

کاروانِ وفا



faysalbank



2015

THIRD QUARTER

ENDED SEPTEMBER 30, 2015

UNAUDITED FINANCIAL STATEMENTS

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Wheels of industry

بنام سیالکوٹ،

بنام سیالکوٹ سلام،

تصویریں منسلک کرتے ہوئے، تمہارے بارے میں لکھتے ہوئے قلم نگار سامجنا ہے۔ اتنا یاد رکھو کہ یہ کہنے کو، کہاں سے ابتداء کریں؟ تمہارے شاندار ماضی کا تذکرہ کریں۔۔۔ تمہارے خوبصورت حال کا ذکر بھی نہیں۔۔۔ یا پھر تانیاک مستحقین کا تعین کریں۔

سنہ 1185 میں تمہاری دہلی کی مسلم حکومت میں شمولیت نے گویا ہمارے اور تمہارے راستے ایک کرنے کا فیصلہ کر لیا تھا جس پر 1947 میں مہر حقیقت ثبت ہوئی اور تمہاری مسلم اکثریت نے پاکستان کے حق میں فیصلہ دیا۔ ڈاکٹر علامہ محمد اقبال کی صورت میں ایک پیش رہا تھو تم ہمیں دے ہی چکے تھے۔ اعزازات کی یہ بارش جامِ تحریر جاری ہے۔ 1965 کی جنگ میں تمہارے ہاسیوں کی بہادری نے تمہیں "ستارہ استقلال" کا تمہارا ٹھہرا دیا۔

تمہارا آج تمہارے گزرنے والے کے شایان شان ہے اور ملک کی صنعت و حرث کیلئے ایک روشن مثال۔ تم نے پاکستان اور خانہ سازا ایشیا کو دنیا کے کونے کونے میں متعارف کروایا۔ مسلمان کھیل، آلات موسیقی، آلات جراثیم اور چرمی مصنوعات میں پاکستان کا سکہ پوری دنیا میں جھلایا۔ اس بات سے بہت کم لوگ واقف ہیں کہ دنیا بھر میں تمہارا سازا سازی میں تمہارا حصہ پاکستان کا سکہ پوری دنیا میں جھلایا۔ اس بات سے بہت کم لوگ واقف ہیں کہ دنیا بھر میں تمہارا سازا سازی میں تمہارا حصہ

لگ بھگ 70 فیصد ہے جو ہر پاکستانی کیلئے باعث اعزاز و فخر ہے۔
ماضی اور حال کو دیکھتے ہوئے کون ہے جو تمہارے آنے والے کل کی تانیا کی پر شک کرے۔ تمہارے نامور اعلیٰ تعلیمی اداروں میں تعلیم حاصل کرنے کیلئے بڑے بڑے شہروں اور بیرون ملک سے طلباء، جنوں اور بوق آتے ہیں۔ تمہارا بین الاقوامی ہوائی سفر آمدات، درآمدات اور عام نقل و حرکت میں بے حد معاون ہے۔ ریل اور سڑک کا جدید نظام شریانیوں کی طرح تصویریں

ملک کے دوسرے حصوں سے جوڑے رکھتا ہے۔
صنعت ہی نہیں، زراعت کے شعبے میں بھی تمہارے ہاتھ و پیات اپنا لوہا منواتے ہیں اور ملک بھر کو بہترین گندم، جوا، پھول، پتھر اور کھاد مہیا کرتے ہیں۔ ہر آنے والے کی تواضع تم روایتی سروسوں کے ساگ، ٹیکس اور کئی کی روٹی سے کرتے ہو۔ اسکے علاوہ تمہارے خاص جیسے گوشت، ہندوستانی مرغ اور قیر تان کی دھوم بھی ملک بھر میں ہے۔
تمہارا تمہارا باقاعدہ تعارف 2001 میں ہوا جب ہماری پہلی براؤنج کو جس میں روٹی پر تمہارا دہنے والوں نے خوش آمدید کہا۔ اسے برسوں اور ہر آنچوں کے بعد یہ رشتہ مضبوط سے مضبوط تر ہوتا جا رہا ہے۔ کیا کریں، عید ہی اتنا ہو گیا ہے تم سے۔

تمہارا اچھا،
عیسائی بیٹک

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. Abdulelah Ebrahim Mohamed AlQasimi	Member
Mr. Nauman Ansari	Member

Recruitment Nomination and Remuneration Committee

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

Board Steering Committee for Conversion of Faysal Bank into Islamic Bank

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

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

ECONOMIC UPDATE

The macroeconomic outlook for the FY'16 remains stable. Growth and inflation prospects are favorable, with real GDP projected to expand by 4.5 percent and inflation to hover around 4.7 percent in this fiscal year. According to IMF, the current account deficit is projected to further contract to 0.5 percent of GDP in FY'16. Foreign exchange reserves, due to improved external account position, are at all time high level crossing USD 20 billion mark as of end Sep'16. However, despite positive ongoing developments, downside risks stem from Pakistan's low fiscal strength, slippages in policy implementation, volatile political situation and challenging security conditions and the shift of risk in global emerging market.

GDP is expected to grow from 4.2 percent in FY'15 to 4.5 percent in FY'16, primarily driven by expected improvements in supply of gas and electricity, improvement in investment climate and investment related to China Pakistan Economic Corridor (CPEC). The planned investment of USD 45 billion in energy and transport infrastructure under CPEC can prove to be positive for the Pakistan economy. However, government needs to act swiftly to remove the structural bottlenecks in the economy in order to fully reap the benefits of CPEC and to increase the growth in GDP to the required level of 5-7 percent in order to absorb new entrants into the labor market.

CPI continues to follow downward trajectory in FY'16 averaging at 1.62 percent, far below the target of 6 percent set by the government. Primary sources of declining inflation are favorable supply shocks driven by low commodity prices and stable inflation expectations anchored by prudent monetary policy. However, going forward, CPI is expected to rebound due to expected bottoming out of energy prices and the government plans of cutting electricity subsidy along with increasing tariff.

The balance of payment position has continued to improve in CY'16. Decline in oil bill and robust growth in worker's remittances are primary factors behind improved external position. Issuance of Euro bond in end September'15, successful completion of reviews under EFF program and disbursement of program related funding continue to support reserve build up. Despite these positive developments, exports continue to follow downward trend due to sluggish global demand, structural bottlenecks and loss in competitiveness due to real exchange rate appreciation.

PERFORMANCE UPDATE FOR THE THIRD QUARTER 2015

In the third 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 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.

DIRECTORS' REVIEW

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 bln 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 bln for its pipe line infrastructure project in relation to LNG.
- FBL will be part of the syndicate as Joint Arranger for PKR 20 bln 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 bln for overlay and modernization of a prime motor way in northern region. The base facility of PKR 22 bln for the motorway was closed in later part of last year under a joint mandate.
- FBL has been mandated for arranging PKR 4 bln for a large Shipping entity of Pakistan

Financial Closures during the quarter

- FBL as part of the joint consortium, has arranged and closed (as Lead Advisor and Arranger) PKR 16.7 bln 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 bln 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 bln SBLC Facility for one of the most efficient IPPS based on 1994 power policy
- FBL has participated as Joint Arranger in PKR 25.5 bln conventional and Islamic financing for construction and rehabilitation of 136 km Motorway connecting Hyderabad to Karachi.
- FBL has achieved closure of financing documents as part of the consortium which has been mandated to structure and arrange (as Mandated Lead Arranger) PKR 50 bln for one of the largest business group of the country for development of 6.5 MTPA coal mine in Thar.

Retail Banking:

Branch Distribution

In line with our focus on the growth of current and savings accounts (CASA), we were able to grow the CASA book by PKR 10.1 billion during nine months ending September 30, 2015. The CASA deposit mix stands at 68% as of September 30, 2015. The total deposit base has increased by PKR 21.4 billion during the last year. This was primarily fueled by CASA deposits which contributed over 96%. In fact, the Federal Board of Revenue's decision to impose withholding tax on non-filers on banking transactions had significant impact on the business.

SBP has formulated a National Financial Inclusion Strategy (NFIS) according to which a target of 50% growth in bank accounts by adult population is projected to be attained by the year 2020. Consequently, we launched Faysal Asaan Current and Savings Accounts during the third quarter to target the un-banked and under-banked segments of the society under the directives of SBP. This account will cater to the masses and greatly help us in expanding the outreach of banking services.

Consumer Finance

Consumer Finance continues to build on a growth trajectory in line with the objective of selling multiple products at optimum cost levels. We are focused on key strategic objectives of further penetration into profitable segments, continued focus on risk management, maintenance of cost discipline and meeting the requirements of regulatory environment. Credit Card and Car Finance products are our strongest propositions and we are focused on product innovations to provide one stop shop solutions to our customers by concentrating on payroll. In addition to deepening of our value proposition of Credit Cards by increasing the number of alliances expansion of premium card products suite is also underway.

As part of Barkat Islamic Banking's continued efforts to improve the quality of products and services offerings to customers, we are in the process of launching VISA Gold and VISA Platinum to complete our Debit Card menu. On the asset side, our products team is in the process of developing new financing products which will be launched soon and will make Barkat Islamic Banking's product menu one of the most comprehensive product suites in the Islamic banking industry.

Wealth Management

The Wealth Management segment has carried positive momentum from the first half of 2015 till the third quarter with anticipated trajectory. In addition, the Bank is also geared to bring enhanced focus towards mutual fund investment offerings in order to maximize value for clients and provide alternate avenues for investments in changing market conditions. Faysal Bank is set on developing wealth business as a major growth segment.

Agri Business

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

DIRECTORS' REVIEW

SME and Commercial

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

Islamic Banking

Barkat Islamic Banking continued its branch growth strategy in 2015 and converted 3 conventional branches to Islamic. These branches were relocated to more suitable newly developed premises to access broader segments of customers. This has increased Barkat Islamic Banking's footprint across Pakistan from 58 branches and 1 sub branch in 28 cities to 63 branches.

It is also pertinent to mention here that Barkat Islamic Banking's product team has participated in several syndicated Islamic transactions involving hybrids of various structures such as Diminishing Musharakah and Ijarat ul Musha (Musharakah) etc. which has resulted in increasing our overall Asset portfolio.

RISK MANAGEMENT

The Retail Risk Management function continued its support to Consumer Finance Business in order to accomplish the robust growth plans. Certain policy revisions were made in order to enhance penetration into preferred low risk segments, whilst limiting acquisition of high risk segments in order to manage portfolio health and skew. Furthermore, various initiatives were undertaken to enhance staff and cost efficiencies and effectively manage losses.

The Capital Management unit continuously ensures that adequate capital is maintained in line with the Basel III phase-in regulatory requirements. Market and Liquidity Risk management unit continued effective monitoring and reporting of market risk related exposures. Key market risk limits are monitored on real time basis through live limit monitoring dashboard.

Operational Risk Management Training Module has been deployed in collaboration with Learning & Development function to provide up-to-date online training to Operational Risk Management Coordinators on annual basis across all business and support functions of the bank. Risk and Control Self-Assessments and Scenario Analysis workshops are conducted annually across business and support areas to identify any key operational risks that may be inherent due to changes in control environment, introduction of new products and process as well as business automation and new technology infrastructure.

Credit Risk Management continued to perform thorough and independent due diligence of the proposed / existing exposures in the respective risk portfolios. It worked closely with all the Business Units to proactively manage & monitor the risk & health of the portfolio, both in terms of existing customers & booking of new relationships.

PEOPLE

Bank firmed up a comprehensive Branch Operations structure in consultation with Retail Banking, Islamic Banking and Centralized Operations, to ensure better controls and operational excellence while placing focus on front line deliverables.

To enhance service quality and staff engagement with an ultimate aim to provide excellent banking experience to our customers, meeting with P&CEO and Head HR initiative was introduced wherein invitees would have lunch with both the senior executives. This measure will provide an opportunity to employees to present their personal / professional views on how together we can build a stronger franchise.

Learning & Development (L&D)

In the third quarter of 2015, L&D continued with its strategy to improve and enhance soft and technical skills of its human capital. A total of 2,703 participants were trained in both online and classroom trainings wherein total training hours of 11,564 were consumed (1,655 online training hours & 9,909 classroom training hours). In online trainings, total 1,360 participants were trained whereas 1,343 participants were trained through classroom trainings in 3rd Quarter.

Additional 4 participants, identified in the Islamic Conversion TNA, successfully completed NIBAF's Islamic Banking Certification Course bringing the completion percentage of the program to 60.4%. In collaboration with Islamic Product Team, L&D launched a 5 day Islamic Banking Certification Program as per SBP's requirement simultaneously in Karachi and Lahore for the first time. One day refresher course on Fundamentals of Islamic Banking was also launched for the Islamic Branch Banking teams pan country and 124 employees were trained.

In line with the regulatory requirements, FBL is going to offer "Prime Minister Youth Program" from its nominated Barkat Islamic branches. L&D has conducted training of staff of nominated Islamic branches in each city with collaboration of CBSME & Islamic Product teams.

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 413 employees were trained on Fraud Awareness which was a bank wide training exercise conducted for all front-end staff. FBL has recently launched online Faysal Asaan Accounts & Barkat Asaan Accounts targeting the unbanked consumers in Pakistan, and as a result of this, 1,203 employees have been trained.

Regular CBT's of Mandatory Islamic Banking Training, CAAML and Excel were undertaken in a routine for all staff.

Corporate Social Responsibility

Bank representatives paid a visit to Sindh Institute of Urology and Transplantation (SIUT) and was shown the entire facility. The purpose of the visit was to give a donation to the hospital engaged in free treatment of patients with kidney and liver related complaints.

Following the heat wave in Karachi resulting in an influx of heatstroke patients in government hospitals, Faysal Bank contributed to improve the emergency services at Civil Hospital, Karachi by investing in Defibrillator, Suction & ECG Machines, Bed Stretchers, BP/Pulse Oximeters, etc

Donations to Ida Rieu Welfare Association, Welfare Society for Patient Care, Friends of Burns Centre, Koohi Goth Hospital, the Cardiovascular Foundation, were also made during the quarter.

Internal Communication

Many emails for discount and premium benefits were circulated through Internal Communication so that the staff could avail them. They were from Turkish Airlines, Indus Motors, Etihad Airways, Amir Adnan outlets, etc.

The latest Blue Octagram was also uploaded in Flash version on the intranet for its readers at Faysal Bank.

SUPPORT SERVICES

Information Technology through promise, strong alliance and devotion has endeavored to provide seamless and efficient services to internal as well as external customers. Key achievements for the quarter are as follows:

DIRECTORS' REVIEW

- Core Network Switching Infrastructure at Primary and DR sites enhanced from 1G to 10G which shall ensure uninterrupted high speed network access to all the critical applications and banking services.
- Hardware of Mobile Banking has been revamped to provide faster speed and extended coverage.
- Internet Banking was commercially launched for customers enhancing products suite and customer reach of the Bank
- Payroll Bulk Account Opening in-house solution has been implemented for Corporate's employee payroll accounts.
- Customer Sanction Filtering (En Side Safe Watch system) as a comprehensive enterprise-wide, multi-jurisdictional and multi-business solution has been implemented that screens persons and transactions against different watch lists and manages all related regulatory requirements. The product has also been integrated with SWIFT whose software release and hardware also gets upgraded during deployment, creating full-fledge redundancy between Primary and DR sites.
- Payment Card Industry Data Security Standards (PCI-DSS) approved scanning vendor and Qualified Security Assessor (QSA) has been engaged and brought on-board for executing multiple initiatives like penetration testing etc.
- Arritek's product entitled as AI-Qist has been procured for Islamic Banking centralized deposit pool management.

FINANCIAL PERSPECTIVE

The Financial Control Unit aims to provide timely and accurate MIS to business partners. In this regard, regular view and upgradation have been made in QlikView Business Intelligence system. 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 cross sale opportunities.

Bank's strategy is to redefine processes and develop alternates to enhance core banking income and rationalize cost efficiency. The focus was on reducing costs on sustainable basis without affecting smooth operations so as to improve profitability.

Special emphasis was given to energy saving measures not only for controlling cost but also for saving natural resources. Staff members are advised to observe working hours to make maximum utilization of natural light. Lifts operations in late hours are also restricted. Strategy of installing heavy duty UPS is working well whereby generators working at night are discontinued thus reducing fuel consumption.

Future Outlook

Bank's strategy is to mobilize stable low cost core deposits and improve CASA mix. Bank is planning to open more branches in financial hubs and agriculture areas to provide door step convenience to deposit holders and generate low cost deposits. Branches have also 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

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

	Sep 30, 2015	Sep 30, 2014
	Rs in Million	
Operating profit	6,800	3,784
(Provision) / Reversal for non performing advances	(885)	(1,611)
(Provision) / Reversal for diminution in value of investments	(329)	(300)
	(1,214)	(1,911)
Profit before tax	5,586	1,873
Provision for taxation	(2,224)	(457)
Profit after tax	3,362	1,416
Earnings per share – Rupees	2.80	1.18

Bank's Profit after tax for the period ended September 30, 2015 at PKR 3,362 million is 137 percent higher than the corresponding period figure of PKR 1,416 million due to reduction in operating cost as a result of offering of Voluntary Severance Scheme (VSS) last year, realization of capital gains and protection of margins by timely investing in long term government papers.

Bank planned to manage balance sheet at macro level in the low growth & low interest rate scenario. To protect spread, Bank realigned its strategy and put more focus on developing low cost long term core deposit relationships so as to bring regular flow of profitable deposits. As a result of mass campaign and partially due to interest rate reduction, deposits cost of the Bank has been reduced by 91 bps since December 31, 2014. CASA deposits also reached to the level of 68.0% of total deposits, compared to previous year level of 65.7%. These funds were placed in government securities in declining rate scenario to insulate income from further rate cut.

Non funded revenue streams of the Bank remained diversified and growing across the branch banking, consumer asset and corporate segments. The fee based revenue levels are also showing a sustainable growth.

Bank is making efforts to rationalize cost by eliminating avoidable cost and developing cost effective and efficient alternates that rationalize costs without affecting operations. Optimization of technology infrastructure has also resulted in major cost savings for the Bank. Despite high energy cost and GST, overall administrative costs were PKR 8.099 billion for three quarters of 2015 as compared to PKR 9.349 billion in the same period of last year thus reducing costs by healthy 13.3%. Major factors in this cost reduction are VSS in 2014 and strict monitoring of non-HR costs, efficiency ratio improved to 60.3% as compared to 66.8% last year.

DIRECTORS' REVIEW

EPS (Earning Per Share) for the period increased by impressive PKR 1.62 i.e. to PKR 2.80 as compared to last year's corresponding period earnings of PKR 1.18.

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: October 27, 2015

On behalf of the Board of Directors
President & CEO

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2015

	Un-audited September 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
ASSETS		
Cash and balances with treasury banks	18,008,261	20,285,851
Balances with other banks	9 730,036	1,422,699
Lendings to financial institutions	5,128,063	-
Investments	10 198,498,621	155,210,513
Advances	11 179,715,328	181,224,805
Operating fixed assets	12 11,451,835	11,543,356
Deferred tax assets - net	2,726,967	2,428,817
Other assets	13 13,533,310	16,009,743
	429,792,421	388,125,784
LIABILITIES		
Bills payable	5,338,552	5,347,774
Borrowings	94,344,012	60,926,863
Deposits and other accounts	14 288,707,621	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	8,748,164	9,207,632
	400,132,949	361,823,208
NET ASSETS	<u>29,659,472</u>	<u>26,302,576</u>
REPRESENTED BY		
Share capital	11,997,601	10,432,697
Reserves	5,609,505	5,703,155
Unappropriated profit	7,534,395	5,696,366
	25,141,501	21,832,218
Surplus on revaluation of assets - net of tax	4,517,971	4,470,358
	<u>29,659,472</u>	<u>26,302,576</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 23 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 NINE MONTHS ENDED SEPTEMBER 30, 2015

Note	Quarter ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
----- Rupees '000 -----				
Mark-up / return / interest earned	8,057,353	7,873,968	24,593,685	23,553,740
Mark-up / return / interest expensed	4,659,798	4,598,054	13,975,232	13,598,266
Net mark-up / interest income	<u>3,397,555</u>	<u>3,275,914</u>	<u>10,618,453</u>	<u>9,955,474</u>
Provision against non-performing loans and advances - net	11.2 183,783	362,386	964,776	1,679,888
Provision / (reversal of provision) for consumer and small enterprise loans - general	11.3 938	(4,417)	(3,022)	30,951
Provision for diminution in value of investments - net	10.7 70,222	95,882	328,936	300,083
Recoveries against written-off debts - net	(24,656)	(15,265)	(76,534)	(100,391)
	<u>230,287</u>	<u>438,586</u>	<u>1,214,156</u>	<u>1,910,531</u>
Net mark-up / interest income after provisions	<u>3,167,268</u>	<u>2,837,328</u>	<u>9,404,297</u>	<u>8,044,943</u>
Non mark-up / interest income				
Fee, commission and brokerage income	540,794	468,392	1,743,568	1,600,251
Dividend income	39,393	21,400	244,802	157,567
Income from dealing in foreign currencies	229,881	282,484	701,284	896,947
Gain on sale of securities - net	48,181	24,847	1,716,172	155,472
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	4,954	45,905	(95,153)	8,277
Other income	43,412	128,932	219,972	358,307
Total non mark-up / interest income	<u>906,615</u>	<u>971,960</u>	<u>4,530,645</u>	<u>3,176,821</u>
	<u>4,073,883</u>	<u>3,809,288</u>	<u>13,934,942</u>	<u>11,221,764</u>
Non mark-up / interest expenses				
Administrative expenses	2,697,168	2,793,348	8,099,569	9,349,585
Charge / (reversal) of other provisions - net	118,019	(11,772)	105,180	(48,657)
Other charges	33,091	21,148	138,960	45,317
Total non mark-up / interest expenses	<u>2,848,278</u>	<u>2,802,724</u>	<u>8,343,709</u>	<u>9,346,245</u>
	<u>1,225,605</u>	<u>1,006,564</u>	<u>5,591,233</u>	<u>1,875,519</u>
Share of loss of associate	(2,858)	(2,146)	(5,385)	(2,082)
Extraordinary / unusual items	-	-	-	-
Profit before taxation	<u>1,222,747</u>	<u>1,004,418</u>	<u>5,585,848</u>	<u>1,873,437</u>
Taxation - Current	550,176	354,442	2,294,050	967,939
Taxation - Prior years	-	-	264,797	(142,629)
Taxation - Deferred	(121,839)	(26,271)	(335,309)	(367,661)
	<u>428,337</u>	<u>328,171</u>	<u>2,223,538</u>	<u>457,649</u>
Profit after taxation	<u>794,410</u>	<u>676,247</u>	<u>3,362,310</u>	<u>1,415,788</u>
----- Rupees -----				
Basic earnings per share	17 0.66	0.56	2.80	1.18

The annexed notes 1 to 23 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 NINE MONTHS ENDED SEPTEMBER 30, 2015

	For the quarter ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
— Rupees '000 —				
Profit after taxation for the period	794,410	676,247	3,362,310	1,415,788
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
- Deferred tax liability on remeasurements of defined benefit plan	-	-	-	(28,845)
	-	-	-	53,569
Comprehensive income transferred to equity	794,410	676,247	3,362,310	1,469,357
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	1,074,700	(416,580)	175,819	(349,969)
- Deferred tax asset / (liability) on change in value of available for sale securities - net	(376,143)	69,888	(87,583)	55,205
	698,557	(346,692)	88,236	(294,764)
Total comprehensive income	<u>1,492,967</u>	<u>329,555</u>	<u>3,450,546</u>	<u>1,174,593</u>

The annexed notes 1 to 23 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 NINE MONTHS ENDED SEPTEMBER 30, 2015

Particulars	Share capital	Reserves					Statutory reserve	Sub Total	Unappropriated profit	Total
		Capital				Reserve arising on amalgamation				
		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 September 30, 2014	-	-	-	-	-	-	-	1,415,788	1,415,788	
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 nine months ended September 30, 2014 transferred to equity								1,469,357	1,469,357	
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(93,650)	-	-	(93,650)	-	(93,650)	
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	59,405	59,405	
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 September 30, 2014	10,432,697	-	10,131	1,162,691	23,952	4,042,206	5,238,980	5,129,590	20,801,267	
Total comprehensive income for the period										
Profit after taxation for the period from October 01, 2014 to December 31, 2014	-	-	-	-	-	-	-	1,061,171	1,061,171	
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 period October 01, 2014 to December 31 2014 transferred to equity								1,034,555	1,034,555	
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(31,217)	-	-	(31,217)	-	(31,217)	
Transfer to statutory reserve	-	-	-	-	495,392	495,392	(495,392)	-	-	
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	27,613	27,613	
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 September 30, 2015	-	-	-	-	-	-	-	3,362,310	3,362,310	
Other comprehensive income for the period										
- Remeasurements of defined benefit plan	-	-	-	-	-	-	-	-	-	
- Tax on remeasurements of defined benefit plan	-	-	-	-	-	-	-	-	-	
Total comprehensive income for the nine months ended September 30, 2015 transferred to equity								3,362,310	3,362,310	
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 18)	-	-	-	(93,650)	-	-	(93,650)	-	(93,650)	
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	40,623	40,623	
Balance as at September 30, 2015	11,997,601	-	10,131	1,037,824	23,952	4,537,598	5,609,505	7,534,395	25,141,501	

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
-----Rupees '000-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,585,848	1,873,437
Less: dividend income	<u>(244,802)</u>	<u>(157,567)</u>
	5,341,046	1,715,870
Adjustments for non-cash and other items:		
Depreciation	450,716	534,283
Amortisation	163,677	133,679
Workers' Welfare Fund	134,331	55,025
Provision against non-performing loans and advances - net	964,776	1,679,888
(Reversal) / provision for consumer and small enterprise loans - general	(3,022)	30,951
Provision for diminution in value of investments - net	328,936	300,083
Charge / (reversal) of other provisions - net	105,180	(48,657)
Unrealised loss on revaluation of investments classified as held for trading	95,153	(8,277)
Net profit on disposal of property and equipment	(8,050)	(14,134)
Net gain on disposal of non-banking assets	(103,798)	(82,376)
Charge for defined benefit plan	75,611	74,076
Amortisation of prepaid employee benefits	68,920	101,961
Recoveries against written-off debts	(76,534)	(100,391)
Share of loss / (profit) of associate	5,385	2,082
	<u>2,201,281</u>	<u>2,658,193</u>
	7,542,327	4,374,063
(Increase) / decrease in operating assets		
Lendings to financial institutions	(5,128,063)	(6,460,789)
Held for trading securities	18,358,892	2,233,548
Advances	624,257	6,810,001
Other assets	<u>403,636</u>	<u>(540,849)</u>
	14,258,722	2,041,911
Increase in operating liabilities		
Bills payable	(9,222)	592,341
Borrowings	34,164,609	(12,972,888)
Deposits and other accounts	5,361,882	(4,049,395)
Other liabilities	<u>(459,430)</u>	<u>874,790</u>
	39,057,839	(15,555,152)
	60,858,888	(9,139,178)
Income tax paid	<u>(914,673)</u>	<u>(1,004,711)</u>
Net cash generated from operating activities	59,944,215	(10,143,889)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(61,441,301)	21,269,217
Net investment in held to maturity securities	(459,355)	(19,364,076)
Dividend income received	216,056	140,190
Investment in operating fixed assets	(669,461)	(501,784)
Proceeds realised on disposal of operating fixed assets	10,565	43,109
Proceeds realised on disposal of non-banking assets	<u>177,124</u>	<u>302,188</u>
Net cash used in investing activities	(62,166,372)	1,888,844
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(600)	(250,100)
Dividends paid	<u>(36)</u>	<u>(26)</u>
Net cash used in financing activities	(636)	(250,126)
Increase / (decrease) in cash and cash equivalents	(2,222,793)	(8,505,171)
Cash and cash equivalents at the beginning of the period	20,666,451	28,617,034
Cash and cash equivalents at the end of the period	<u>18,443,658</u>	<u>20,111,863</u>

The annexed notes 1 to 23 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 NINE MONTHS ENDED SEPTEMBER 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 277 branches (2014: 274); including 63 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, Investments 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 21 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(1)/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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

- 3.4** The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, 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 these 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 NINE MONTHS ENDED SEPTEMBER 30, 2015

	Un-audited September 30, 2015	Audited December 31, 2014
----- Rupees'000 -----		
9 BALANCES WITH OTHER BANKS		
In Pakistan		
- Current accounts	347,713	868,011
Outside Pakistan		
- Current accounts	<u>382,323</u>	<u>554,688</u>
	<u><u>730,036</u></u>	<u><u>1,422,699</u></u>

10 INVESTMENTS

10.1 Investments by type

Note	Un-audited September 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						
	6,074,016	-	6,074,016	16,355,610	7,918,016	24,273,626
	1,883,334	-	1,883,334	2,467,424	318,224	2,785,648
	<u>1,009,425</u>	<u>-</u>	<u>1,009,425</u>	<u>266,393</u>	<u>-</u>	<u>266,393</u>
	8,966,775	-	8,966,775	19,089,427	8,236,240	27,325,667
Available for sale securities						
	47,495,818	40,927,477	88,423,295	33,390,917	11,054,584	44,445,501
	22,821,000	26,686,727	51,507,727	15,333,043	19,890,625	35,223,668
	17,574,001	-	17,574,001	17,579,035	-	17,579,035
	12,480	-	12,480	12,480	-	12,480
	67,544	-	67,544	57,919	-	57,919
	280,606	-	280,606	155,412	-	155,412
	95,848	-	95,848	85,000	-	85,000
	479,206	-	479,206	549,000	-	549,000
	75,947	-	75,947	15,491	-	15,491
	34,000	-	34,000	39,000	-	39,000
	3,882,911	-	3,882,911	2,752,299	-	2,752,299
	122,490	-	122,490	197,490	-	197,490
	929,841	-	929,841	932,300	-	932,300
	93,871,692	69,614,204	163,485,896	71,099,386	30,945,209	102,044,595
Held to maturity securities						
	19,726,629	-	19,726,629	19,606,773	-	19,606,773
	2,559,780	-	2,559,780	2,798,791	-	2,798,791
	4,578,248	-	4,578,248	3,999,738	-	3,999,738
	26,864,657	-	26,864,657	26,405,302	-	26,405,302
Associate *						
	69,699	-	69,699	75,084	-	75,084
	<u>129,772,823</u>	<u>69,614,204</u>	<u>199,387,027</u>	<u>116,669,199</u>	<u>39,181,449</u>	<u>155,850,648</u>
	(3,157,148)	-	(3,157,148)	(2,828,212)	-	(2,828,212)
	<u>126,615,675</u>	<u>69,614,204</u>	<u>196,229,879</u>	<u>113,840,987</u>	<u>39,181,449</u>	<u>153,022,436</u>
	(78,570)	-	(78,570)	11,110	5,474	16,584
	760,222	1,587,090	2,347,312	1,084,848	1,086,645	2,171,493
	<u>127,297,327</u>	<u>71,201,294</u>	<u>198,498,621</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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2015 would have been higher by Rs 50 million (September 30, 2014: Rs 50 million) and the profit before taxation for the period ended September 30, 2015 would have been lower by Rs 50 million (September 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 September 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 September 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 September 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	(5,385)	(745)
Closing Balance	69,699	75,084
Cost of Investment	45,000	45,000
 10.6.2 Particulars of the assets and liabilities of the associate		
Assets	240,710	279,063
Liabilities	31,829	28,783
Revenue	87,089	114,775
Loss	(17,950)	(2,483)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	Note	Un-audited September 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		369,976	549,145
Reversals during the period / year		(41,040)	(151,762)
		328,936	397,383
Closing balance		3,157,148	2,828,212
11 ADVANCES			
Loans, cash credits, running finances, etc. – in Pakistan	11.2.1	188,276,492	188,265,398
Net investment in finance lease – in Pakistan		11,121,045	11,047,764
		199,397,537	199,313,162
Bills discounted and purchased (excluding government treasury bills)			
- Payable in Pakistan		3,712,661	4,136,469
- Payable outside Pakistan		924,904	1,130,241
		4,637,565	5,266,710
Margin financing / reverse repo transactions		88,200	96,200
Gross advances		204,123,302	204,676,072
Provision against non-performing advances	11.1 & 11.2	(23,971,472)	(23,011,743)
Provision against consumer and small enterprise loans - general	11.3 & 11.3.1	(436,502)	(439,524)
		(24,407,974)	(23,451,267)
Advances - net of provision		179,715,328	181,224,805
11.1 Advances includes Rs. 30,383 million (2014: Rs. 29,293 million) which have been placed under non-performing status as detailed below:			

September 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	637,678	-	637,678	698	-	698	698	-	698
Substandard		2,469,314	-	2,469,314	409,220	-	409,220	409,220	-	409,220
Doubtful		2,363,045	-	2,363,045	714,106	-	714,106	714,106	-	714,106
Loss		24,913,343	-	24,913,343	22,847,448	-	22,847,448	22,847,448	-	22,847,448
		30,383,380	-	30,383,380	23,971,472	-	23,971,472	23,971,472	-	23,971,472

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

	Un-audited September 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	1,737,286	2,900,885
- Reversals during the period / year	(772,510)	(845,065)
	964,776	2,055,820
Recognised in equity		
- Provision against non-performing loans and advances adjusted against NCR	-	1,221,567
Net charge	964,776	3,277,387
Amounts written off	(5,047)	(12,161)
Closing balance	23,971,472	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 2,078.813 (net of FSV benefit) million as at September 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 90% and 100% of the required provision as at 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 1,870.931 million (net of FSV benefit and including impairment loss of Rs 206.733 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 207.881 million and the provision against advances and investments would have been higher by Rs 35 million and Rs 172.881 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 2,435.275 million (December 31, 2014: Rs 2,771.857 million) relating to advances and Rs 4.326 million (December 31, 2014: Rs 28.324 million) relating to investments while determining the provisioning requirement against non-performing financing as at September 30, 2015. The additional profit arising from availing the FSV benefit - net of tax as at September 30, 2015 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs 1,585.741 million (December 31, 2014: Rs 1,820.118 million).

	Un-audited September 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	(3,022)	33,159
Closing balance	436,502	439,524

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 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.

	Un-audited September 30, 2015	Audited December 31, 2014
----- Rupees '000 -----		
12 OPERATING FIXED ASSETS		
12.1 Capital work-in-progress	617,934	145,908
Tangible fixed assets	8,842,840	9,108,566
Intangible assets	<u>1,991,061</u>	<u>2,288,882</u>
	<u>11,451,835</u>	<u>11,543,356</u>
	Un-audited	
	For the nine months ended	
	September 30,	September 30,
	2015	2014
	----- Rupees '000 -----	
12.2 Additions to operating fixed assets - cost		
Leasehold property and improvements	<u>91,667</u>	<u>120,541</u>
Office furniture, fixtures, equipment and computers	<u>79,003</u>	<u>64,511</u>
Vehicles	<u>16,833</u>	<u>33,406</u>
Capital work-in-progress	<u>472,026</u>	<u>213,519</u>
Additions to Intangibles		
Software	<u>9,932</u>	<u>70,010</u>
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>62,023</u>	<u>3,295</u>
Vehicles	<u>11,392</u>	<u>12,042</u>
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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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 1,992.428 million (December 31, 2014: Rs 1,913.178 million).

	Un-audited September 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
14 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	90,656,906	95,714,523
Saving deposits	100,170,147	87,507,426
Current accounts – Remunerative	2,043,461	2,572,655
Current accounts – Non-remunerative	84,384,040	85,073,620
Margin accounts	<u>2,010,107</u>	<u>2,067,200</u>
	<u>279,264,661</u>	<u>272,935,424</u>
Financial institutions		
Remunerative deposits	<u>9,060,463</u>	<u>10,167,344</u>
Non-remunerative deposits	<u>382,497</u>	<u>242,971</u>
	<u>9,442,960</u>	<u>10,410,315</u>
	<u>288,707,621</u>	<u>283,345,739</u>

15 CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liability in respect of guarantees favouring:

- Banking companies and other financial institutions

483,368 618,456

Acceptances

- Others

9,096,823 10,719,676

15.2 Transaction-related contingent liabilities

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

- Government

8,370,494 8,098,193

- Banking companies and other financial institutions

13,183 12,765

- Others

2,237,368 1,870,207

10,621,045 9,981,165

15.3 Trade-related contingent liabilities

Letters of credit

- Government

5,126,321 2,292,534

- Others

12,083,888 16,781,954

17,210,209 19,074,488

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	Un-audited September 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
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. The 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 the above case	457,543	457,543
iii) Claims against the Bank not acknowledged as debt	34,814,130	30,404,910

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.

15.5 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.

	Un-audited September 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
15.6 Commitments in respect of forward exchange contracts		
Purchase		
- Customers	1,689,124	2,019,028
- Banks	16,758,959	33,335,629
	18,448,083	35,354,657
Sale		
- Customers	851,454	980,313
- Banks	5,466,918	17,398,632
	6,318,372	18,378,945
15.7 Commitments for the acquisition of operating fixed assets	52,750	118,310
15.8 Commitments in respect of donation	-	8,000

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

	Un-audited September 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
15.9 Commitments in respect of repo transactions		
Repurchase	<u>70,992,225</u>	<u>40,116,082</u>
Resale	<u>3,436,618</u>	<u>305,244</u>

15.10 Others

Interest rate swaps and cross currency swaps (notional principal)	<u>-</u>	<u>67,864</u>
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16 Taxation

- 16.1** 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 (September 30, 2014 : Nil) has been recognised as prior year tax charge.

17 EARNINGS PER SHARE

	----- Un-audited -----			
	For the quarter ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	----- Rupees '000 -----			
Profit after tax for the period	<u>794,410</u>	<u>676,247</u>	<u>3,362,310</u>	<u>1,415,788</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>0.66</u>	<u>0.56</u>	<u>2.80</u>	<u>1.18</u>

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

18 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 September 30, 2015 the Bank has adjusted amortisation of intangible assets amounting to Rs. 93.650 million (net of tax) from the Non-distributable Capital Reserve.

19 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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
September 30, 2015 - Un-audited					
Rupees '000					
Total income	136,227	8,235,470	18,278,690	2,468,558	29,118,945
Total expenses	(77,187)	(5,738,393)	(17,428,821)	(2,512,235)	(25,756,635)
Net income / (loss)	<u>59,040</u>	<u>2,497,077</u>	<u>849,869</u>	<u>(43,676)</u>	<u>3,362,310</u>
Segment assets (Gross)	-	197,085,107	86,103,619	174,726,507	457,915,232
Segment non performing loans	-	-	5,969,468	24,413,912	30,383,380
Segment provision required against loans **	-	-	(3,024,674)	(21,383,300)	(24,407,974)
Segment liabilities	-	(78,081,047)	(296,615,765)	(25,436,137)	(400,132,949)
Segment return on assets (ROA) (%) *	-	<u>1.06%</u>	<u>0.73%</u>	<u>(0.02)%</u>	
Segment cost of funds (%) *	-	<u>5.65%</u>	<u>5.00%</u>	<u>7.46%</u>	
September 30, 2014 - Un-audited					
Total income	61,436	4,304,190	18,482,114	3,880,739	26,728,479
Total expenses	(68,177)	(2,561,180)	(18,296,417)	(4,386,917)	(25,312,691)
Net income / (loss)	<u>(6,741)</u>	<u>1,743,010</u>	<u>185,697</u>	<u>(506,178)</u>	<u>1,415,788</u>
	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)	<u>58,726</u>	<u>2,628,182</u>	<u>253,396</u>	<u>(463,345)</u>	<u>2,476,959</u>
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) (%)	-	<u>2.43%</u>	<u>0.39%</u>	<u>0.25%</u>	
Segment cost of funds (%)	-	<u>5.59%</u>	<u>5.76%</u>	<u>9.07%</u>	

* These percentages have been computed based on average balances.

** Includes general provision

20 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.

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Particulars	September 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	1,073,510	2,046,590	2,643,066	17,790,091
Withdrawals during the period	(1,131,262)	(1,620,309)	(2,643,780)	(17,476,516)
Balance at end of the period	<u>50,054</u>	<u>513,311</u>	<u>4,427</u>	<u>363,683</u>
Advances				
Balance at the beginning of the period	58,293	-	-	4,041,850
Disbursements during the period	20,540	-	-	589,978
Repayments during the period	(9,532)	-	-	(593,011)
Balance at end of the period	<u>69,301</u>	<u>-</u>	<u>-</u>	<u>4,038,817</u>
Shares held by group companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,011,661</u>

* Provision held against advances amounted to Rs. 2,928,059 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	<u>107,806</u>	<u>87,030</u>	<u>5,141</u>	<u>50,108</u>
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	<u>58,293</u>	<u>-</u>	<u>-</u>	<u>4,041,850</u>
Shares held by group companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,966,662</u>

* Provision held against advances amounted to Rs. 2,827,738 million.

Particulars	September 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	-	-	-	605,409
Government securities purchased during the period	450,337	305,674	-	-
Government securities sold during the period	507,611	-	-	3,037,395
Profit paid / accrued	2,108	12,082	219	13,776
Profit return / earned	3,389	-	-	177,113
Remuneration of the key management personnel				
- Salaries and other short-term employee benefits	259,611	-	-	-
- Post-employment benefits	13,103	-	-	-
Contribution to staff retirement benefits	-	167,435	-	-
Guarantees issued favouring related parties or on their behalf *	-	-	-	29,397
Bonus shares issued	-	-	-	1,044,999

* represents outstanding guarantee

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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Particulars	September 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	-	-	-	1,376,728
Shares / units sold during the period	-	-	-	1,285,738
Government securities purchased during the period	928,920	752,702	-	-
Government securities sold during the period	1,163,623	576,651	-	-
Profit paid / accrued	7,144	5,528	318	3,365
Profit return / earned	1,208	-	-	286,357
Remuneration of the key management personnel				
- Salaries and other short-term employee benefits *	502,285	-	-	-
- Post-employment benefits	12,183	-	-	-
Contribution to staff retirement benefits	-	175,771	-	-
Guarantees issued favouring related parties or on their behalf **	-	-	-	29,397
Bonus shares issued	-	-	-	-

* Includes final settlement of Ex-President & CEO

** represents outstanding guarantee

- 20.1** 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.

21 ISLAMIC BANKING BUSINESS

The Bank is operating 63 Islamic banking branches (2014: 58) and 1 Islamic sub-branch (2014: 1). The statement of financial position of these branches as at September 30, 2015 are as follows:

Note	Un-audited September 30, 2015	Audited December 31, 2014
	Rupees '000	
ASSETS		
Cash and balances with treasury banks	2,685,184	2,929,341
Balances with other banks	53,930	158,367
Due from financial institutions	-	-
Investments	21,452,965	20,694,546
Islamic financing and related assets	17,265,427	11,373,893
Operating fixed assets	437,203	204,408
Deferred tax assets	-	19,727
Other assets	943,835	825,349
	42,838,544	36,205,631
LIABILITIES		
Bills payable	619,662	320,765
Due to financial institutions	3,710,000	1,350,000
Deposits and other accounts		
- Current accounts	11,368,177	12,482,760
- Saving accounts	8,431,390	7,781,254
- Term deposits	8,467,460	9,697,708
- Others	48,222	34,876
- Deposits from financial institutions - remunerative	2,937,804	355,698
- Deposits from financial institutions - non-remunerative	5,734	5,797
Due to head office	3,479,005	1,818,327
Deferred tax liabilities	-	-
Other liabilities	683,380	593,652
	39,750,834	34,440,837
	3,087,710	1,764,794
NET ASSETS		
REPRESENTED BY		
Islamic banking fund	1,380,000	880,000
Unappropriated profit	1,544,253	921,429
	2,924,253	1,801,429
Surplus / (deficit) on revaluation of assets - net of tax	163,457	(36,635)
	3,087,710	1,764,794

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

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

	Un-audited	
	For the nine months ended	
	September 30, September 30,	
Note	2015	2014
	----- Rupees '000 -----	
Profit / return earned on financing and investments	2,395,380	2,112,453
Profit / return expensed	1,109,948	993,408
Net spread earned	1,285,432	1,119,045
Provision / (reversal) against non-performing financings	25,676	17,342
Provision against consumer financings	5,700	6,807
Provision / (reversal) for diminution in the value of investments	-	(7,926)
	31,376	16,223
	1,254,056	1,102,822
Other Income		
Fee, commission and brokerage income	91,668	69,970
Income from dealing in foreign currencies	3,614	17,880
Other income	982	948
	96,264	88,798
	1,350,320	1,191,620
Other expenses		
Administrative expenses	727,496	726,345
Other expenses	-	-
	727,496	726,345
	622,824	465,275
Extraordinary items / unusual items	-	-
Profit for the period	622,824	465,275
Unappropriated profit brought forward	921,429	421,350
Unappropriated profit carried forward	1,544,253	886,625
	Un-audited	Audited
	September 30,	December 31,
	2015	2014
	----- Rupees '000 -----	
Remuneration to shariah advisor	2,552	2,844
CHARITY FUND		
Opening balance	337	233
Additions during the period / year	1,337	1,047
Payments / utilization during the period / year	(900)	(943)
Closing balance	774	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 late payment penalties received from customers.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

	Un-audited September 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
(b) Islamic Financing and Related Assets	(c) <u>17,265,427</u>	<u>11,373,893</u>
(c) Islamic Mode of Financing		
Murabaha	1,185,565	1,788,521
Musharakah cum Ijara	6,064	2,752
Diminishing Musharakah	12,396,125	7,637,270
Advance against Murabaha Financing	140,438	227,605
Advance against Murabaha ERF	-	-
Advanced against Diminishing Musharakah	2,128,402	1,198,877
Fixed Assets Ijara Financing (net)	972,365	514,532
Advance against Ijara	<u>436,468</u>	<u>4,336</u>
	<u><u>17,265,427</u></u>	<u><u>11,373,893</u></u>

(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 September 30, 2015	Audited December 31, 2014
	----- Rupees '000 -----	
Government and other securities	21,452,965	20,694,546
Textiles, chemicals, pharmaceuticals, food and allied	1,455,562	2,141,264
Production and transmission of energy	13,338,241	7,130,054
Transportation	1,973,965	1,575,048
Construction / Housing	<u>731,750</u>	<u>731,120</u>
	<u><u>38,952,482</u></u>	<u><u>32,272,032</u></u>

22 GENERAL

22.1 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.

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

23 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 27, 2015 by the Board of Directors of the Bank.

PRESIDENT & CEO

DIRECTOR

DIRECTOR

DIRECTOR



Bank on Ambition

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