and the Bank have disagreements on certain matters in different tax years. These include disallowance on initial depreciation of leases, provision for bad debts, bad debts written off, provision against investments, taxability of dividend, profit accrued on deposits and taxability of bargain purchase gain. The additional tax liability on these matters is Rs 3,953.346 million (December 31, 2014: Rs 2,044.680 million).

The Bank and the department have filed appeals with the Commissioner Inland Revenue (Appeals), Appellate Tribunal Inland Revenue and the High Court in the aforementioned matters. The management of the Bank is confident that the decision in respect of these matters will be in the Bank's favour and accordingly no provision has been made in this condensed interim financial information in this respect.

16.5 Commitments to extend credits

The Bank makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

	Un-audited June 30, 2015	Audited December 31, 2014
16.6 Commitments in respect of forward exchange contracts		
----- Rupees '000 -----		
Purchase		
- Customers	928,754	2,019,028
- Banks	21,818,247	33,335,629
	<u>22,747,001</u>	<u>35,354,657</u>
Sale		
- Customers	701,916	980,313
- Banks	9,326,253	17,398,632
	<u>10,028,169</u>	<u>18,378,945</u>
16.7 Commitments for the acquisition of operating fixed assets	<u>125,178</u>	<u>118,310</u>
16.8 Commitments in respect of donation	<u>-</u>	<u>8,000</u>
16.9 Commitments in respect of repo transactions		
Repurchase	<u>84,636,682</u>	<u>40,116,082</u>
Resale	<u>7,929,379</u>	<u>305,244</u>
16.10 Others		
Interest rate swaps and cross currency swaps (notional principal)	<u>33,557</u>	<u>67,864</u>

17 Taxation

17.1 The Finance Act 2015 has introduced certain amendments relating to taxation of banking companies. As per these amendments, bank's income from dividend and capital gains are now taxed at the normal tax rates instead of previously applicable reduced rates. In addition, one-time super tax at the rate of 4 percent of the taxable income has also been levied. These amendments apply retrospectively for the tax year 2015, i.e. year ended December 31, 2014. The effects of above amendments have been incorporated in this condensed interim financial information and an amount of Rs. 264.797 million (June 30, 2014 : Nil) has been recognised as prior year tax charge.

18 EARNINGS PER SHARE

	Un-audited			
	For the quarter ended		For the half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
----- Rupees '000 -----				
Profit after tax for the period	<u>687,998</u>	<u>307,636</u>	<u>2,567,900</u>	<u>739,541</u>
----- Number of shares in thousands -----				
Weighted average number of ordinary shares	<u>1,199,760</u>	<u>1,199,760</u>	<u>1,199,760</u>	<u>1,199,760</u>
----- Rupees -----				
Earnings per share - basic	<u>0.57</u>	<u>0.26</u>	<u>2.14</u>	<u>0.62</u>

18.1 Diluted earning per share has not been presented as the Bank does not have any convertible instruments in issue at June 30, 2015 and June 30, 2014 which would have any effect on the earning per share if the option to convert is exercised.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

19 NON-DISTRIBUTABLE CAPITAL RESERVE - GAIN ON BARGAIN PURCHASE

As per the directive of the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (ex-RBS Pakistan) was credited directly into equity as Non-Distributable Capital Reserve (NCR). The SBP allowed the Bank to adjust the amortisation of intangible assets against the portion of reserve which arose on account of such assets. Accordingly, during the period ended June 30, 2015 the Bank has adjusted amortisation of intangible assets amounting to Rs. 62.433 million (net of tax) from the Non-distributable Capital Reserve.

20 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

The Bank is organised into four major business segments:

- Corporate Finance
- Trading and Sales
- Retail Banking
- Corporate & 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	Corporate & Commercial Banking	Total
June 30, 2015 - Un-audited	Rupees '000				
Total income	108,306	5,905,066	12,442,006	1,702,457	20,157,835
Total expenses	(60,635)	(3,943,915)	(11,803,859)	(1,781,526)	(17,589,935)
Net income / (loss)	47,671	1,961,151	638,147	(79,069)	2,567,900
Segment assets (Gross)	-	209,872,380	89,395,866	178,912,787	478,181,033
Segment non performing loans	-	-	5,614,543	24,443,500	30,058,043
Segment provision required against loans **	-	-	(2,865,942)	(21,358,964)	(24,224,906)
Segment liabilities	-	(92,716,837)	(302,061,781)	(27,573,463)	(422,352,081)
Segment return on assets (ROA) (%) *	-	2.45%	1.50%	(0.01)%	
Segment cost of funds (%) *	-	5.73%	5.15%	8.02%	
June 30, 2014 - Un-audited					
Total income	77,510	3,811,376	11,153,437	2,842,374	17,884,697
Total expenses	(52,394)	(959,363)	(12,243,064)	(3,890,335)	(17,145,156)
Net income / (loss)	25,116	2,852,013	(1,089,627)	(1,047,961)	739,541
	Corporate Finance	Trading & Sales	Retail Banking	Corporate & Commercial Banking	Total
December 31, 2014 - Audited	Rupees '000				
Total income	142,849	6,713,312	24,545,026	5,284,870	36,686,057
Total expenses	(84,123)	(4,085,130)	(24,291,630)	(5,748,215)	(34,209,098)
Net income / (loss)	58,726	2,628,182	253,396	(463,345)	2,476,959
Segment assets (Gross)	-	149,750,065	74,629,428	190,344,153	414,723,646
Segment non performing loans	-	-	3,599,658	25,693,662	29,293,320
Segment provision required against loans **	-	-	(2,367,920)	(21,083,347)	(23,451,267)
Segment liabilities	-	(42,447,414)	(280,986,592)	(38,389,202)	(361,823,208)
Segment return on assets (ROA) (%)	-	2.43%	0.39%	0.25%	
Segment cost of funds (%)	-	5.59%	5.76%	9.07%	

* These percentages have been computed based on average balances.

** includes general provision

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

21 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its holding company, associated undertaking, associated company, group companies, retirement benefit plans, directors, key management personnel and entities over which the directors or key management personnel are able to exercise significant influence. The particulars of the Bank's investment in its associated companies / investments in the funds are given in note 10.1 and note 10.5 to this condensed interim financial information.

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.

Particulars	June 30, 2015 (Un-audited)			
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies and associated undertakings *
	Rupees '000			
Deposits				
Balance at the beginning of the period	107,806	87,030	5,141	50,108
Placements during the period	685,736	531,704	1,943,518	1,189,271
Withdrawals during the period	(736,407)	(141,867)	(1,946,352)	(1,006,631)
Balance at end of the period	57,135	476,867	2,307	232,748
Advances				
Balance at the beginning of the period	58,293	-	-	4,041,850
Disbursements during the period	14,952	-	-	589,978
Repayments during the period	(6,967)	-	-	(2,023)
Balance at end of the period	66,278	-	-	4,629,805
Shares held by group companies	-	-	-	8,011,661

* Provision held against advances amounted to Rs. 2,910.802 million.

Particulars	December 31, 2014 (Audited)			
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies and associated undertakings *
	Rupees '000			
Deposits				
Balance at the beginning of the year	190,399	116,373	2,544	1,140,702
Placements during the year	2,206,535	1,638,924	3,882,338	67,752,154
Withdrawals during the year	(2,289,128)	(1,668,267)	(3,879,741)	(68,842,748)
Balance at end of the year	107,806	87,030	5,141	50,108
Advances				
Balance at the beginning of the year	24,901	-	-	3,455,705
Disbursements during the year	50,123	-	-	1,778,823
Repayments during the year	(16,731)	-	-	(1,192,678)
Balance at end of the year	58,293	-	-	4,041,850
Shares held by group companies	-	-	-	6,966,662

* Provision held against advances amounted to Rs. 2,827.738 million.

Particulars	June 30, 2015 (Un-audited)			
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies and associated undertakings *
	Rupees '000			
Shares / units purchased during the period	-	-	-	740,000
Shares / units sold during the period	-	-	-	5,409
Government securities purchased during the period	236,757	305,674	-	-
Government securities sold during the period	294,135	-	-	-
Profit paid / accrued	1,695	4,633	166	9,694
Profit return / earned	2,224	-	-	125,895
Remuneration of the key management personnel				
- Salaries and other short-term employee benefits	207,964	-	-	-
- Post-employment benefits	8,384	-	-	-
Contribution to staff retirement benefits	-	111,442	-	-
Guarantees issued favouring related parties or on their behalf *	-	-	-	37,802
Bonus shares issued	-	-	-	1,044,999

* represents outstanding guarantee

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

Particulars	June 30, 2014 (Un-audited)			
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies and associated undertakings
	Rupees '000			
Shares / units purchased during the period	-	-	-	55,000
Shares / units sold during the period	-	-	-	159,050
Government securities purchased during the period	596,816	700,982	-	-
Government securities sold during the period	957,958	576,651	-	-
Profit paid / accrued	5,898	3,450	203	25,361
Profit return / earned	900	-	-	139,778
Remuneration of the key management personnel				
- Salaries and other short-term employee benefits *	459,862	-	-	-
- Post-employment benefits	8,288	-	-	-
Remuneration and non-executive directors fee	22,430	-	-	-
Contribution to staff retirement benefits	-	123,260	-	-
Guarantees issued favouring related parties or on their behalf **	-	-	-	29,397
Bonus shares issued	-	-	-	-

* Includes final settlement of Ex-President & CEO

** represents outstanding guarantee

- 21.1** Balances pertaining to parties that were related at the beginning of the period but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through the movement presented above.

22 ISLAMIC BANKING BUSINESS

The Bank is operating 62 Islamic banking branches (2014: 58) and 1 Islamic sub-branch (2014: 1). The statement of financial position of these branches as at June 30, 2015 are as follows:

	Note	Un-audited June 30, 2015	Audited December 31, 2014
		Rupees '000	
ASSETS			
Cash and balances with treasury banks		3,410,654	2,929,341
Balances with other banks		137,095	158,367
Due from financial institutions		-	-
Investments		20,500,862	20,694,546
Islamic financing and related assets	(c)	16,921,221	11,373,893
Operating fixed assets		409,495	204,408
Deferred tax assets		-	19,727
Other assets		673,178	825,349
		42,052,505	36,205,631
LIABILITIES			
Bills payable		707,746	320,765
Due to financial institutions		1,600,000	1,350,000
Deposits and other accounts			
- Current accounts		13,744,663	12,482,760
- Saving accounts		8,570,558	7,781,254
- Term deposits		9,916,166	9,697,708
- Others		48,225	34,876
- Deposits from financial institutions - remunerative		2,314,912	355,698
- Deposits from financial institutions - non-remunerative		3,834	5,797
Due to head office		477,809	1,818,327
Deferred tax liabilities		-	-
Other liabilities		1,752,682	593,652
		39,136,595	34,440,837
		2,915,910	1,764,794
NET ASSETS			
REPRESENTED BY			
Islamic banking fund		1,380,000	880,000
Unappropriated profit		1,386,340	921,429
		2,766,340	1,801,429
Surplus / (deficit) on revaluation of assets - net of tax		149,570	(36,635)
		2,915,910	1,764,794

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

(a) The profit and loss account of the Bank's Islamic Banking branches for the six months ended June 30 is as follows:

Note	Un-audited For the half year ended	
	June 30, 2015	June 30, 2014
	Rupees '000	
Profit / return earned on financing and investments	1,635,547	1,330,690
Profit / return expensed	743,404	606,747
Net spread earned	892,143	723,943
Provision / (reversal) against non-performing financings	21,731	(3,136)
Provision against consumer financings	4,376	5,252
Provision / (reversal) for diminution in the value of investments	-	(5,284)
	26,107	(3,168)
	866,036	727,111
Other Income		
Fee, commission and brokerage income	59,994	48,639
Income from dealing in foreign currencies	2,918	16,684
Other income	764	-
	63,676	65,323
	929,712	792,434
Other expenses		
Administrative expenses	464,801	494,399
Other expenses	-	745
	464,801	495,144
	464,911	297,290
Extraordinary items / unusual items	-	-
Profit for the period	464,911	297,290
Unappropriated profit brought forward	921,429	421,350
Unappropriated profit carried forward	1,386,340	718,640
Remuneration to shariah advisor	1,850	2,844
CHARITY FUND		
Opening balance	337	233
Additions during the period / year	880	1,047
Payments / utilization during the period / year	(900)	(943)
Closing balance	317	337
Sector wise details of charity disbursement		
Health	700	643
Education	100	200
Social Work	100	100
	900	943
The charity has been paid through Bank's late payment penalties.		
(b) Islamic Financing and Related Assets	16,921,221	11,373,893
(c) Islamic Mode of Financing		
Murabaha	1,148,438	1,788,521
Musharakah cum Ijara	6,177	2,752
Diminishing Musharakah	12,315,593	7,637,270
Advance against Murabaha Financing	72,500	227,605
Advance against Murabaha ERF	-	-
Advanced against Diminishing Musharakah	1,858,016	1,198,877
Fixed Assets Ijara Financing (net)	1,042,363	514,532
Advance against Ijara	478,134	4,336
	16,921,221	11,373,893

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2015

(d) Sectors and avenues of deposits and funds

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business.

	Un-audited June 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
Government and other securities	20,500,862	20,694,546
Textiles, chemicals, pharmaceuticals, food and allied	1,350,493	2,141,264
Production and transmission of energy	13,192,994	7,130,054
Transportation	1,847,484	1,575,048
Construction / Housing	759,949	731,120
	<u>37,651,782</u>	<u>32,272,032</u>

23 GENERAL

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

23.2 Figures have been rounded off to the nearest thousand rupees unless other wise stated.

24 DATE OF AUTHORISATION FOR ISSUE

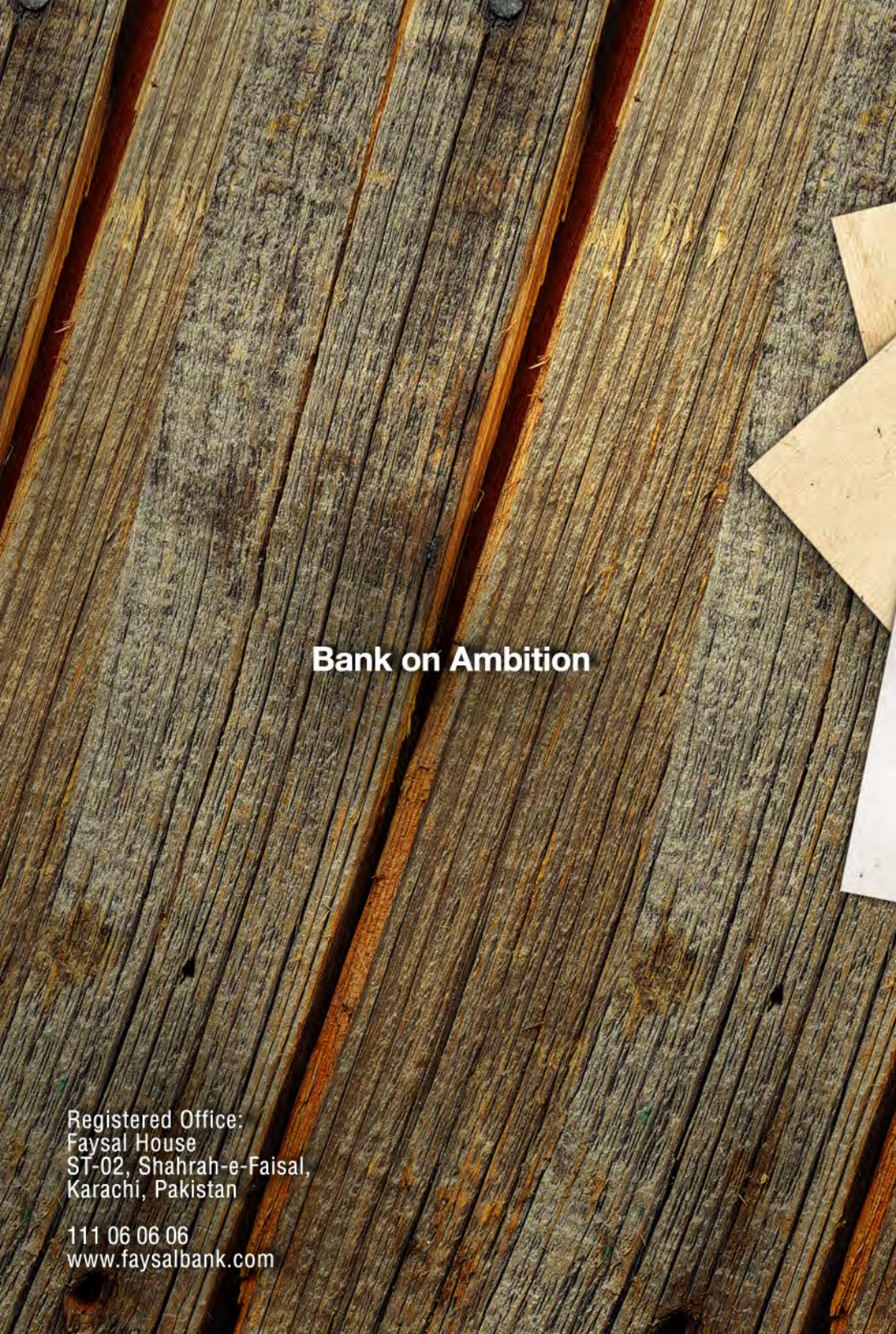
This condensed interim financial information was authorised for issue on August 26, 2015 by the Board of Directors of the Bank.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR



Bank on Ambition

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