

The will to go beyond

Annual Report 2010





The will to go beyond
without the fear of getting lost

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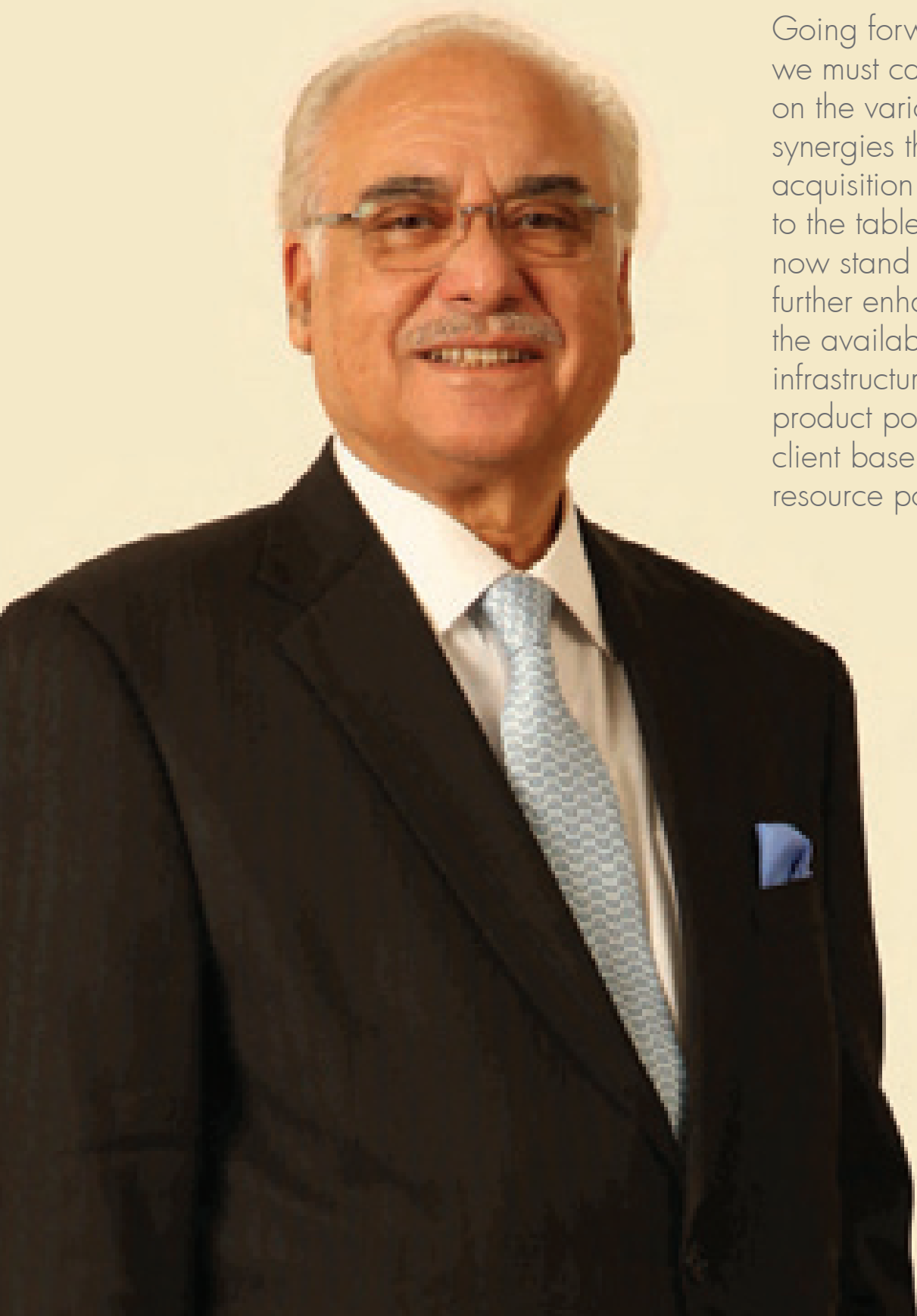
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The Will to Go Beyond

The constant strive for perfection is a never-ending journey. Achieving excellence in all that we do is our vision, and means that we are forever moving forward; always striving to push past our limits. Accomplishment is not an end-result for us; it is an everlasting quest, one that will continue to have us reach for new horizons and surpass new milestones.

Challenges along the way are inevitable; we must overcome them with the integrity and professionalism that are at the very heart of our institution, as we make our way through unfamiliar surroundings. Our foundation is built upon working together in harmony; our endeavours will not hold substance unless we are united in our attempts.

Building upon what we have already achieved is vital for progress, not only as individuals but for the institution as a whole as well. Surpassing the realm of the ordinary, we must seize the opportunities that come our way and couple it with the will to go beyond.



Going forward, we must capitalise on the various synergies that the acquisition brings to the table. We now stand at further enhancing the available infrastructure, product portfolio, client base and resource pool.

Chairman's Message

Assalam o Alaikum

In 2008, we formulated a five year strategy for Faysal Bank, the main objective of which was to grow, and grow profitably. This could be done either organically or by virtue of acquisition. We opted for the latter option, as market values were low; we saw RBS Pakistan as an excellent fit to Faysal Bank's existing businesses, as well as complementing our ambitious growth plans. It was a buyer's market, and we had the ability to acquire RBS Pakistan without placing any burden on our shareholders.

This acquisition has taken Faysal Bank amongst the key players in Pakistan's banking industry - aggressive growth was necessary in order to compete with bigger financial institutions. At a time when organisation size was crucial for sustainable profitability, we completed the merger of RBS Pakistan in a record time of six months - the Share Purchase Agreement was signed on 16th June, 2010, and the merged entity took life at the close of business, 31st December, 2010.

Another part of our five year strategy involved the development of a greater Compliance and Risk Management culture. So far, we are on track in the development of these two integral spheres, through extensive investment in human resources and technology in these fields.

Going forward, we must capitalise on the various synergies that the acquisition brings to the table. We now stand at further enhancing the available infrastructure, product portfolio, client base and resource pool. This is an ideal time to take full advantage of the opportunities available to us to create value in the merged entity. As challenges will continue to come our way in 2011, I have full faith that the future outlook is brighter for all.



Chairman of the Board
Syed Naseem Ahmad

Corporate DNA

Our Vision

Excellence in all that we do.

Threshold Values

Values at the heart of our brand

Integrity:

We are recognised by our reliability, credibility and character. We believe in ethical, honourable, time-proven principles of uprightness. We stand for and abide by honesty, truth and transparency.

Our Integrity: Our Identity.

Respect:

We hold our customers, investors and regulators in high esteem. We uphold our customers' rights to demand efficient service. We appreciate and respect our profession and, above all, our bank.

Our Respect: Our Duty.

Teamwork:

We function as a team. Within functions, we cooperate. Between functions, we collaborate. Together, we aim for excellence and leadership in our chosen markets.

Our Team: Our Asset.

Professionalism:

We are proficient and efficient in all that we do. We provide banking services knowledgeably and skillfully. We uphold regulatory obligations.

Our Professionalism: Our Competence

Our Mission

Achieve leadership in providing financial services in chosen markets through innovation.

Differentiator Values

Values that set our brand apart

Passion

We bring zeal and enthusiasm for banking to work.
We are excited to provide customers with the best or the best-suited.
We go the extra mile in legitimate, acceptable ways.

Our Passion: Our Worth.

Responsiveness

We are receptive to the need for change and improvement.
We are proactive and anticipate our customers' needs and wants.
We act quickly to modify, adjust or prepare for new realities.

Our Responsiveness: Our Distinguisher.

Innovation

We pioneer novel and more efficient ways to deliver solutions.
We are dedicated to a culture of improvement and modernisation.
We stand for originality, in thought, in action and in belief.

Our Innovation: Our Strength.

Compassion

Our concern for our colleagues, our customers, our communities, and our country sets us apart.
To each other, we are a family.
For each other, we are a meaningful source of shared humanity.

Our Compassion: Our Gift.

Milestones

The Acquisition

In June 2010, Faysal Bank Limited (FBL) entered into a share purchase agreement for RBS Pakistan. This marked a new chapter in both FBL and RBS Pakistan's history, which gave FBL an even stronger presence in the country and supported our growth plans. FBL recognized the strength of the customer franchise which RBS had built and with the investment FBL can provide, it shall be better able to realise its full potential.

On October 2010, controlling interests of RBS Pakistan were transferred from the RBS Group to FBL. The two banks seamlessly merged into a combined entity on January 01, 2011, which enabled FBL to offer a wider range of products across all customer segments.

This acquisition has expanded FBL's footprint to over 225 branches, with combined business assets of PKR 250 billion, further strengthening its balance sheet and taking FBL amongst the top ten banks in Pakistan. This acquisition is a significant milestone in FBL's strategy to expand its presence and commitment to Pakistan, while offering a wider range of products across all business segments, with continued focus on improving customer experience. This expansion will result in positioning the bank as one of the key players in the financial sector which is undergoing consolidation. FBL remains committed to all its stakeholders, customers and employees, while continuing to fulfil our corporate responsibilities.

Enhanced Branch Network and Rebranding

Following the merger of RBS with and into Faysal Bank, a complete rebranding exercise was undertaken all across Pakistan to convert RBS branches into Faysal Bank branches. In keeping with a strategy of growth, Faysal Bank's footprint has now expanded to over 225 branches, out of which 13 are solely dedicated Barkat Islamic Banking branches. Throughout the acquisition process, extensive lines of communication were developed for internal and external use, to assuage employee concerns and queries and to keep customers and stakeholders informed about various developments, respectively.

Corporate & Investment Banking

During 2010, the Corporate & Investment Banking Group (CIBG) continued its ongoing commitment to improve the quality of its assets, enhance the contribution of trade and fee based income to augment and diversify the revenue base and to develop client focused solutions to bring about efficiencies in business.

A number of milestone transactions were concluded including the largest ever private debt restructuring in Pakistan where FBL acted as restructuring advisor to a denim manufacturer & its fertilizer subsidiary. The quantum of debt restructured was PKR 43,000 million - including both local & foreign currency exposures with over 70 creditor institutions involved. Other select milestones include:

- FBL jointly arranged a Syndicated Dual Tranche Ship Financing Facility of PKR 10,300 million for acquisition of dry cargo vessels by a large shipping company. This complex and unique transaction was achieved without recourse to sovereign guarantees.
- FBL issued 7 Year Privately Placed, Rated, Unsecured & Subordinated TFC's of PKR 3,000 million to improve its Tier-II capital. The issue was well oversubscribed - a mark of confidence in our institutional strength.
- FBL acted as a Co-Arranger for a PKR 8,000 million Long Term Infra-structure Finance Facility to a subsidiary of one of the largest companies in the Ports & Logistics sector globally.
- FBL acted as Exclusive Advisor & Arranger to a PKR 1,150 million Privately Placed Rated TFC issue for a leading school chain for the acquisition of two power projects of PKR 365 MW each.
- FBL acted as a Lead Advisor and Arranger for the country's only integrated Power Company to arrange PKR equivalent of USD 25 million Syndicated Term Facility to complete the commercial leg of a European ECA facility.
- FBL acted as Joint Lead Advisor & Arranger for a project finance transaction of PKR 1,800 million for commissioning a BoPET manufacturing plant - the first of its kind in Pakistan.

For Commercial Banking (CB), 2010 was a year with challenging conditions with many medium sized businesses gradually coming out of the commodity/energy crisis and general economic slowdown. FBL took a strategic decision to shift the Small Enterprises Asset Portfolio to Retail Banking. This allowed CB to prioritize services to the medium sized clientele and allowed Retail Banking to service small sized customers through their strong geographic network and further explore their associated deposit potential. Staying true to the bank's vision of innovation, Cash Management (CM) developed a new web-based payment solution enabling straight-through processing for corporate clients. This solution was developed taking into account the diverse payment patterns of clients across different industries. The product initiatives will be carried forward to 2011 where new features shall be added on to the platform creating a one-stop solution for our customers.

Information Technology (IT)

With the goal of executing seamless integration, Information Technology (IT) department had the most critical role in the merger. IT successfully completed all the merger related activities smoothly and within time, which resulted in a complete merger in the record time of 3 months only. IT also successfully harnessed 29 branch networks which helped reduce branch downtime resulting in improved service quality. IT also managed to reduce Operating Cost of the merged entity's IT services by 9.00% on an annual basis.

Solitaire Wealth Management

Communications helped in the launch of Priority Banking, under the brand name of Solitaire Wealth Management. Solitaire was designed to be seen as an extension of the Faysal Bank brand, with an emphasis on Faysal Bank heritage.

Commitment to Domestic Cricket

Faysal Bank entered a 3 year contract with the Pakistan Cricket Board, becoming the official sponsors of domestic cricket in Pakistan. This union marks a critical role in the continued promotion and support of domestic cricket. Faysal Bank's sponsorship kicked off with the Faysal Bank T-20 Cup, which drew in record viewership. The Quaid-e-Azam Trophy and the Faysal Bank One-Day Cup also successfully concluded, with many more tournaments lined up in the future.

Corporate Social Responsibility

Faysal Bank, being a socially responsible corporate entity, has been a regular contributor to the society and communities within which it operates.

The Board of Directors have pledged PKR 50 million for the relief and rehabilitation of flood victims. Furthermore, a Flood Relief Fund was set up by employees, where Faysal Bank matched all employee contributions. A country-wide exercise was conducted on 14th August, 2010, where employees visited the SOS Children's Villages in Karachi, Lahore and Islamabad, and the Children's Cancer Ward at Jinnah Hospital, Karachi. Faysal Bank donated various electronic appliances as per the need of these institutions.

Launch of the Intranet Portal

The official Faysal Bank intranet portal, for internal use by employees, was launched. This portal will provide easy access to news, information, policies & procedures, as well as other useful tools. Available to all employees across the country, it has improved employee communication, engagement and accessibility.

Awards

The Annual Report 2009 received great acclaim and recognition: Faysal Bank was awarded the 'Runner-Up Position in the Best Corporate Report Awards 2009 in the Banking Sector', organised by the Institute of Chartered Accountants Pakistan (ICAP) and the Institute of Cost and Management Accountants Pakistan.

Faysal Bank also secured the 'Second Runner Up Award' in South Asian Federation of Accountants (SAFA) Best Presented Accounts Awards 2009 in the category of 'Banking Sector Subject to Prudential Regulations'.



The will to go beyond
no matter how far it seems

Corporate Information

Board of Directors

Shahid Ahmad
Director

Lt. Gen. Muhammad Maqbool (Retd)
Director

Graham Roderick Walker
Director

Syed Naseem Ahmad
Chairman



Naved A. Khan
President & CEO

Farooq Rahmatullah
Director

Mohamed A.R. Hussain
Director

Hassan Mohammed Mahmood Hassan
Director



Board of Directors Committees

Audit Committee (AC)

Graham Roderick Walker
Chairman

Shahid Ahmad
Member

Hassan Mohammed Mahmood Hassan
Member

Terms of Reference

Formed in compliance with the code Corporate Governance, the Audit Committee (AC) aims to enhance the Internal Control environment in Faysal Bank. The AC recommends to Directors the appointment of external auditors and considers questions of resignation or removal of external auditors, audit fees and other services and similar initiatives.

Recruitment Nomination and Remuneration Committee (RNRC)

Syed Naseem Ahmad
Chairman

Farooq Rahmatullah
Member

Naved A. Khan
Member

Shahid Ahmad
Member

Hassan Mohammed Mahmood Hassan
Member

Terms of Reference

Formed in compliance with the code Corporate Governance to ensure that the HR policies are in line with market dynamics and the business objectives of the bank. RNRC reviews HR policies and approves the same. RNRC meets atleast 2 times in a year for discussing HR related issues and policies.

Board Risk Management Committee (BRMC)

Mohamed A.R.Hussain
Chairman

Naved A. Khan
Member

Syed Naseem Ahmad
Member

Shahid Ahmad
Member

Terms of Reference

The Board Risk Management Committee (BRMC) assists the Board of Directors in fulfilling its responsibilities in relation to statutory, fiduciary and regulatory responsibilities. BRMC performs the duties required by the State Bank of Pakistan such as monitoring the Bank's performance and overall risk portfolio, risk limits in respect of credit, approving policies and procedures, credit reporting, assessment of regulatory compliance and any other matters that are specifically delegated to the BRMC by the board.

Board Meeting Attendance

Attended by / Meeting Date	25/01/10	23/02/10	28/04/10	24/08/10	15/10/10	28/10/10
Attended by						
Syed Naseem Ahmad	Leave of Absence	✓	✓	✓	✓	✓
Naved A. Khan	✓	✓	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	✓	✓	✓	✓
Graham R. Walker	✓	✓	✓	✓	✓	✓
Mohammed A. Rahman Bucheerei	✓	✓	✓	Resigned w.e.f 21/6/10	-	-
Mohamed A. R. Hussain	✓	✓	✓	✓	✓	✓
Shahid Ahmad	✓	Leave of Absence	✓	✓	✓	✓
Tariq Iqbal Khan	✓	Leave of Absence	Leave of Absence	Resigned w.e.f 30/6/10	-	-
Hassan Mohammed Mahmood Hassan	-	-	-	✓ Co-opted w.e.f 18/8/10	✓	✓

Management Team

NAVED A. KHAN
President & CEO

Naved A. Khan has over twenty-three years of work experience with twenty years of broad-based and varied Corporate and Investment banking experience. Before joining Faysal Bank, Naved Khan was associated with ABN AMRO Bank, Pakistan as Chief Executive Officer with the primary responsibility of strategic management of the Bank's local franchise and its key businesses. He has also been associated in senior management positions with Bank of America, Pakistan. Naved Khan has international work experience with General Electric / RCA in USA in the company's Pacific Rim operations and holds an MBA from Butler University, School of Business, Indianapolis, USA. He is currently Chairman of ECH Task Force - State Bank of Pakistan, Board Member of Rotary Club of Karachi Metropolitan, Board Member on Export Processing Zones Authority, Board Member at the Virtual University of Pakistan, Chairman Academic Board - IBP, Director Karachi Shipyard and Engineering works and Board Member of Pakistan Stone Developing Company.

SUHAIL KHAN
Chief Risk Officer

Suhail is currently the Chief Risk Officer / Head of Risk Management Group at Faysal Bank Limited. He is responsible for identifying, measuring and managing the overall credit and enterprise-wide risks of the Bank. Prior to joining Faysal Bank Limited, Suhail was responsible for UK institutional Sales as an Executive Director with Fortis Investments. He started his banking career with ABN AMRO Pakistan in 1996 as a Corporate Relationship Manager and then led a team in the Credit Portfolio Management function of the Bank. In 2002, he moved to ABN AMRO UK where he served as the Global Business Manager for Investment Banking (Energy & Resources sector) and Asset Management franchises. He brings with him over 14 years of diversified experience in financial services, both in local and foreign markets. Suhail is an MBA in Finance from IBA (Karachi) and a Chartered Financial Analyst (CFA).

Front row (left to right): Naved A. Khan, Mehreen Amin, Suhail Khan, Syed Majid Ali
Back row (left to right): Aarij Ali, Bashir Shaikh, Zafar Baig, Salman A. Usmani, Nasir Islam, Ahmed Kamran, Nauman Ansari



NAUMAN ANSARI

Head Corporate & Investment Banking

Nauman Ansari has over 15 years of rich credit, corporate and investment banking experience having been associated with Standard Chartered Bank-Karachi, Bank of America-Karachi, ABN Amro (in Pakistan, Middle East and Asia Pacific regions), Fortis Bank in Middle East and Crescent Commercial Bank in Pakistan. Nauman Ansari holds a Bachelors of Science degree in business studies from USA.

SYED MAJID ALI

Chief Financial Officer

Syed Majid Ali is a Fellow member of the Institute of Chartered Accountants. He has over 18 years of diversified experience, progressively responsible in the accounts and finance disciplines of banking with exposure in IT and HR activities. He has been associated with Emirates Bank International as CFO, KPMG as Partner and Saudi Pak Commercial Bank as CFO.

AARIJ ALI

Head Retail Banking

Aarij Ali has over 25 years of banking experience in various capacities within Retail, Consumer, Corporate and Operations areas. He has also handled business support projects related to HRD, Technology and Strategy Development. He holds an MBA Degree from IBA, Karachi. Prior to joining Faysal Bank, Aarij has been associated with ANZ Grindlays, MCB Bank and Saudi Pak Commercial Bank.

NASIR ISLAM

Head Compliance

Nasir Islam is a qualified Chartered Accountant with over 18 years of multifaceted experience. His first assignment was as Manager Finance in ANZ Grindlays in Karachi from where he was posted at the ANZ HO in Melbourne, Australia as Manager Commercial Banking System (CBS) Project. He returned to Pakistan in 2000 as Manager Audit and joined ABN Amro Bank as Audit Manager, and in 2004, he was appointed as Country Head of Compliance.

SALMAN AHMED USMANI

Head Treasury

Salman Ahmed Usmani has extensive experience of over 22 years in both the multinational and local banking sector with expertise in Treasury and Risk Management, Asset and Liability Management, Strategic Planning, Corporate Restructuring, Strategic Negotiations, Acquisitions and Strategic Alliances and International Operations. Prior to joining Faysal Bank Limited, he was associated with MCB Bank Limited as Global Treasurer and Head Investment Banking Group. His past experience has been with organizations like ANZ Grindlays, American Express, Bank of America, Mashreq Bank, and United Bank Limited.

BASHIR A. SHAIKH

Head Special Asset Management

Bashir Ahmed Sheikh possesses over 39 years of core banking experience. He has handled Regional Head Punjab positions at both Faysal Bank and at Al Faysal Investment Bank Limited. He is a seasoned banker and started his career at United Bank Ltd. Has held senior positions at BCCI (Overseas) Limited, Indus Bank Limited and Askari Commercial Bank Limited. He has a Graduate Degree (Economic and Political Science) from University of Punjab, Lahore and has attended Executive Development Program at Johnson Graduate School of Management at Cornell University NY, USA.

AHMED KAMRAN

Head Services

Ahmed Kamran possesses over 30 years of multifaceted experience. He has held various senior positions during his career at Faysal Bank, Al Faysal Investment Bank, Faisal Islamic Bank of Bahrain, Electronic Information & Energy Systems Limited, Duty Free Shops Limited and National Bank of Pakistan. Ahmed Kamran has a Masters in International Relations from Karachi University and has attended Advanced Management Course at McGill University held at KL, Malaysia. He has also attended Advanced Management & International Marketing Course at INSEAD, France.

MEHREEN AMIN

Head Human Resources

Mehreen Amin possesses over 26 years of work experience, in the areas of IT and HR. She has been professionally associated in senior positions with leading multinationals i.e. G. D. Searle, U.K., Shell Pakistan and Reckitt Benckiser where she was the HR Regional Director - for the Africa Middle East region. In her last assignment at ABN AMRO/RBS Pakistan Limited she was Head of Human Resources. She is a Member of the Board of Governors of Pakistan Society for Training & Development.

ZAFAR BAIG

Head Strategic Development

Zafar Baig is the Head of Strategic Development and Planning for Faysal Bank. He has been associated with ABN AMRO / RBS since 1996 holding a CFO position and has diversified experience in activities across all Finance functions including Asset & Liability Management, Taxation and Management Information with exposure in business planning, M&A and Integration activities. Prior to joining the bank in 1996, he was associated with HSBC Pakistan. He brings with him over 15 years of experience in banking industry.

Senior Management and Internal Committees

Senior Management	Management Committee	Asset & Liability Committee	Compliance Committee
Naved A. Khan President & CEO	Naved A. Khan Chairman	Naved A. Khan Chairman	Naved A. Khan Chairman
Nauman Ansari Head Corporate & Investment Banking	Syed Majid Ali Member & Secretary	Salman A. Usmani Member & Secretary	Nasir Islam Member & Secretary
Aarij Ali Head Retail Banking	Nauman Ansari Member	Nauman Ansari Member	Ahmed Kamran Member
Salman A. Usmani Head Treasury	Aarij Ali Member	Aarij Ali Member	Suhail Khan Member
Bashir Shaikh Head Special Asset Management	Salman A. Usmani Member	Syed Majid Ali Member	Syed Majid Ali Member
Ahmed Kamran Head Services	Bashir Shaikh Member	Zafar Baig Member	Shahid Salim Member
Suhail Khan Chief Risk Officer	Ahmed Kamran Member	Asad Kerai Member	
Syed Majid Ali Chief Financial Officer	Suhail Khan Member	Suhail Khan Member	
Mehreen Amin Head Human Resources	Mehreen Amin Member		
Nasir Islam Head Compliance	Nasir Islam Member		
Zafar Baig Head Strategic Development	Zafar Baig Member		
Fouad Farrukh Head Islamic Banking			
Mian Ejaz Ahmed Company Secretary & Head Legal			
Shahid Salim Head Internal Audit			

IT Steering Committee

Naved A. Khan
Chairman

Muhammad Afzal
Member & Secretary

Suhail Khan
Member

Ahmed Kamran
Member

Nasir Islam
Member

Syed Majid Ali
Member

Aarij Ali
Member

Nauman Ansari
Member

Investment Committee

Naved A. Khan
Chairman

Enamullah Khan
Member & Secretary

Syed Majid Ali
Member

Nauman Ansari
Member

Suhail Khan
Member

Salman A. Usmani
Member

Asad Kerai
Member

Enterprise Risk Management Committee

Naved A. Khan
Chairman

Asad Kerai
Member & Secretary

Suhail Khan
Member

Ahmed Kamran
Member

Nasir Islam
Member

Aarij Ali
Member

Syed Majid Ali
Member

Nauman Ansari
Member

Salman Usmani
Member

Country Credit Committee

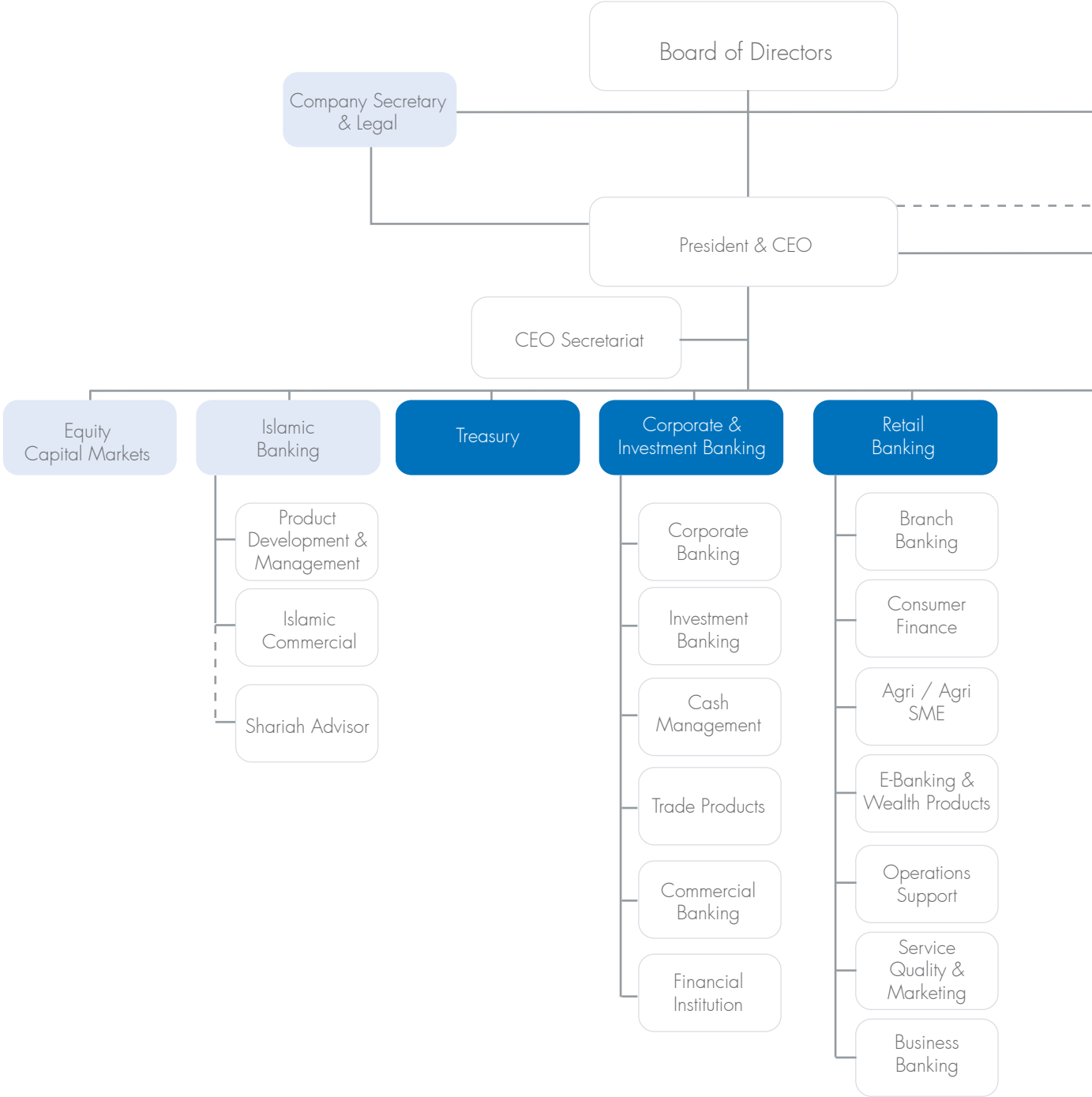
Naved A. Khan
Chairman

Suhail Khan
Member & Secretary

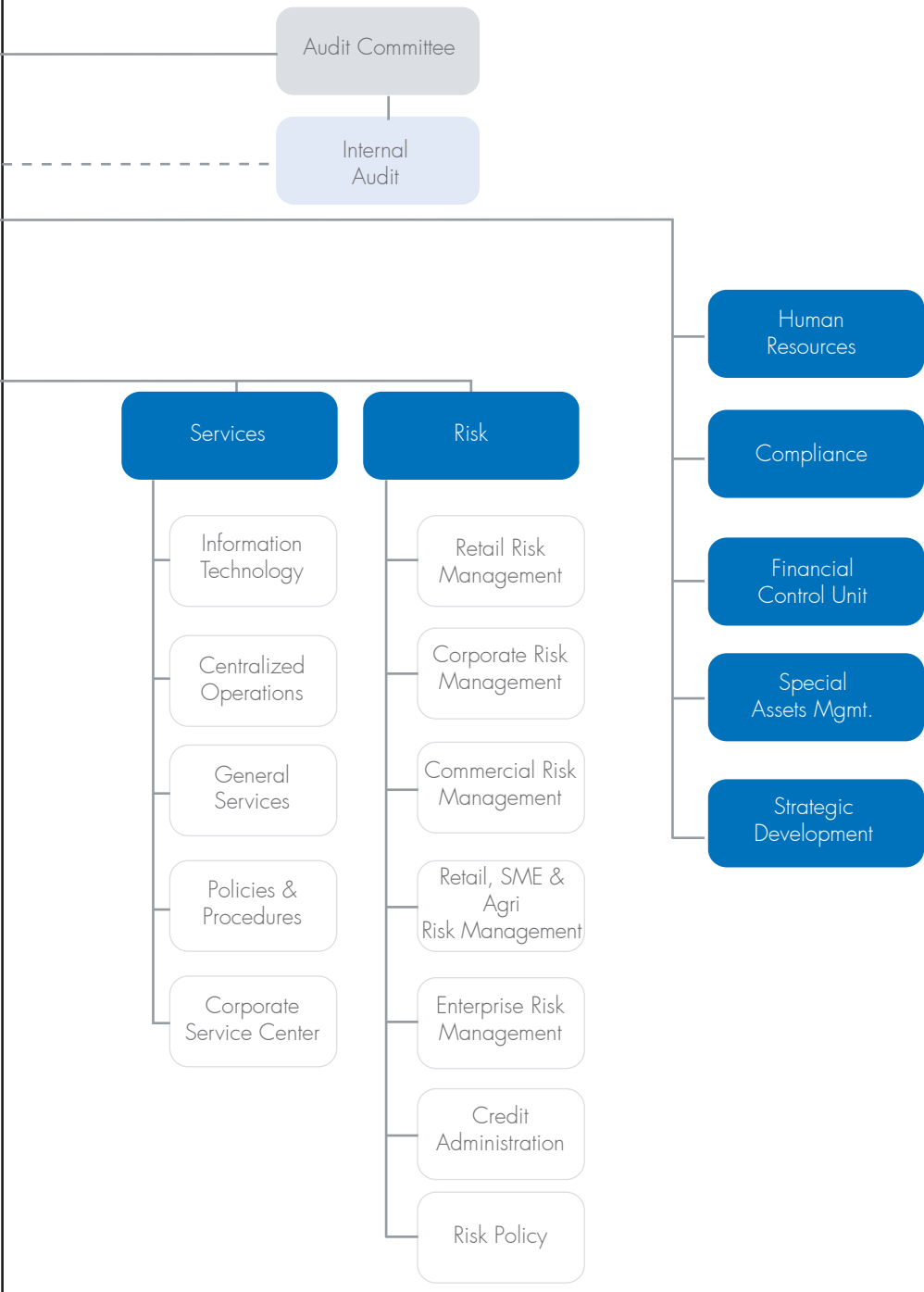
Nauman Ansari
Member

Aarij Ali
Member

Organizational Structure



‡Blue positions are County MT positions





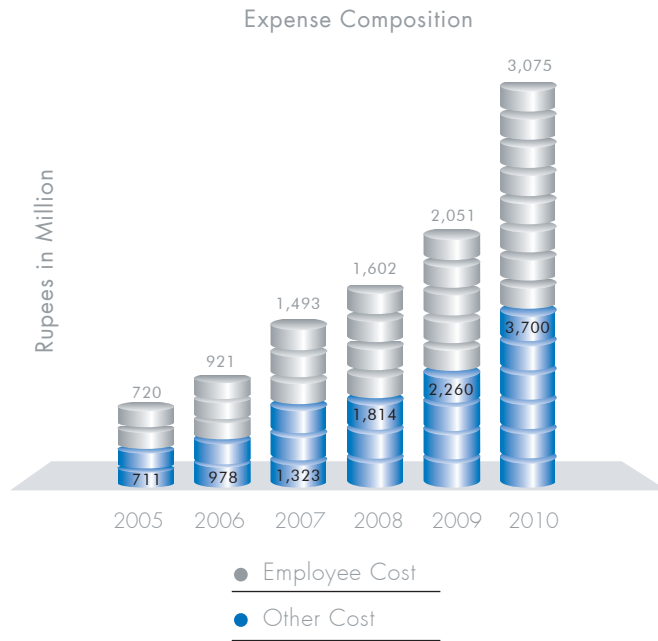
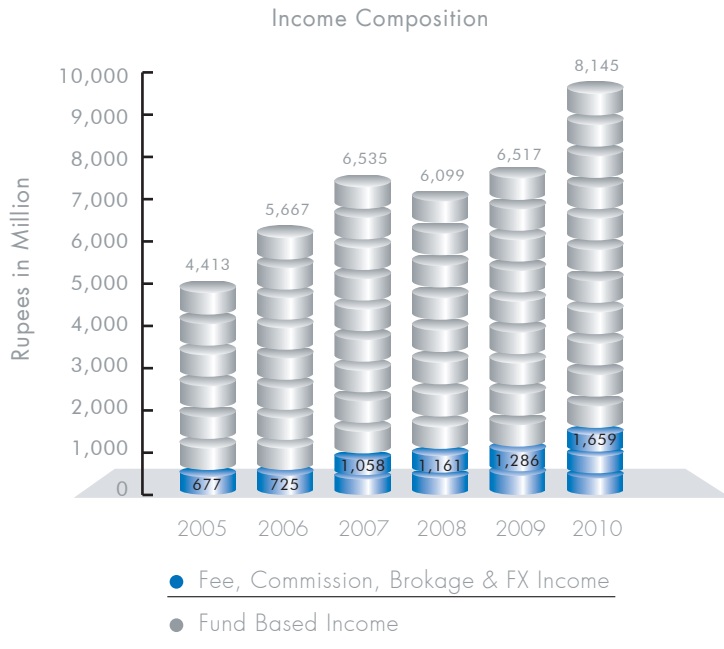
The will to go beyond
to explore new horizons

Six Years Financial Summary

(Rupees in millions)

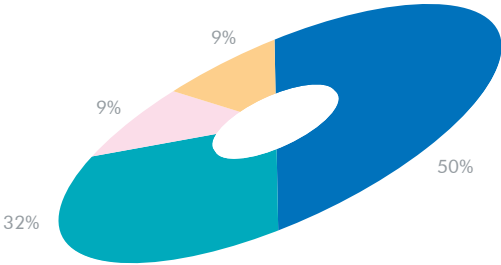
	2010	2009	2008	2007	2006	2005	
OPERATIONAL RESULTS							
Mark-up / return / interest earned	19,710	16,958	13,404	11,611	9,728	6,338	
Mark-up / return / interest expensed	13,919	11,968	8,455	7,459	6,089	3,312	
Fee, commission, brokerage & FX Income	1,659	1,286	1,161	1,058	725	677	
Dividend and Capital gains	1,675	1,493	1,073	2,337	1,580	1,385	
Total income	9,804	7,803	7,260	7,593	6,391	5,090	
Provisions / Write-off	2,202	2,192	2,047	2,079	622	(310)	
Operating expenses	6,775	4,311	3,416	2,816	1,899	1,431	
Operating profit/(loss) before tax and provision	3,029	3,492	3,844	4,777	4,492	3,659	
Profit/(loss) before taxation	827	1,301	1,797	2,698	3,870	3,969	
Profit/(loss) after taxation	1,190	1,200	1,115	2,272	2,817	3,069	
Dividends	%	-	-	25	50	35	
Bonus shares	%	20	-	15	-	30	
BALANCE SHEET							
Shareholders' equity	16,643	11,336	10,136	10,345	9,132	8,112	
Revaluation Reserves	(125)	1,447	636	5,811	4,664	6,148	
Deposits	195,315	123,665	102,777	102,067	74,414	74,737	
Borrowings from financial institutions	34,636	34,986	13,027	9,996	14,965	15,296	
Advances - net of provision	133,707	91,346	83,512	87,346	74,469	62,324	
Investments - net of provision	86,419	56,531	36,153	31,553	22,525	24,412	
Total assets	267,321	180,865	138,241	141,277	115,470	110,281	
OTHERS							
Imports	73,116	66,400	38,089	68,171	70,323	43,836	
Exports	44,646	36,173	50,395	52,110	33,815	23,384	
FINANCIAL RATIOS							
Capital Adequacy ratio	%	9.95	11.93	10.84	10.27	11.42	13.60
Profit before tax ratio	%	4.20	7.67	13.41	23.24	39.78	62.62
Gross spread ratio	%	29.38	29.43	36.92	35.75	37.40	47.75
(Net mark-up income / gross mark-up income)							
Income / Expense ratio	Times	1.45	1.81	2.13	2.70	3.37	3.56
Return on Capital Employed	%	2.76	9.00	10.57	11.34	20.43	20.26
Return on Average Equity (ROE)	%	8.51	11.18	10.89	23.33	32.67	42.74
Return on Average Assets (ROA)	%	0.53	0.75	0.80	1.77	2.50	3.25
Weighted Average Cost of Deposit	%	6.70	8.23	7.03	7.00	6.30	4.07
Current Ratio	Times	0.47	0.51	0.54	0.65	0.64	0.65
Advances / Deposit Ratio (Average)	%	70.55	77.22	83.41	91.69	91.71	86.03
Total assets turnover ratio / Fixed assets turnover ratio	Times	30.63	64.87	52.23	56.17	51.57	63.89
(Total assets / Fixed assets)							
Price Earning ratio	%	9.56	10.69	7.55	21.22	15.70	17.64
Earning per share (EPS)	Rs.	1.63	1.64	1.53	3.11	3.85	4.20
Net Assets per share	Rs.	22.60	20.99	20.34	30.50	32.56	38.70
Market value per share	Rs.	15.59	17.53	11.51	65.95	60.50	74.10
Market value per share - high	Rs.	20.90	18.75	66.70	80.25	93.20	76.35
Market value per share - low	Rs.	12.97	7.94	11.51	60.00	54.15	39.90
Earning Asset to Total Asset Ratio	%	84.43	90.70	89.51	91.49	89.28	91.32
Dividend Yield Ratio (Cash Dividend)	%	-	-	-	3.79	8.26	4.72
Dividend pay out ratio (Cash Dividend)	%	-	-	-	58.27	75.19	42.01
Book value per share - excluding surplus/ (deficit) on revaluation	Rs.	22.77	18.61	19.14	19.53	21.55	22.02
Book value per share - including surplus/ (deficit) on revaluation	Rs.	22.60	20.99	20.34	30.51	32.56	38.70
Number of employees		3,582	2,042	1,929	1,759	1,463	1,068
Number of branches		226	133	129	105	75	56
CASHFLOWS							
Operating activities	8,882	17,862	1,882	7,262	12	10,471	
Investing activities	2,050	(18,438)	(2,669)	(5,505)	2,908	(9,085)	
Financing activities	3,004	(5)	(1,326)	(818)	(1,791)	(1,201)	
MATURITY PROFILE							
Net assets maturity wise:							
Upto one month	(77,873)	(71,637)	(41,840)	(30,936)	(30,385)	(41,188)	
Over one month to three months	17,346	(10,549)	10,431	2,301	4,490	8,828	
Over three months to six months	8,387	29,493	3,048	6,981	4,499	1,937	
Over six months to one year	(5,960)	9,557	803	2,443	5,762	12,813	
Over one year to two years	18,886	12,839	12,407	17,083	7,538	7,428	
Over two years to three years	5,727	10,746	7,316	5,235	10,747	11,961	
Over three years to five years	22,848	12,931	5,316	5,370	2,766	9,605	
Over five years to ten years	17,006	14,923	6,596	3,970	3,898	2,361	
Over ten years	10,149	4,480	6,695	3,710	4,482	515	
Total net assets	16,516	12,783	10,772	16,157	13,797	14,260	

Income and Expense Compositions



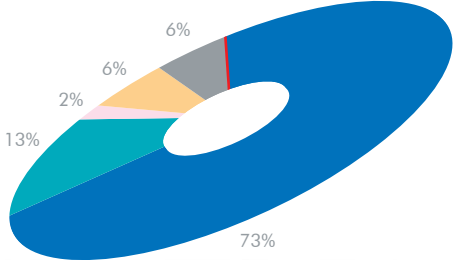
Statement of Financial Position Composition

Assets



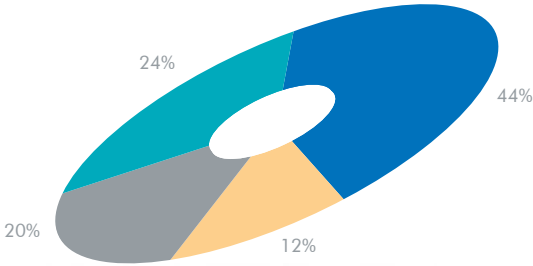
- Advances
- Investments
- Cash and Bank Balances
- Other Assets

Liabilities & Equity



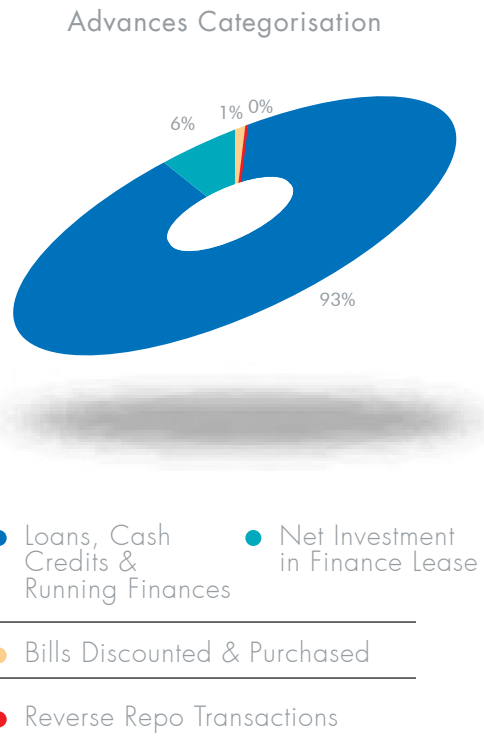
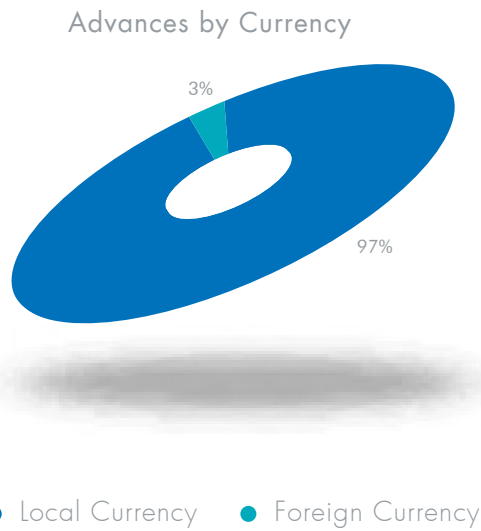
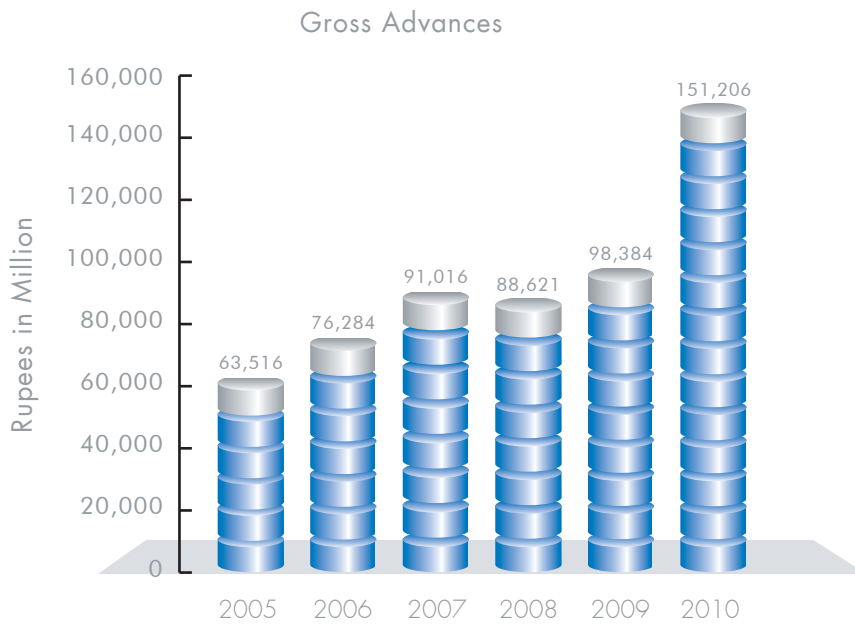
- Deposits & Other Accounts
- Borrowing from Financial Institutions
- Sub - Ordinated Loans
- Shareholders Equity
- Other Liabilities
- Revaluation Reserves

Shareholders,, Equity



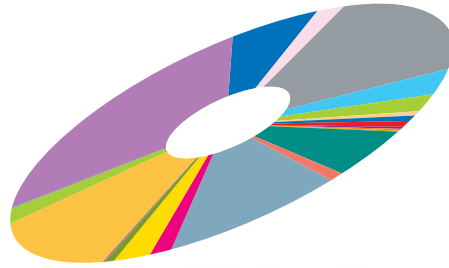
- Share Capital
- Statutory Reserve
- Reserve Arising on Amalgamation
- Unappropriated profit

Advances



Segment Information

Advances



- Chemical and Pharmaceuticals ● Agriculture ● Textile ● Cement

- Sugar ● Construction ● Ready made garments ● Footwear and leather garments

- Automobile and transportation equipment ● Financial ● Oil Refining / Marketing

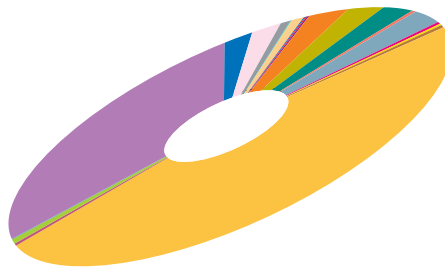
- Distribution / Trading ● Electronics and electrical appliances

- Production and transmission of energy ● Iron and Steel ● Food and Allied

- Synthetic and Rayon ● Paper and Board ● Individuals

- Transportation, Road and Air ● Mining and Quarrying ● Others

Deposit



- Chemical and Pharmaceuticals ● Agriculture ● Textile ● Cement

- Sugar ● Construction ● Ready made garments ● Footwear and leather garments

- Automobile and transportation equipment ● Financial ● Oil Refining / Marketing

- Distribution / Trading ● Electronics and electrical appliances

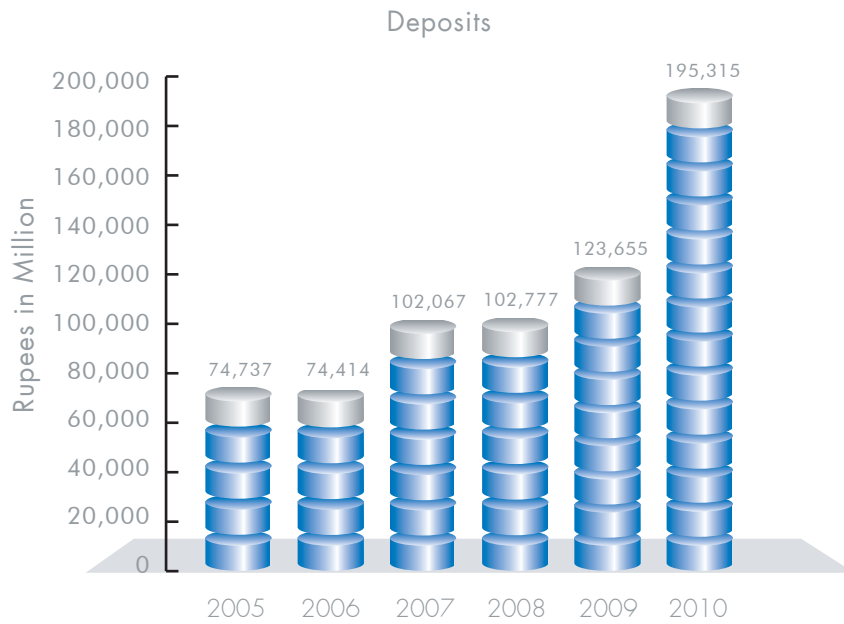
- Production and transmission of energy ● Iron and Steel ● Food and Allied

- Synthetic and Rayon ● Food Industries ● Paper and Board ● Individuals

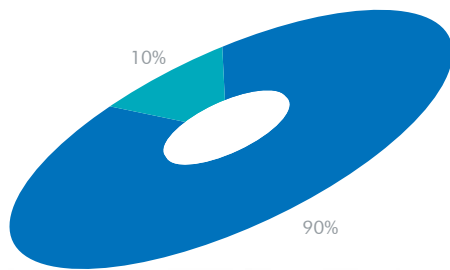
- Telecommunication ● Transportation, Road and Air ● Mining and Quarrying

- Others

Deposits

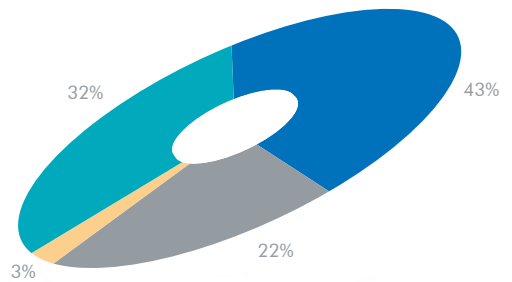


Deposit by Currency



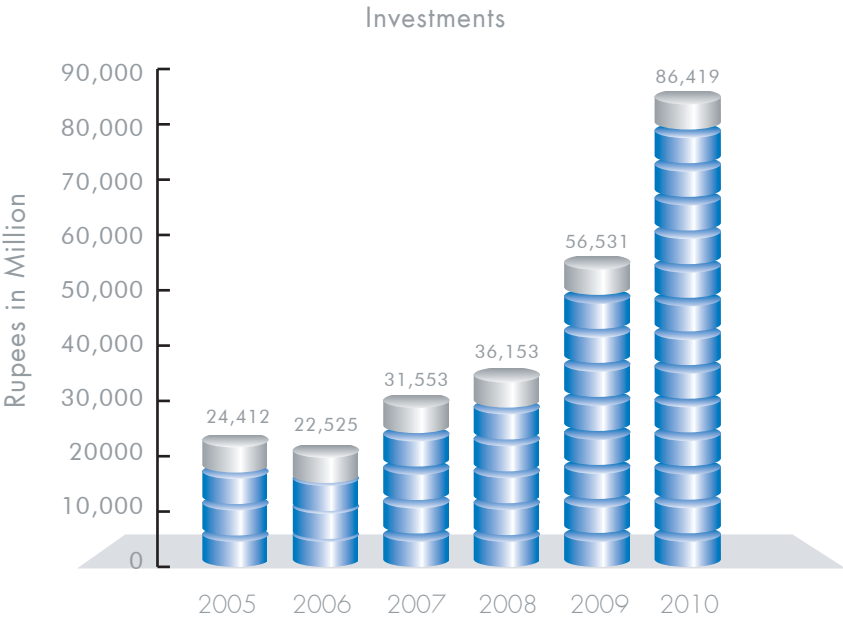
● Local Currency ● Foreign Currency

Deposit Categorisation

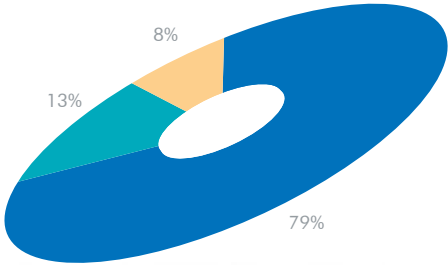


● Terms ● Savings
 ● Current & Margin Account ● Financial Institutions

Investments

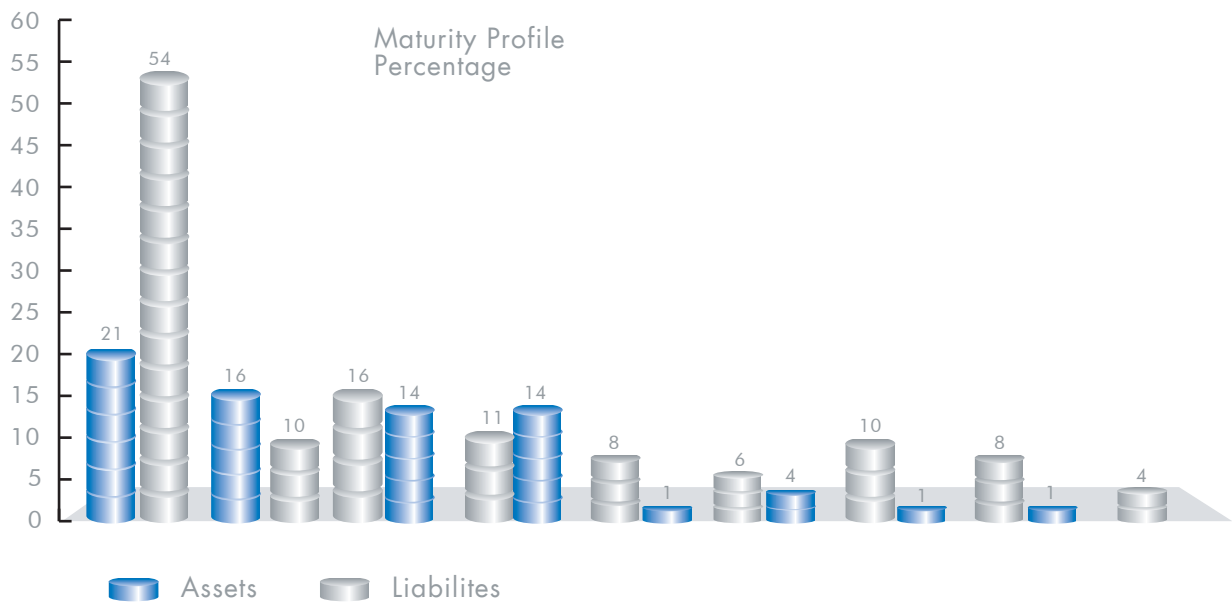


Break up of Investments

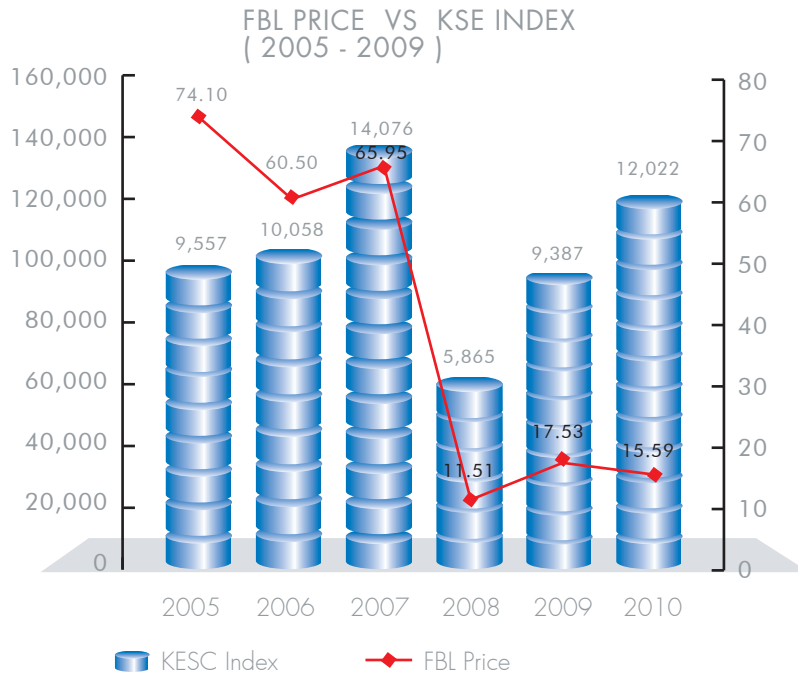


- Government Securities
- TFCs / Bonds Securities
- Shares / Other Units

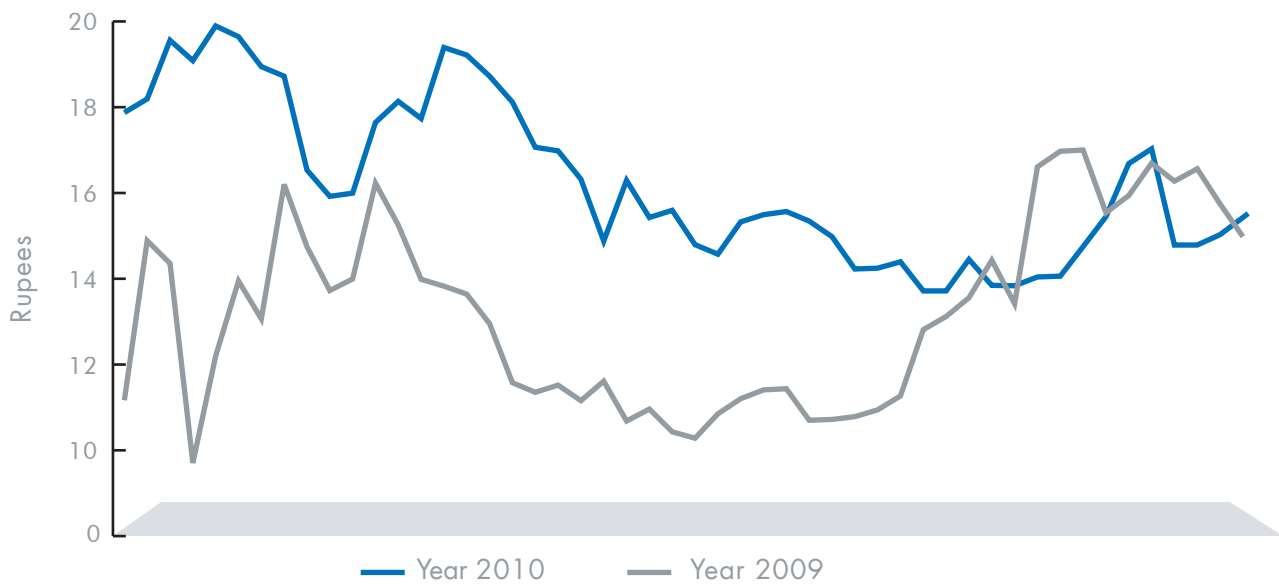
EPS and Maturity Profile



Stock Price



FBL Share Price Movement 2010 vs 2009



Horizontal Analysis

Balance Sheet

2010 2009 2008 2007 2006 2005

Rupees in Million

ASSETS

Cash and balances with treasury banks	17,429	8,427	8,928	6,872	7,208	6,697
Balances with other banks	5,728	509	877	3,708	2,883	2,046
Lendings to financial institutions	-	15,018	2,861	7,078	4,608	10,743
Investments	86,419	56,531	36,153	31,553	22,525	24,412
Advances	133,707	91,346	83,512	87,346	74,469	62,324
Operating fixed assets	8,726	2,788	2,647	2,515	2,239	1,726
Deferred tax assets - net	5,017	1,280	-	-	-	-
Other assets	10,295	4,966	3,264	2,204	1,538	2,334
	267,321	180,865	138,242	141,276	115,470	110,282

LIABILITIES

Bills payable	3,219	1,465	1,537	2,407	4,516	1,193
Borrowings	34,636	34,986	13,027	9,996	14,965	15,296
Deposits and other accounts	195,315	123,655	102,777	102,067	74,414	74,737
Sub-ordinated loans	4,595	999	1,000	1,000	-	-
Liabilities against assets subject to finance lease	-	-	4	8	14	24
Deferred tax liabilities - net	-	-	2,483	2,691	1,840	1,268
Other liabilities	13,038	6,977	6,642	6,951	5,924	3,504
	250,803	168,082	127,470	125,120	101,673	96,022
	16,518	12,783	10,772	16,156	13,797	14,260

REPRESENTED BY

Share capital (including proposed shares to be issued)	7,337	6,091	5,296	5,296	4,237	3,684
Reserves	7,355	4,030	3,790	3,567	3,080	2,516
Unappropriated profit	1,951	1,215	1,050	1,482	1,816	1,911
	16,643	11,336	10,136	10,345	9,133	8,111
Surplus on revaluation of assets	(125)	1,447	636	5,811	4,664	6,149
	16,518	12,783	10,772	16,156	13,797	14,260

Horizontal Analysis

	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004
Variance %						
107	(6)	30	(5)	8	33	
1,025	(42)	(76)	29	41	(43)	
(100)	425	(60)	54	(57)	143	
53	56	15	40	(8)	98	
46	9	(4)	17	19	23	
213	5	5	12	30	49	
292	100	-	-	-	-	
107	52	48	43	(34)	58	
48	31	(2)	22	5	40	
120	(5)	(36)	(47)	279	32	
(1)	169	30	(33)	(2)	80	
58	20	1	37	(0)	32	
360	(0)	-	100	-	-	
-	(100)	(50)	(43)	(42)	33	
-	(100)	(8)	46	45	664	
87	5	(4)	17	69	53	
49	32	2	23	6	41	
29	19	(33)	17	(3)	40	
20	15	-	25	15	26	
83	6	6	16	22	11	
61	16	(29)	(18)	(5)	77	
47	12	(2)	13	13	30	
(109)	128	(89)	25	(24)	55	
29	19	(33)	17	(3)	40	

Horizontal Analysis

Profit and Loss Account	2010	2009	2008	2007	2006	2005
Rupees in Million						
Mark-up / return / interest earned	19,710	16,958	13,404	11,611	9,728	6,338
Mark-up / return / interest expensed	13,919	11,968	8,455	7,459	6,089	3,312
Net mark-up / interest income	5,791	4,990	4,949	4,152	3,639	3,026
(Reversal)/ Provision against non-performing loans and advances - net	1,906	1,966	1,544	1,797	517	(19)
(Reversal)/ Provision for consumer loans - general	(90)	(27)	(105)	75	105	28
Provision for diminution in the value of investments	287	252	608	207	-	(319)
Bad debts written off directly	99	-	-	-	-	-
	2,202	2,191	2,047	2,079	622	(310)
Net mark-up / interest income after provisions	3,589	2,799	2,902	2,073	3,017	3,336
Non mark-up / interest income						
Fee, commission and brokerage income	1,141	885	814	743	604	582
Dividend income	335	668	1,207	1,221	1,249	777
Income from dealing in foreign currencies	519	400	347	314	121	95
Gain / (Loss) on sale of securities	1,340	825	(134)	1,116	330	609
Unrealized (loss) on revaluation of investments classified as held for trading	68	(46)	(3)	3	-	-
Other income	609	81	79	44	448	1
Total non mark-up / interest income	4,012	2,813	2,310	3,441	2,752	2,064
	7,601	5,612	5,212	5,514	5,769	5,400
Non mark-up / interest expenses						
Administrative expenses	6,644	4,284	3,258	2,800	1,866	1,429
Other provisions	62	(6)	97	6	-	-
Other charges	68	33	61	10	33	2
Total non mark-up / interest expenses	6,774	4,311	3,416	2,816	1,899	1,431
	827	1,301	1,796	2,698	3,870	3,969
Extraordinary / unusual items	-	-	-	-	-	-
Profit before taxation	827	1,301	1,796	2,698	3,870	3,969
Taxation - Current	239	1,157	156	282	383	689
- Prior years	192	2,823	100	(48)	93	(923)
- Deferred	(794)	(3,880)	426	192	577	1,133
	(363)	100	682	426	1,053	899
Profit after taxation	1,190	1,201	1,114	2,272	2,817	3,070
Basic/ Diluted earnings per share - Rupees	1.63	1.64	1.53	3.11	3.85	4.20

Horizontal Analysis

2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004
Variance %					
16	27	15	19	53	130
16	42	13	22	84	196
16	1	19	14	20	85
(3)	27	(14)	248	(2,821)	(137)
233	(74)	(240)	(29)	275	(61)
14	(59)	194	100	(100)	100
100	-	-	-	-	-
1	7	(2)	234	(301)	(352)
28	(4)	40	(31)	(10)	121
29	9	10	23	4	47
(50)	(45)	(1)	(2)	61	11
30	15	11	160	27	(41)
62	(716)	(112)	238	(46)	6
(248)	1,433	(200)	-	-	(100)
652	3	80	(90)	44,700	(80)
43	22	(33)	25	33	13
35	8	(5)	(4)	7	62
55	31	16	50	31	26
(1,133)	(106)	1,517	100	-	-
106	(46)	510	(70)	1,550	100
57	26	21	48	33	26
(36)	(28)	(33)	(30)	(2)	80
-	-	-	-	-	-
(36)	(28)	(33)	(30)	(2)	80
(79)	642	(45)	(26)	(44)	33
(93)	2,723	(308)	(152)	(110)	120
(80)	(1,011)	122	(67)	(49)	217
(463)	(85)	60	(60)	17	98
(1)	8	(51)	(19)	(8)	75
(1)	8	(51)	(19)	(8)	(30)

Vertical Analysis

Balance Sheet

	2010	2009	2008	2007	2006	2005
Rupees in Million						
ASSETS						
Cash and balances with treasury banks	17,429	8,427	8,928	6,872	7,208	6,697
Balances with other banks	5,728	509	877	3,708	2,883	2,046
Lendings to financial institutions	-	15,018	2,861	7,078	4,608	10,743
Investments	86,419	56,531	36,153	31,553	22,525	24,412
Advances	133,707	91,346	83,512	87,346	74,469	62,324
Operating fixed assets	8,726	2,788	2,647	2,515	2,239	1,726
Deferred tax assets - net	5,017	1,280	-	-	-	-
Other assets	10,295	4,966	3,264	2,204	1,538	2,334
	267,321	180,865	138,242	141,276	115,470	110,282
LIABILITIES						
Bills payable	3,219	1,465	1,537	2,407	4,516	1,193
Borrowings	34,636	34,986	13,027	9,996	14,965	15,296
Deposits and other accounts	195,315	123,655	102,777	102,067	74,414	74,737
Sub-ordinated loans	4,595	999	1,000	1,000	-	-
Liabilities against assets subject to finance lease	-	-	4	8	14	24
Deferred tax liabilities - net	-	-	2,483	2,691	1,840	1,268
Other liabilities	13,038	6,977	6,642	6,951	5,924	3,504
	250,803	168,082	127,470	125,120	101,673	96,022
	16,518	12,783	10,772	16,156	13,797	14,260
REPRESENTED BY						
Share capital (Including proposed share to be issued)	7,337	6,091	5,296	5,296	4,237	3,684
Reserves	7,355	4,030	3,790	3,567	3,080	2,516
Unappropriated profit	1,951	1,215	1,050	1,482	1,816	1,911
	16,643	11,336	10,136	10,345	9,133	8,111
Surplus on revaluation of assets	(125)	1,447	636	5,811	4,664	6,149
	16,518	12,783	10,772	16,156	13,797	14,260

Vertical Analysis

2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004
Composition %					
7	5	6	5	6	6
2	0	1	3	2	2
-	8	2	5	4	10
32	31	26	22	20	22
50	51	60	62	64	57
3	2	2	2	2	2
2	1	-	-	-	-
4	3	2	2	1	2
100	100	100	100	100	100
1	1	1	2	4	1
13	19	9	7	13	14
73	68	74	72	64	68
2	1	1	1	-	-
-	-	0	0	0	0
-	-	2	2	2	1
5	4	5	5	5	3
94	93	92	89	88	87
6	7	8	11	12	13
3	3	4	4	4	3
3	2	3	3	3	2
1	1	1	1	2	2
6	6	7	7	8	7
(0)	1	0	4	4	6
6	7	8	11	12	13

Vertical Analysis

Profit and Loss Account	2010	2009	2008	2007	2006	2005
Rupees in Million						
Mark-up / return / interest earned	19,710	16,958	13,404	11,611	9,728	6,338
Mark-up / return / interest expensed	13,919	11,968	8,455	7,459	6,089	3,312
Net mark-up / interest income	5,791	4,990	4,949	4,152	3,639	3,026
(Reversal)/ Provision against non-performing loans and advances - net	1,906	1,966	1,544	1,797	517	(19)
(Reversal)/ Provision for consumer loans - general	(90)	(27)	(105)	75	105	28
Provision for diminution in the value of investments	287	252	608	207	-	(319)
Bad debts written off directly	99	-	-	-	-	-
Net mark-up / interest income after provisions	2,202	2,191	2,047	2,079	622	(310)
Net mark-up / interest income after provisions	3,589	2,799	2,902	2,073	3,017	3,336
Non mark-up / interest income						
Fee, commission and brokerage income	1,141	885	814	743	604	582
Dividend income	335	668	1,207	1,221	1,249	777
Income from dealing in foreign currencies	519	400	347	314	121	95
Gain / (Loss) on sale of securities	1,340	825	(134)	1,116	330	609
Unrealized (loss) on revaluation of investments classified as held for trading	68	(46)	(3)	3	-	-
Other income	609	81	79	44	448	1
Total non mark-up / interest income	4,012	2,813	2,310	3,441	2,752	2,064
Total non mark-up / interest income	7,601	5,612	5,212	5,514	5,769	5,400
Non mark-up / interest expenses						
Administrative expenses	6,644	4,284	3,258	2,800	1,866	1,429
Other provisions	62	(6)	97	6	-	-
Other charges	68	33	61	10	33	2
Total non mark-up / interest expenses	6,774	4,311	3,416	2,816	1,899	1,431
Total non mark-up / interest expenses	827	1,301	1,796	2,698	3,870	3,969
Extraordinary / unusual items	-	-	-	-	-	-
Profit before taxation	827	1,301	1,796	2,698	3,870	3,969
Taxation - Current	239	1,157	156	282	383	689
- Prior years	192	2,823	100	(48)	93	(923)
- Deferred	(794)	(3,880)	426	192	577	1,133
Profit after taxation	1,190	1,201	1,114	2,272	2,817	3,070

Vertical Analysis

2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004
Composition %					
100	100	100	100	100	100
71	71	63	64	63	52
29	29	37	36	37	48
10	12	12	15	5	(0)
(0)	(0)	(1)	1	1	0
1	1	5	2	-	(5)
1	-	-	-	-	-
11	13	15	18	6	(5)
18	17	22	18	31	53
6	5	6	6	6	9
2	4	9	11	13	12
3	2	3	3	1	1
7	5	(1)	10	3	10
0	(0)	(0)	0	-	-
3	0	1	0	5	0
20	17	17	30	28	33
39	33	39	47	59	85
34	25	24	24	19	23
0	(0)	1	0	-	-
0	0	0	0	0	0
34	25	25	24	20	23
4	8	13	23	40	63
-	-	-	-	-	-
4	8	13	23	40	63
1	7	1	2	4	11
1	17	1	(0)	1	(15)
(4)	(23)	3	2	6	18
(2)	1	5	4	11	14
6	7	8	20	29	48

Statement of Value Added

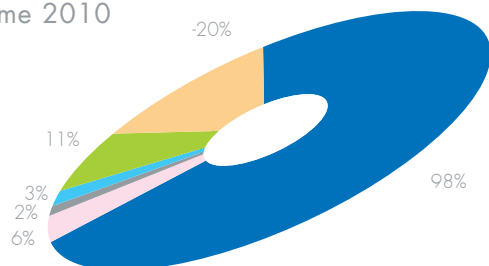
	2010 Rs. '000	%	2009 Rs. '000	%
Mark-up / return / interest earned - net of provisions	17,508,636	98	14,765,992	96
Fee, commission and brokerage income	1,140,802	6	885,124	6
Dividend income	334,885	2	667,926	4
Income from dealing in foreign currencies	518,618	3	400,477	3
Gain on sale of investments etc.	2,018,033	11	859,538	6
	<u>21,520,974</u>		<u>17,579,057</u>	
Administrative expenses	3,674,792	(20)	2,257,107	(15)
Value Added	<u>17,846,182</u>	<u>100</u>	<u>15,321,950</u>	<u>100</u>

Distributed as follows:

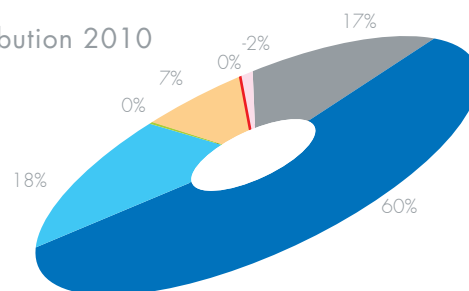
To Employees As remuneration	3,076,436	17	2,051,479	13
To Government As income tax	(363,275)	(2)	100,342	1
To Depositors As profit on investments	10,682,289	60	9,321,454	61
To Financial Institutions As profit on borrowings	3,236,967	18	2,646,431	17
To Society As donations	23,436	0	2,085	0
To Shareholders As dividends / bonus	1,218,182	7	-	-
Retained in Business As reserves and retained profits	(27,853)	(0)	1,200,159	8
	<u>17,846,182</u>	<u>100</u>	<u>15,321,950</u>	<u>100</u>

	Public Sector		Private Sector		Total	
	2010	2009	2010	2009	2010	2009
Advances	9,896,164	9,197,928	141,310,245	89,186,542	151,206,409	98,384,470
Investments	67,334,625	42,257,278	20,579,525	15,414,142	87,914,150	57,671,420
Placements / Lendings	13,742,392	7,008,067	9,414,441	16,945,756	23,156,833	23,953,823
	<u>90,973,181</u>	<u>58,463,273</u>	<u>171,304,211</u>	<u>121,546,440</u>	<u>262,277,392</u>	<u>180,009,713</u>

Income 2010




Distribution 2010



- Mark-up / return / interest earned - net of provisions
- Fee, commission and brokerage income ● Dividend income
- Income from dealing in foreign currencies
- Gain on sale of investments etc. ● Administrative expenses

- To Employees ● To Government ● To Depositors
- To Financial Institutions ● To Society
- To Shareholders ● Retained in Business

A blue-tinted photograph of a vast, flat, open landscape. A path of footprints leads from the bottom center towards the horizon, curving slightly to the right. The footprints are dark and distinct against the lighter ground. The horizon is visible in the distance, with some faint, low hills or mountains. The sky is a uniform light blue, blending into the ground.

The will to go beyond
even if there is no road

Notice of the Sixteenth Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting of Faysal Bank Limited (FBL) will be held on April 28, 2011 at 9:00 a.m. at Jinnah Auditorium, Institute of Bankers of Pakistan, Moulvi Tamizuddin Khan Road, Karachi. To transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra-Ordinary General Meeting held on November 10, 2010.
2. To receive and adopt Annual Audited Accounts (Stand-alone and Consolidated), Statement of Compliance with Code of Corporate Governance of FBL for the year ended December 31, 2010 together with the Directors' and Auditors' Reports thereon.
3. To elect seven (07) Directors of FBL for a period of three years commencing from April 10, 2011 in accordance with the provisions of the Companies Ordinance, 1984 and Memorandum and Articles of Association. The names of retiring Directors are as under:

1. Syed Naseem Ahmad
2. Mr. Graham. R. Walker
3. Mr. Farooq Rahmatullah
4. Mr. Mohamed A.R.Hussain
5. Mr. Shahid Ahmad
6. Mr. Hassan Mohammed Mahmood Hassan
7. Lt. Gen. Muhammad Maqbool (Retd)

The Board of Directors has fixed the number of Directors to be elected at this meeting to be Seven (07) in terms of Resolution by Circulation dated February 10, 2011. The retiring Directors shall be eligible to offer themselves for re-election in accordance with applicable Regulations.

4. To consider and approve 20% interim Bonus shares approved by the Board of Directors for the third quarter ended September 30, 2010 issued to the Shareholders on December 22, 2010 now placed for Post Facto approval by the Shareholders.
5. To appoint External Auditors for the ensuing financial year 2011 at a mutually agreed rate of remuneration. The present Auditors, A.F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.
6. Any other business with the permission of the Chair.

SPECIAL BUSINESS:

7. To consider and approve FBL's strategic Investment of up to PKR 1.0 billion in funds of Faysal Asset Management Limited (FAML) and pass the following Special Resolution as required by Section 208 of the Companies Ordinance 1984 with or without modifications:-

Resolved that subject to all regulatory approvals, Strategic Investment of FBL of up to PKR 1.0 billion in the funds of Faysal Asset Management Limited, an associated company of FBL, be and is hereby approved.

FURTHER RESOLVED that for the purpose of giving effect to this Special Resolution; 1) the President & CEO and/ or 2) the Company Secretary and Head of Legal and / or 3) Chief Financial Officer of the Bank be and are hereby singly or jointly authorized to take all necessary actions and do all acts, deeds and things in the matter.

8. To approve disposal of fractional shares created out of the issuance of 20% Interim Bonus shares by the Bank for the third quarter ended September 30, 2010 and fractional shares created as a result of merger/amalgamation of The Royal Bank of Scotland Limited with and into FBL on Post facto basis by passing the following resolutions as ordinary resolutions with or without amendments:-

RESOLVED THAT :-

In the event of any member holding fraction of a share, the Company Secretary be and is hereby authorized to consolidate each Fractional entitlement and sell it in the stock market and the proceeds of sale (less expenses) upon realization, be donated to a Charitable Trust ﺗﺮﺻﺘﺎﺭﻩ ﻓﺎﻳﺴﺎﻝ .

For the purpose of giving effect of the foregoing, the Company Secretary of the Bank be and is hereby authorized to take all necessary actions which may deem fit to realize the fractional sum in respective manner .

9. To approve the remuneration paid to the Chairman, Non Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board committees for the year ended December 31, 2010 and to pass the following resolution as an ordinary Resolution:

‡Resolved that the remuneration paid to the Chairman, Non Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board Committees as disclosed in note 39 of the Audited Financial Statements of the Bank for the year ended December 31, 2010, be and is hereby approved.

By the order of the Board



Mian Ejaz Ahmad
Company Secretary
& Head of Legal

Karachi dated: April 7, 2011

Notes:

1. The Share Transfer Books of the Bank shall remain closed from April 22, 2011 to April 28, 2011 (both days inclusive). Transfer received at the Registrar and Share Transfer Agent of the Bank, by the close of business on April 21, 2011 will be treated in time.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf, save that a corporation being a member may appoint as its proxy an officer of such corporation whether a member of the company or not. This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power or authority shall be deposited at the office of M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3 Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi-75350, the Registrar and Share Transfer Agent of the bank not later than 48 hours before the time of holding the meeting, and must be duly stamped, signed and witnessed.
3. The CDC Account Holders and Sub-account Holders, whose registration details are available in the Share Book Details Reports shall be required to produce their respective original Computerized National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring/know their respective participation I.D. No. and the CDC Account No. In case of proxy, he/she must enclose an attested copy of his/her CNIC or passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
4. Members are required to timely notify any change in their address to Bank's Registrar/Share Transfer Agent M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3 Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi-75350

Statement of Material Facts under Section 160(1)(b) of the Companies Ordinance 1984 relating to said Special Business:

This statement sets out the material facts concerning the following Special Business to be transacted at the Annual General Meeting of Shareholders of FBL to be held on April 28, 2011.

- 1) To consider and approve FBL's strategic Investment of up to PKR 1.0 billion in funds of Faysal Asset Management Limited (FAML) with or without modifications.

FBL from time to time makes investment in funds launched by its associate company FAML. Such investments also include investments as seed money in the new funds launched by FAML. For this purpose approval of Rs. 1.0 billion is sought from shareholders.

The Statement of material facts as required under the SRO 865(I)/2000 dated December 6, 2000 appears herein below:

1. Name of investee company or associated undertaking:

Faysal Asset Management Limited

2. Nature, amount and extent of investment:

Strategic Investment of up to PKR 1.0 Billion

3. Average market price of the shares intended to be purchased during Preceding six months in case of listed companies:

Non Listed Company

4. Break-up value of shares intended to be purchased on the basis of last published financial statements:

Break-up value of shares of Rs. 17.88 (31 December 2010)

5. Price at which shares will be purchased:

At Book value

6. Earnings per share of Investee Company in last three years;

30-06-2008	30-06-2009	30-06-2010
2.35	2.20	1.48

7. Source of funds from where shares will be purchased:

Shares will be purchased from FBL's own sources.

8. Period for which investment will be made:

Long term equity investment

9. Purpose of investment:

Strategic investment for launching of new fund(s) in the capital market.

10. Benefits likely to accrue to FBL and the shareholders from the proposed investment:

The proposed investment will potentially result in an increase in profits of the Investee Company; hence, it will result in the higher profit for FBL which ultimately benefits to the shareholders.

11. Interest of directors and their relatives in the investee company:

There is no personal interest of the Directors.

- II) To approve disposal of fractional shares created out of the issuance of 20% Interim Bonus shares by the Bank for the third quarter ended September 30, 2010 and fractional shares created as a result of merger/amalgamation of The Royal Bank of Scotland Limited with and into FBL on Post facto basis

Any member holding fraction of a share, the Company Secretary be and is hereby authorized to consolidated each Fractional entitlement and sale in the stock market and the proceeds of sale (less expenses) when realized, be donated to a Charitable trust فائز فايسال Faisal.

- III) To approve the remuneration paid to the Chair man, Non Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board committees for the year ended December 31, 2010

The remuneration paid to non executive/independent directors was approved by the Board of Directors in terms of Article 104 of the Articles of Association of the Bank. The remuneration requires approval (which is permissible on post facto basis) of the shareholders in Annual General Meeting in terms of requirements of the Prudential Regulations issued by the State Bank of Pakistan.

The non-executive/independent directors are interested in the payment of remuneration and the remaining members of the Board have no interest in the matter.

Review Report to the Members on Statement of Compliance with the best practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the board of directors of Faysal Bank Limited ('the Bank') to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Regulation No. 35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the board of directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (xiii a) of Listing Regulation No. 35 as notified by all the three stock exchanges on which the Bank is listed requires the Bank to place before the board of directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2010.



Chartered Accountants

Dated: April 6, 2011

Karachi

Statement of Compliance with the Code of Corporate Governance

Name of Company: Faysal Bank Limited

Year Ended: 31 December 2010

This statement is being presented to comply with the provisions of Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan (S.E.C.P.) for the purpose of establishing a framework of good corporate governance with best practices for the listed companies. The said Code has also been adopted by SBP and stock exchanges. The Board of Directors of Faysal Bank Limited has adopted and applied the principles contained in the Code of Corporate Governance in the following manner:

1. Faysal Bank Limited encourages representation of independent Directors and Directors representing minority interests on its Board of Directors as applicable under the Code. At present the Board includes 6 Independent/Non-Executive Directors and two Executive Directors (including President & CEO).
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including Faysal Bank Limited.
3. All resident Directors of the Bank are registered taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Institution or being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring during the year were filled-in with approval of State Bank of Pakistan.
5. The Bank has adopted a 'Statement of Ethics and Business Practices', which has been signed by the Directors and Employees of the Bank.
6. The Board has adopted a vision/mission statement, overall corporate strategy and significant policies for the Bank. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms and conditions of employment of President & CEO are approved by the Board and/ or its authorized committees.
8. The Meetings of the Board were presided over by the Chair man and, in his absence, by a Director elected by the Board for this purpose. The Board held Six (06) Meetings in the year 2010. Written notice of the Board meetings, along with agenda and working papers, were circulated before the Meetings. The Minutes of the Meetings were recorded and circulated to all concerned.
9. The Directors of Faysal Bank Limited are professionally qualified and experienced persons and are well aware of their duties and responsibilities.
10. The Board approves appointment of CFO and Company Secretary while Head of Internal Audit is appointed by Audit Committee including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of Code and fully describes the salient matters required to be disclosed.

12. All financial statements of the Bank were duly endorsed by the President & CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are Independent/non-Executive directors excluding the Chairman of the Committee.
16. The Audit Committee held four meetings, one in every quarter prior to approval of quarterly and final results of the Bank as required by the Code. The terms of reference of Audit Committee have been framed and approved by the Board and have been advised to the committee for compliance.
17. The Audit Committee members also met with External Auditors of the Bank without CFO and Head of Internal Audit and with Head of Internal Audit and other members of the Internal Audit function as required under the provisions of Code of Corporate Governance.
18. The Board has set up an Internal Audit function. The Bank's Internal Audit Manual is approved by the Board of Directors. The staff of Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank and they are involved in the internal audit function on a full time basis. The Internal Audit resources are being reviewed and enhanced regularly to meet continuous business growth.
19. The statutory auditors of the Bank have confirmed that
 - i) they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan;
 - ii) they or any of the partners of the firm, their spouses and minor children do not hold shares of Faysal Bank Limited or its associates; and
 - iii) the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.
22. We confirm that all other material principles contained in the Code have been complied with.

Karachi
Dated: March 29, 2011



Naved A. Khan
President & CEO



The will to go beyond
finding shelter in the shadows



Directors,, Report for the year ended December 31, 2010

On behalf of the Board of Directors, I am pleased to present the Sixteenth Annual Report of Faysal Bank Limited along with the audited financial statements and the Auditor's Report thereon for the year ended December 31, 2010.

Economic Update

Pakistan's economy encountered a natural disaster of massive proportions in the form of devastating floods which began in July 2010 and damaged one-fourth of the country's agricultural heartland destroying crops and live stock. This disruption subsequently spread to a number of agro-based industries, power plants and hampered manufacturing activity. Subsequently the economic outlook deteriorated sharply and it is unlikely that the real Gross Domestic Product (GDP) growth would exceed 2-3 percent during Fiscal Year (FY) '11 against an earlier estimate of 4 1/2 percent. The fiscal position of the Government of Pakistan (GOP) subsequently worsened due to the sharp increase in expenditure. Furthermore partial monetization of fiscal deficit increased inflationary pressures, compounding the spike in food prices.

Consumer Price Index (CPI) inflation surged upward sharply during Calendar Year (CY) '10 (wherein it was recorded at 13.85%) due to: supply shortages of perishable food commodities (in the aftermath of the floods), pass through of rising international commodity prices, upward adjustments in electricity tariffs and the monetization of the fiscal deficit. This in turn prompted the State Bank of Pakistan (SBP) shift its monetary bias towards tightening and the discount rate was raised in three tranches of 50 bps each in July, September and November '10 taking the policy rate to 14%. Going forward the SBP expects CPI in FY '11 to range between 15%-16% against 11.7% in FY '10. This expectation is based on both cost push variables (further likely increases in the price of energy due to withdrawal of subsidies, imposition of Reformed General Sales Tax (RGST) and higher international commodity prices) and demand pull factors which emanate from the money creation in excess of economic activity.

The current account displayed significant improvement during CY '10 especially in the second half wherein it posted a surplus of USD 26 million which is a rarity in our economic history. This was on the back of higher than expected export earnings (due to increased international commodity prices of cotton and rice) and stellar growth in remittances which in CY'10 were recorded at USD 9.667 billion up from USD 8.063 billion during last year. This enabled the GOP to maintain a relatively stable currency and accumulate foreign exchange reserves of USD 16.75 billion in CY '10 vs USD 12.425 billion for CY '09.

During FY '11 fiscal deficit is expected 6-7% of GDP against an earlier estimate of 4.7%. This deterioration is attributable in part to the sharp increase in expenditure in the aftermath of the floods and partly due to considerable slippages witnessed on the revenue side especially in the third quarter of CY '10 (both in tax and non tax). In the absence of ample alternate resources, this exacerbates the fragility of our resource base with no real financial buffer to insulate the economy from shocks other than diverting funds away from development spending (which in itself is counterproductive). Hence it is imperative that we increase our tax to GDP ratio which at current level of 10% is unsustainable. Potentially this could be a great opportunity for political forces to come together and reach a much needed consensus to undertake otherwise politically difficult reforms such as broadening the revenue base by adding under taxed or untaxed segments into the tax regime and rationalizing subsidies. Higher resource mobilization is necessary for macroeconomic stability as it will give the GOP fiscal space for much needed development spending commensurate with needs of a growing economy.

Bank's Performance:

During the year, as part of our strategy of profitable growth, your bank acquired controlling interest of Pakistan operations of the Royal Bank of Scotland (RBS Pakistan). RBS Pakistan comprises of Retail, Corporate, Commercial and Islamic businesses spread across the country. We are pleased to inform you that within a short period of two and a half months from the date of acquisition, we have successfully merged the two banks effective December 31, 2010.

This is a significant milestone for the bank as it complements our growth plans. RBS Pakistan provides a strong customer franchise and an excellent fit to Faysal Bank's existing businesses. We will ensure that we optimize on the opportunities arising from this acquisition by providing necessary support, investment and resources to the businesses. The combined entity has an asset base of over Rs. 260 billion with a network of 226 branches, making FBL one of the top ten banks in Pakistan.

With the acquisition of RBS Pakistan, the bank has taken a huge stride in achieving the objectives set forth for the bank in the five year strategy developed in 2008. The bank has also accomplished other significant milestones during the year in the five pillars of strategy i.e. Customer Franchise, People, Risk Management, Processes and Financial Perspective.

Customer Franchise

Corporate and Investment Banking

During the year, the Corporate & Investment Banking Group (CIBG) remained committed to improving the quality of its assets, enhancing the contribution of trade and fee based income to augment and diversify the revenue base and developing client focused solutions to bring about efficiencies in business. A number of milestone transactions were concluded during 2010 some of which are noted below:

- FBL acted as restructuring advisor to the largest ever debt restructuring in Pakistan. The quantum of debt restructured was PKR 43 billion - including both local & foreign currency exposures with over 70 creditor institutions involved.
- FBL acted as a joint lead arranger for a syndicated dual tranche ship financing facility of PKR 10.3 billion for acquisition of dry cargo vessels by a large shipping company. FBL's own participation was PKR 2 billion in this complex and unique transaction accomplished without recourse to sovereign guarantees.
- FBL acted as a co-arranger for a PKR 8 billion long term infra-structure finance facility to a subsidiary of one of the largest companies in the Ports & Logistics sector globally.
- FBL acted as exclusive advisor & arranger to a PKR 1.2 billion privately placed rated TFC issue for a leading school chain for the acquisition of two power projects of 365 MW each.
- FBL acted as joint lead advisor & arranger for a project finance transaction of PKR 1.8 billion for commissioning a BoPET manufacturing plant - the first of its kind in Pakistan.
- FBL acted as a lead advisor and arranger for the country's only integrated power company to arrange PKR equivalent of USD 25 million syndicated term facility.
- FBL acted as joint lead advisor & arranger for a PKR 1.2 billion syndicated financing facility under SBP's Microfinance Credit Guarantee facility to the largest rural support program in the country.
- FBL structured & arranged PKR 2.4 billion IPO of a Urea & SSP producer achieving financial close for the Pre IPO, underwriting & IPO.
- FBL acted as structuring advisor to reprofile a dual tier back to back SBLC of USD 70 million extended between the first rental power project & the national power producer.

For *Commercial Banking (CB)*, 2010 was a year with challenging conditions with many medium sized businesses gradually coming out of the commodity/energy crisis and general economic slowdown. FBL's strategy was to consolidate and focus on building a launching platform for 2011. A strategic decision was taken to shift the Small Enterprises Asset Portfolio to Retail Banking. This allowed CB to prioritize services to the medium sized clientele and allowed Retail Banking to service small sized customers through their strong geographic network and further explore their associated deposit potential. Going forward the thrust of Commercial Banking's strategy will be to focus on capturing trade and float volumes through providing end-to-end solutions to our commercial banking clients. Commodity and supply chain financing will be key new initiatives.

Staying true to the bank's vision of innovation, *Cash Management (CM)* developed a new web-based payment solution enabling straight-through processing for corporate clients. This solution was developed taking into account diverse payment patterns of clients across different industries. The product initiatives have not stopped in 2010; they have been carried forward to 2011 where new features shall be added on to the platform creating a one-stop solution for our customers.

Retail Banking

During the year priority banking services were introduced under the name of *Solitaire Wealth Management* with the inauguration of *Solitaire Wealth Management Priority Centre* at Main Branch in April '10. The aim is to provide unique, tailored solutions for Priority clients while delivering excellence in service and customer experience.

The Bancassurance initiative launched during the previous year has been a phenomenal success. An agreement was signed in early 2010 with Niji Life for Family Assurance Plan, a small ticket, life insurance solution sold over the counter through our branch distribution network.

ATM network was expanded to 118 ATMs. The expansion included addition of 3 more Cash Deposit Machines.

On the branch banking side the focus was on mobilization of core individual deposits. During the year more than 22,000 deposit customers were added.

Treasury

2010 was a landmark year for FBL Treasury in which we increased our market dominance and enhanced our customer franchise. In terms of pre-set goals we achieved some major milestones; the first of which was our successful application for the Primary Dealer license wherein we were the only new entrant during 2010 among a host of

contenders. This status was awarded to us by the SBP on the back of our secondary market trading capability and customer volume. This has gone a long way to establish us as price maker in the interbank market hence spurring trading activity and established our customer franchise in the fixed income market. Our clients now include; insurance companies, pension funds, provident funds, asset management companies, corporates as well as high net worth individuals.

In order to have the necessary infrastructure for sustainable growth commensurate with our vision, Treasury embarked upon a home grown automation process which was implemented in January '10 with the installation of Smart Treasury System (STS). This is a comprehensive front and back end solution with electronic movement of transactions, real time position capturing and MIS generation, besides a host of other benefits aimed at being able to churn greater volumes more efficiently and prudently. The scope of STS during the year was further enhanced to include modules for Equity, and Alternate fixed income investments.

Subsequent to acquisition of RBS, FBL Treasury successfully created infrastructure and HR capability to manage their derivative portfolio and capture new transactions. This will go a long way in our goal to achieve the Authorized Derivative Dealers license in order to further enhance our product suite and enable us to give balance sheet solutions to our ever growing customer base.

Islamic Banking

Barkat Islamic Banking launched during the previous year, accomplished major planned initiatives during 2010 and the business in pursuit of realizing its potential expanded manifolds on all grounds. Barkat Islamic Banking has enhanced its distribution channel by adding four new full-fledged Islamic banking branches. The total branch network post RBS acquisition reached 13 covering 6 cities nationwide.

Product development was a major focus throughout the year and specialized products were introduced. Barkat Kamil Business Account a hybrid of current & savings product was introduced for business community. Barkat Monthly Income Certificates for individuals targeting middle and old age clientele was launched during the year to supplement term deposit campaign.

Islamic Banking participated in two major financing transactions. PKR 1.4 billion was taken in a Murabaha transaction for a provincial government. As a joint lead arranger, FBL Barkat Islamic Banking participated with PKR 943 million contribution in Islamic finance facility for a government owned entity in the energy sector. Both deals were done in synergy with Corporate Banking Group.

During 2011 the bank plans to aggressively engage in

utilizing the expanded branch network to increase the Barkat Islamic Banking franchise.

Service Quality

Service Quality took several initiatives during the year to bring into focus the importance of excellence in Customer Service.

- Service Indicators for key customer service processes were put in place. Regular monitoring and reporting of these metrics led to improvement in turnaround times and other indicators of service quality.
- Measures of Customer Satisfaction and Loyalty were introduced and a comprehensive branch-wise customer survey was conducted to gauge these relationship indicators. The resulting indices will serve as benchmarks to improve upon in the time ahead.
- External Mystery Shopping was conducted regularly to obtain a fair and unbiased view of customer experience in the branches. The results of this exercise were used in feedback and training sessions, to help focus on areas of improvement.
- To reinforce good service practices, the 'Service Branch of the Quarter' award was introduced. This award recognises the best branch in the country every quarter, on the basis of delivery against service standards, customer experience and process turnaround times. It has led to keen competition among branches to outdo each other in customer service.
- A Vintage Recognition Programme was launched to acknowledge customers who have been maintaining a loyal relationship with Faysal Bank for ten years or longer. This gesture of gratitude for maintaining long-standing relationships with the bank was much appreciated by the customers.

People

As a consequence of the acquisition of RBS, we now have a broad based talent pool and our immediate challenge is to work on several people avenues such as change management and culture whilst ensuring business as usual. The HR functions contribution in ensuring a smooth carefully planned transition was imperative for the success of this project. Some of the major activities successfully completed to date are:

- Grade Harmonization
- Reorganization and structural change
- Development of a common remuneration structure
- Harmonisation of policies
- Training
- Culture

Moving forward HR further aims to increase use of technology via e-HRMS, focus on Learning & Development and boost greater client interactions through HR Business Partners. Other initiatives such as job evaluation, salary survey, succession planning etc are also in the pipeline.

Risk Management

Though a significant milestone for Faysal Bank Limited, the merger is expected to bring new challenges for Risk Management arena. The scope of the merger instituted an extended involvement of Risk Management in overall achievement of integration objectives. Consequently, the Risk Management structure, policies, processes, resources and other control measures were aligned, synergized and structured to respond to these challenges in a proactive manner.

The Risk Management Group (RMG) and its sub units spearheaded the integration process and were instrumental in bringing about a smooth transition and streamlining of Risk Policies and Standard Operating Procedures (SOPs), MIS, exposures and structural framework etc. to cope with the requirements of the merged entity. As such, a comprehensive Risk Management Framework has been developed and is gradually being adopted in line with the SBP Risk Management Guidelines. The Framework is based on the key elements of inclusive (wide-ranging) risk governance concepts, relies on a body of corporate policies and effective processes and ensures that risk-taking activities are aligned with the client's needs, shareholders' expectations and in conformity with regulatory requirements.

The Risk Policy unit has been set up in support of the CRO's holistic risk oversight responsibilities; it reviews & ensures implementation of all approved risk management policies & related procedures, with the objective of reinforcing the Bank's risk culture through ongoing review of the risk MIS & redressing of compliance, audit, regulatory & other Control reports as well as deliberations of various management / board committees, in consonance with the Board's strategic direction & risk appetite. The Risk Policy Unit as part of the Risk Management Group (RMG), facilitates the risk takers via communicating the board and senior management's overarching views on what constitutes acceptable risk at all levels within the business, vide clear-cut policies & risk thresholds / limits.

In the wake of changing macroeconomic environment and expansion of Bank's risk exposure through the acquisition of RBS, the Credit Risk Management framework also evolved to address business segment specific risk through specialized Risk Management functions under the umbrella of Risk Management Group (RMG). Accordingly, Credit Risk Management has been divided into Corporate Risk Management, Commercial Risk Management, and Retail SME and Agri Risk Management, all reporting into the Chief Risk Officer, to monitor, control and manage credit risk on an independent as well as integrated basis.

The Retail Risk Management model has also been revised in line with best market practices, with policy, credit underwriting, external agency management and verification, collections and recovery functions now part of the risk framework. While Credit Risk Management involve a customer-based risk assessment under a pre-defined credit approval process, Retail Risk Management operates on a program lending approach to manage, mitigate and approve risk on a portfolio level.

A separate Enterprise Risk Management (ERM) function is responsible for managing and controlling market, operational and liquidity risks at an enterprise level, maintaining regulatory capital requirements of the Bank through an effective reporting mechanism, and developing advanced credit risk measurement techniques.

Market Risk Management has been strengthened through implementation of advanced monitoring and measurement tools such as Early Warning Indicators (EWI) and Value-at-Risk (VaR) models. A dynamic and well-defined limits structure, in line with the overall risk appetite of the Bank, seeks to reduce volatility in operating performance under adverse market conditions. Limit breaches are reported to senior management on a timely basis and the business is required to take appropriate actions to reduce risk position.

On Operational Risk front, the Bank has implemented comprehensive policies and procedures and a controls framework designed to provide a sound and well-controlled operating environment. Risk & Control Self Assessment framework has been implemented bank-wide to measure and monitor operational risk levels and mitigate operational losses.

Bank's approach to liquidity management requires a surplus of liquid assets, liquidity contingency plans and close monitoring of market conditions. A comprehensive structure for day-to-day liquidity risk management has been introduced through a revised policy and procedural framework. A detailed Contingency Funding Plan provides clear direction and guidelines for effective mitigation of liquidity risk.

Capital Management area is responsible for the sufficient capitalization of the Bank and its subsidiaries at all times in order to manage the risk associated with business activities. Capital Management monitors, plans and reports capital adequacy on a standalone and consolidated basis by taking into account the metrics and requirements of regulators, rating agencies, and internal and external benchmarks.

Support Services

During the year under review focus of support services function was to integrate and streamline services function of the FBL and RBS to operate as one unit for the customers. All tasks related to RBS technology systems that were required to be disengaged and replaced with FBL systems

on legal ownership transfer date and merger date were carried out smoothly and all former RBS branches are operating on new systems smoothly. All the operational processes were reviewed and streamlined in common policies & procedures to achieve this objective. From the first day after merger uninterrupted customer services is being provided to the customers of the merged entity from all the branches.

In the General Services the focus was on optimizing cost synergies and as a result significant savings have already been achieved in the merged entity in areas of branch rents, utilization of surplus capacity in branches and regional offices, technology and premises maintenance cost etc. More savings are expected to come in 2011 and onward.

Financial Perspective

With an objective of providing timely and reliable MIS for decision making a new set of interactive deposit MIS at branch, area, region and country level was developed. This MIS provides detailed analysis of deposits with products, customer segment, volumes and rate buckets movements. This easy to use tool provides capability to the users to monitor and manage their performance. Further a detailed capacity planning module for branch banking was also introduced during the year. This module is used to identify hiring needs in branches.

Continuing with the philosophy of automating processes, Procure to Pay Cycle Module of Oracle Financials was introduced. This has not only improved Turn Around Times (TATs) but has also provided effective control over authorization, recording and monitoring of procurement and payment activities. Going forward this will be used to analyse and control costs.

Continuing with the tradition of following Best Practices in the area of financial reporting Faysal Bank secured 2nd runner up award in South Asian Federation of Accountants (SAFA) Best Presented Accounts Awards 2009 in the category of 'Banking Sector Subject to Prudential Regulations'. SAFA is an apex body of South Asian Association for Regional Cooperation (SAARC) and its Best Presented Accounts Awards are held annually to recognize best annual reports from the region evaluated on the basis of excellence in financial reporting. The award represents the highest achievement by any Pakistani bank.

The professional quality of the same report was also acknowledged by the Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) which awarded it 2nd prize in the 'Best Corporate Reports Award' in the Financial Sector category.

During the year the bank conducted an exercise to reconcile deferred tax liability on leased assets appearing in the books of accounts with the related tax payable in future

periods. The results of the exercise highlighted that deferred tax liability was recorded in excess by Rs. 765 million as at December 31, 2009. The accounting records have been updated to adjust the difference.

Future Outlook

The bank after completing its merger with RBS in 2010 has started 2011 as a bigger and stronger institution. While the political and economic situation of the country is expected to remain volatile, the bank is better positioned to withstand potential market turbulence. In 2011 the focus will be to capitalize on synergies resulting from the merger and increase business volumes through cross selling to the larger customer base of the merged entity. Costs rationalization and recovery of NPLs will be other significant areas of focus for 2011.

Corporate Social Responsibility (CSR)

Faysal Bank, being a socially responsible corporate entity, has been a regular contributor to the society and communities within which it operates. In the wake of the worst natural disaster in the form of floods the bank and its employees stepped forward and established an account to help the flood affected people. The contributions made by the employees were matched by the bank and an aggregate amount of Rs. 1.65 million was collected. Keeping in view the scale of the disaster and the reliance of the victims on outside assistance in the long run, the Board of Directors have pledged PKR 50 million for the relief and rehabilitation of flood victims.

A country-wide exercise was conducted on 14th August, 2010, where employees visited the SOS Children's Villages in Karachi, Lahore and Islamabad, and the Children's Cancer Ward at Jinnah Hospital, Karachi. Faysal Bank donated various electronic appliances as per the need of these institutions.

The bank provided an additional Rs. 10 million to the Institute of Business Administration (IBA) Karachi in accordance with the partnership entered into previous year to provide Rs. 50 million over a period of 3-5 years for sponsorship of one academic chair in IBA's Executive MBA program. The amount contributed to date under this arrangement stands at Rs. 20 million.

Faysal Bank entered a 3 year contract with the Pakistan Cricket Board, becoming the official sponsors of domestic cricket in Pakistan. This union marks a critical role in the continued promotion and support of domestic cricket. Faysal Bank's sponsorship kicked off with the Faysal Bank T-20 Cup, which drew in record viewership. The Quaid-e-Azam Trophy and the Faysal Bank One-Day Cup also successfully concluded, with many more tournaments lined up in the future.

Financial Highlights

	2010	2009
	Rs. in million	
Operating profit	3,029	3,492
Provision for non performing advances	(1,915)	(1,940)
Provision for diminution in value of investments	(287)	(252)
	<u>(2,202)</u>	<u>(2,192)</u>
Profit before tax	827	1,300
Reversal / (Charge) of Provision for taxation	363	(100)
Profit after tax	1,190	1,200
Un-appropriated profit brought forward	1,215	1,050
	<u>2,405</u>	<u>2,250</u>
Amounts recognized directly in equity:		
Reversal of deferred tax liability	765	-
	<u>3,170</u>	<u>2,250</u>
Appropriations:		
Transfer capital market reserve to un-appropriated profit	390	-
Issue of bonus shares - September '10 @ 20%	(1,218)	-
Transfer to statutory reserve	(391)	(240)
Issue of bonus shares - December '08 @ 15%	-	(795)
	<u>(1,219)</u>	<u>(1,035)</u>
Un-appropriated Profit carried forward	1,951	1,215
Earning per share - Rupees	<u>1.63</u>	<u>1.64</u>

The operations of The Royal Bank of Scotland Limited (RBS Pakistan) were merged with Faysal Bank Limited w .e.f. December 31, 2010. Accordingly, the balance sheet includes assets and liabilities transferred from RBS Pakistan amounting to Rs. 88.1 billion and Rs. 79.8 billion respectively. Further profit and loss statement includes FBL's share of post acquisition profit and loss of RBS for two and a half months from October 16, 2010. The share of net loss after tax included on a line by line basis amounts to Rs. 8 million.

Despite difficult economic environment, the bank was able to maintain its profitability level. Net markup income showed a growth of Rs. 801 million or 16% whereas non markup income grew by Rs. 1.2 billion or 42.7% mainly on account of gain on settlement of NIT LOC units.

Operating expenses increased by Rs. 2.4 billion over last year, 50% of which relates to FBL's post acquisition share of administrative expenses of RBS. The remaining 50% increase was mainly in the areas of HR and branch operations. Provisions for non performing loans remained at the last year's level however 2010 provision figures include subjective provision of Rs. 546 million.

Profit after tax at Rs. 1,190 million was very close to the last year's figure of Rs. 1,200 million. In addition to the above the following items were taken directly to equity :

- Rs. 765 million being reversal of deferred tax liability relating to lease financing.
- Gain on bargain purchase amounting to Rs. 3.3 billion which included intangibles of Rs. 1.66 billion and negative goodwill of Rs. 1.64 billion.

Credit Rating:

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

Long-Term	AA
Short-Term	A1+

During 2010, negative outlook previously assigned to the ratings was removed by both the agencies. However, the ratings were placed on 'Ratings Watch - Developing' status and 'Rating Watch' by JCR and PACRA respectively in view of the acquisition of The Royal Bank of Scotland Limited.

Subsequent to the year end, in view of the successful acquisition and merger of the Royal Bank of Scotland, the 'Ratings Watch - Developing' status has been removed and 'Stable' outlook is assigned to the ratings.

Definitions of JCR-VIS for the assigned ratings are reproduced below:

‡AA: High credit quality Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A1+: High certainty of timely payment. Short term liquidity including internal operating factors and/or access to alternative sources of funds; is outstanding and safety is just below risk free Government of Pakistan short-term obligations.

Definitions of PACRA for the assigned rating are reproduced below:

‡AA: Very high credit quality. ‡AA- rating denotes a very low expectation of credit risk. It indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A1+: Obligations supported by the highest capacity for timely repayment.

Corporate Governance:

- i. The Bank has implemented the requirements of the Code of Corporate Governance (the Code) relevant to the year ended December 31, 2010. A prescribed statement by the management along with the auditor's review report thereon forms part of this Annual Report.
- ii. Statement under clause xix of the code:
 - a. The financial statement prepared by the management of the bank present fairly the state of affairs and the results of its operations;

- b. Proper books of account of the bank have been maintained;
- c. Appropriate accounting policies have consistently been applied in preparation of the financial statements except for the change as mentioned in note 3.5 to the financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. Approved accounting standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
- e. The system of internal control is sound in design and has been appropriately implemented and monitored. Measures are being considered to further strengthen it;
- f. There are no doubts about the bank continuing as a going concern;
- g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- h. Summarized key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report;
- i. The value of investment of provident and gratuity funds are Rs. 539 million and Rs. 228 million respectively as per the unaudited financial statements;
- j. The details of Board Meetings held and attended by the directors' for m part of this Annual Report;
- k. The prescribed pattern of shareholding is given as part of this Annual Report. The movement in the directors' shareholding if any is disclosed in the footnote to the pattern of shareholding.

Statement of Internal Control:

The Management of Faysal Bank Limited is fully responsible for establishing and maintaining adequate internal controls and procedures.

The management of the bank fully recognizes this responsibility and appreciates its value and significance. Accordingly, policies and procedures encompassing various functional and administrative areas have been developed and circulated across all pertinent levels of the organization. These policies and procedures are approved by the senior management and ratified by the Board of Directors as and when developed. The bank's Internal Audit function keeps

monitoring compliance with these policies and procedures and regularly appraises the management and also the Board on the same through the Board's Audit Committee. Similarly, financial performance is kept under regular review and the Board is kept updated on the same. Further recognizing it to be an ongoing process, the bank is actively pursuing additional measures towards strengthening internal Controls through adoption of guidelines issued by the SBP on the subject and the COSO framework on a regular basis. For the evaluation of controls a formal mechanism is in place to ensure continuous review of processes and effective existence of required controls.

The management feels confident that through adoption of these measures, the bank's internal control environment is maintained at a satisfactory level.

The Board of Directors endorses the above stated management's evaluation of internal controls.

Risk Management Framework:

All activities of Faysal Bank involve the measurement, evaluation, acceptance and management of some degree of risk, or combination of risks. The most important risk categories that the Bank is exposed to are credit, liquidity, market, operational risk in various forms and reputational risk. A well-established risk governance and ownership structure ensures oversight of, and accountability for, the effective management of risk at all levels under authority delegated by the Board of Directors. It is the responsibility of all officers of the bank to identify, assess, mitigate and manage risk within the scope of their assigned responsibilities. Personal accountability reinforced by the Bank's governance structure and instilled by training, helps to foster a disciplined and constructive culture of risk management and control.

Within Head Office, the Chief Risk Officer's (CRO) function, inter alia, provides high-level centralized oversight and management of credit risk. Its responsibilities include:

- Formulating credit policy.
- Guiding the Bank's business units on the Bank's appetite for, and attitude towards credit risk exposure to specified market sectors, activities and banking products.
- Management and oversight of exposures to certain higher-risk sectors and close monitoring of exposure to others.
- Undertaking independent review and assessment of risk.
- Monitoring performance and management of client group portfolios.

- Establishing and maintaining Bank's policy on large credit exposures, ensuring that concentrations of exposure by counterparty, sector or geography do not become excessive in relation to the Bank's capital base and remain within internal and regulatory limits.
- Maintaining and developing the Bank's risk rating framework and systems, to classify exposures meaningfully and enable focused management of the risks involved, giving and directing credit risk management systems initiatives.
- Special focus to problem exposures, which are subject to more frequent and intensive review and reporting, in order to accelerate remedial action.

Holding Company:

Ithmaar Bank B.S.C., an Islamic Retail Bank listed in Bahrain and Kuwait is the holding company of Faysal Bank Limited. Dar Al-Maal Al-Islami Trust is the ultimate parent of the bank.

Subsidiary Company:

Faysal Bank has one subsidiary Faysal Management Services (Pvt.) Limited (FMSL) with 60% holding.

In 2010 FMSL earned profit before tax of Rs. 12.43 million (2009: Rs. 19.9 million), whereas profit after tax amounted to Rs. 9.41 million (2009: Rs. 12.9 million), FMSL declared dividends of Rs. 13.1 million (2008: Rs. 13.9 million) during the year. During the year the board of directors of FMSL has decided to voluntary wind up the company and they have resolved to initiate proceedings under the Companies Ordinance, 1984 in this regard.

Board Meetings and Attendance:

Details about the number of Board meetings and attendance by directors during the year 2010 have been appended separately as part of corporate information.

Auditors:

The present auditors, Messrs A. F. Ferguson & Co. Chartered Accountants, retire. As per Code of Corporate Governance they are eligible for reappointment. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of Messrs A. F. Ferguson & Co. Chartered Accountants, as the auditors of the bank for the financial year 2011.

Acknowledgement:

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

for the trust they have reposed in the Bank, I am also grateful to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance and the customers for their patronage. I would also like to express sincere appreciation for the employees of the Bank for their dedication and hard work.

On behalf of the Board of Directors

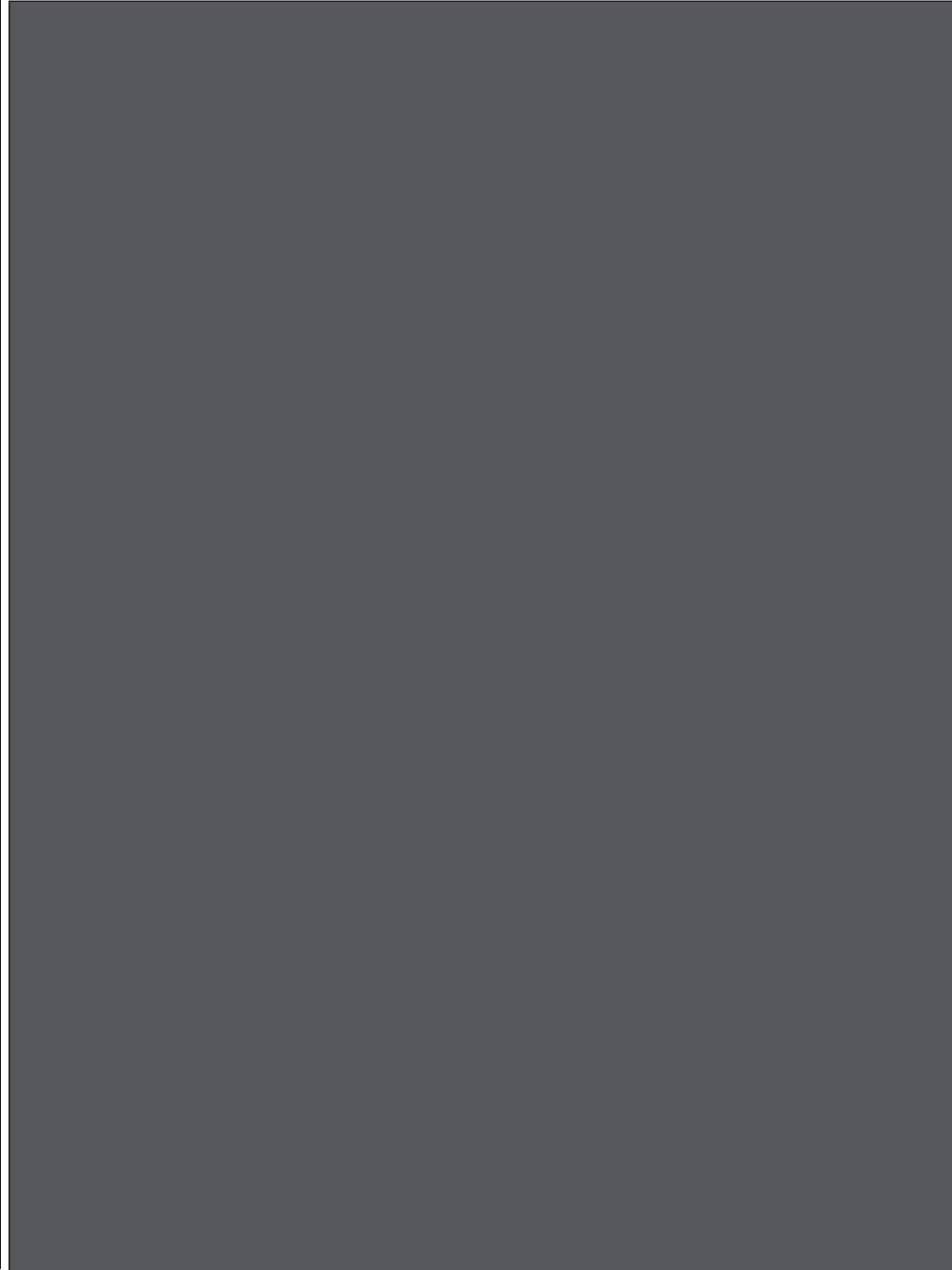


President & CEO
Naved A. Khan

Karachi
Dated: March 29, 2011



The will to go beyond
through twists and turns



Auditors' Report to the Members

We have audited the annexed statement of financial position of Faysal Bank Limited (the bank) as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches, except for twenty one branches, which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. These financial statements incorporate the balances as at December 31, 2010 and results of operations for the period from October 15, 2010 (acquisition date) to December 31, 2010 of the Royal Bank of Scotland Limited (amalgamated with and into the bank with effect from close of business on December 31, 2010) which have been audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the Royal Bank of Scotland Limited is based solely on the report of such other auditors.

It is the responsibility of the bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the bank, we report that:

- (a) in our opinion, proper books of account have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.5 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2010, and its true balance of profit, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other matter

The financial statements of the bank for the year ended December 31, 2009 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 23, 2010.



Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: April 6, 2011
Karachi

Statement of Financial Position

As at December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
ASSETS			
Cash and balances with treasury banks	9	17,428,924	8,427,202
Balances with other banks	10	5,727,909	508,795
Lendings to financial institutions	11	-	15,017,826
Investments	12	86,418,549	56,531,338
Advances	13	133,706,769	91,346,001
Fixed assets	14	8,726,406	2,787,617
Deferred tax assets - net	15	5,017,202	1,279,918
Other assets	16	10,295,164	4,966,716
		267,320,923	180,865,413
LIABILITIES			
Bills payable	17	3,218,859	1,465,451
Borrowings	18	34,635,904	34,985,766
Deposits and other accounts	19	195,315,204	123,655,188
Sub-ordinated loans	20	4,595,395	999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	21	13,037,791	6,977,069
		250,803,153	168,082,674
NET ASSETS			
		16,517,770	12,782,739
REPRESENTED BY			
Share capital	22	7,309,094	6,090,911
Proposed shares to be issued on amalgamation		28,253	-
Reserves	23	7,354,688	4,030,056
Unappropriated profit		1,950,843	1,215,179
		16,642,878	11,336,146
(Deficit) / surplus on revaluation of assets	24	(125,108)	1,446,593
		16,517,770	12,782,739
CONTINGENCIES AND COMMITMENTS			
	25		

The annexed notes 1 to 49 and Annexures I to III form an integral part of these financial statements.



President & Ceo



Director



Director



Director

Faysal Bank Limited

Profit and Loss Account

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
Mark-up / return / interest earned	27	19,710,460	16,957,875
Mark-up / return / interest expensed	28	13,919,256	11,967,885
Net mark-up / interest income		5,791,204	4,989,990
Provision against non-performing loans and advances - net	13.4	1,906,379	1,966,414
Reversal of provision for consumer loans - general	13.5	(89,730)	(26,723)
Provision for diminution in the value of investments - net	12.3	287,255	252,192
Bad debts written off directly	13.7	97,920	-
		2,201,824	2,191,883
Net mark-up / interest income after provisions		3,589,380	2,798,107
Non mark-up / interest income			
Fee, commission and brokerage income		1,140,802	885,124
Dividend income		334,885	667,926
Income from dealing in foreign currencies		518,618	400,477
Gain on sale of securities	29	1,339,817	824,621
Unrealized gain / (loss) on revaluation of investments classified as held for trading		67,967	(45,674)
Other income	30	610,249	80,591
Total non mark-up / interest income		4,012,338	2,813,065
		7,601,718	5,611,172
Non mark-up / interest expenses			
Administrative expenses	31	6,644,072	4,284,086
Other provisions / (reversals) - net	16.2	61,777	(6,444)
Other charges	32	68,815	33,029
Total non mark-up / interest expenses		6,774,664	4,310,671
		827,054	1,300,501
Extraordinary / unusual Items		-	-
Profit before taxation		827,054	1,300,501
Taxation - Current	33	239,124	1,157,443
- Prior years	33	191,736	2,823,492
- Deferred	33	(794,135)	(3,880,593)
		(363,275)	100,342
Profit after taxation		1,190,329	1,200,159
Basic earnings per share - Rupees	34	1.63	1.64

The annexed notes 1 to 49 and Annexures I to III form an integral part of these financial statements.


President & Ceo


Director


Director


Director

Statement of Comprehensive Income

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
Profit for the year	1,190,329	1,200,159
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale securities	(1,737,877)	927,792
Deferred tax asset / (liability) on revaluation of available for sale securities	166,176	(117,320)
	(1,571,701)	810,472
Total comprehensive income for the year	(381,372)	2,010,631

The annexed notes 1 to 49 and Annexures I to III form an integral part of these financial statements.



President & Ceo



Director



Director



Director

Cash Flow Statement

For the year ended December 31, 2010

Note	2010 Rs ,000	2009 Rs ,000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	827,054	1,300,501
Less: dividend income	(334,885)	(667,926)
	<u>492,169</u>	<u>632,575</u>
Adjustments for:		
Depreciation	660,631	513,839
Amortisation	157,251	96,838
Workers Welfare Fund	16,879	-
Provision against non-performing loans and advances - net	1,906,379	1,966,414
Reversal of provision for consumer loans - general	(89,730)	(26,723)
Provision for diminution in value of investments	287,255	252,192
Provision / (reversal) for other assets	61,777	(6,444)
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(67,967)	45,674
Net profit on sale of property and equipment	(28,709)	(5,788)
Fixed assets written off	21,803	-
Bad debts written off directly	97,920	-
Finance charges on leased assets	-	22
	<u>3,023,489</u>	<u>2,836,024</u>
	<u>3,515,658</u>	<u>3,468,599</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	16,218,809	(11,856,425)
Held for trading securities	(2,087,123)	(1,410,590)
Advances	(7,517,841)	(9,773,624)
Other assets (excluding advance taxation)	(583,787)	(1,673,348)
	<u>6,030,058</u>	<u>(24,713,987)</u>
Increase / (decrease) in operating liabilities		
Bills payable	650,383	(71,066)
Borrowings	(4,492,957)	21,945,126
Deposits and other accounts	4,862,373	20,878,395
Other liabilities (excluding current taxation)	701,388	132,746
	<u>1,721,187</u>	<u>42,885,201</u>
	<u>11,266,903</u>	<u>21,639,813</u>
Income tax paid	(2,385,005)	(3,777,815)
Net cash generated from operating activities	<u>8,881,898</u>	<u>17,861,998</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	297,473	(23,588,302)
Net investment in held to maturity securities	(935,365)	5,250,017
Net cash inflow on acquisition	2,743,998	-
Dividends received	311,001	645,201
Investment in operating fixed assets	(542,870)	(782,371)
Proceeds realised on disposal of operating fixed assets	175,840	36,843
Net cash generated from / (used in) investing activities	<u>2,050,077</u>	<u>(18,438,612)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	3,003,359	(400)
Payments of lease obligations	-	(4,125)
Dividends paid	645	(340)
Net cash generated from / (used in) financing activities	<u>3,004,004</u>	<u>(4,865)</u>
Increase / (decrease) in cash and cash equivalents	<u>13,935,979</u>	<u>(581,479)</u>
Cash and cash equivalents at beginning of the year	9,214,447	9,795,926
Cash and cash equivalents at end of the year	<u>23,150,426</u>	<u>9,214,447</u>

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The annexed notes 1 to 49 and Annexures I to III form an integral part of these financial statements.



President & Ceo



Director



Director



Director

Statement of Changes in Equity

For the year ended December 31, 2010

	Share capital	Proposed shares to be issued on amalgamation	Reserves					Total	Unappropriated profit	Total
			Capital			Statutory reserve	Revenue			
			Reserve for issue of bonus shares	Non-Distributable Capital Reserve - gain on bargain purchase	Reserve arising on amalgamation		Capital market reserve			
Rupees ,000										
Balance as at January 1, 2009	5,296,445	-	-	-	-	3,400,481	389,542	3,790,023	1,049,519	10,135,987
Transfer to reserve for issue of bonus shares	-	-	794,466	-	-	-	-	794,466	(794,466)	-
Bonus shares issued	794,466	-	(794,466)	-	-	-	-	(794,466)	-	-
Profit after tax for the year ended December 31, 2009	-	-	-	-	-	-	-	-	1,200,159	1,200,159
Transfer to statutory reserve	-	-	-	-	-	240,033	-	240,033	(240,033)	-
Balance as at December 31, 2009	6,090,911	-	-	-	-	3,640,514	389,542	4,030,056	1,215,179	11,336,146
Reversal of deferred tax liability on leased assets relating to prior years - note 15.1	-	-	-	-	-	-	-	-	765,052	765,052
Balance as at January 1, 2010	6,090,911	-	-	-	-	3,640,514	389,542	4,030,056	1,980,231	12,101,198
Transfer to reserve for issue of bonus shares	-	-	1,218,183	-	-	-	-	1,218,183	(1,218,183)	-
Bonus shares issued	1,218,183	-	(1,218,183)	-	-	-	-	(1,218,183)	-	-
Transfer to unappropriated profit	-	-	-	-	-	-	(389,542)	(389,542)	389,542	-
Proposed shares to be issued on amalgamation (note 8.5.2)	-	28,253	-	-	-	-	-	-	-	28,253
Reserve arising on acquisition and amalgamation of non-controlling interest in the RBS (note 8.5)	-	-	-	-	23,952	-	-	23,952	-	23,952
Gain on bargain purchase (notes 8.2 and 8.4)	-	-	-	3,299,146	-	-	-	3,299,146	-	3,299,146
Profit after tax for the year ended December 31, 2010	-	-	-	-	-	-	-	-	1,190,329	1,190,329
Transfer to statutory reserve (note 23.1)	-	-	-	-	-	391,076	-	391,076	(391,076)	-
Balance as at December 31, 2010	7,309,094	28,253	-	3,299,146	23,952	4,031,590	-	7,354,688	1,950,843	16,642,878

The annexed notes 1 to 49 and Annexures I to III form an integral part of these financial statements.



President & Ceo



Director



Director



Director

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

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 Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in Corporate, Commercial and Consumer banking activities. The Bank has a network of 226 branches (2009: 133); including 13 Islamic banking branches (2009: 6); and operates 2 sub-branches (2009: Nil).

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

Ithmaar Bank B.S.C., a Bahrain based retail bank, is the parent company of the Bank, holding, directly and indirectly through subsidiaries 66.94% of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMI), (ultimate parent of the Bank) is the holding company of Ithmaar Bank B.S.C. The DMI group owns and operates an international network of Islamic banks and investment and insurance companies.

- 1.2 During the year the Bank had acquired the Pakistan operations of the Royal Bank of Scotland of Pakistan (RBS). Consequent to this acquisition and under the scheme of amalgamation approved by the shareholders and the State Bank of Pakistan, the operations of the RBS have been amalgamated and vested into the Bank with effect from the close of business on December 31, 2010. The detailed disclosure relating to this transaction is given in note 8 to these financial statements.
- 1.3 In accordance with BSD Circular No. 30 dated November 25, 2008 issued by the State Bank of Pakistan (SBP), the Bank is required to maintain a Capital Adequacy Ratio (CAR) of at least 10% at December 31, 2010. However, as at December 31, 2010 the CAR of the Bank was 9.95% and is therefore lower than the prescribed requirement by 0.05%. The SBP vide its letter No. BSD/BAI-3/615/4097/2010 dated April 5, 2011 has granted post facto exemption to the Bank in meeting the CAR till March 31, 2011.
- 1.4 Based on the financial statements of the Bank for the year ended December 31, 2009, the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' and the short term rating as 'A1+'.

2. BASIS OF PRESENTATION

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

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes only. Inter branch transactions and balances have been eliminated. In accordance with the directives issued by the SBP, the statement of financial position and profit and loss account of Islamic banking branches are disclosed in Annexure III to these financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives issued by the SECP and SBP shall prevail.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

- 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 deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. 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 annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by SBP.
- 3.4** 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, the Surplus / (Deficit) on Revaluation of Available for sale (AFS) Securities only, 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 these financial statements.
- 3.5 Changes in accounting policies and disclosures - Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

i That have an impact on the Bank's financial statements

- (a)** IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are to be expensed as per the revised IFRS 3.

The revised standard was applied to the acquisition of the controlling interest in Royal Bank of Scotland (RBS) on October 15, 2010. Acquisition-related costs of Rs 38.957 million have been recognised in the profit and loss account, which previously would have been included in the consideration for the business combination. The Bank has chosen to recognise the non-controlling interest at the proportionate share of net assets of RBS of Rs 52 million rather than at its fair value. Detailed disclosures in respect of the business combination are presented in note 8 to these financial statements. The application of revised IFRS 3 would have had no impact on profit and loss account of the Bank if the bargain purchase gain would have also been recognised in the profit and loss account as required under IFRS 3. However, consequent to the decision of the SBP, the bargain purchase gain has been credited to equity. As required under IFRS 3 the acquisition cost amounting to Rs. 38.957 million has been charged to the profit and loss account.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

ii That do not have an impact on the Bank's financial statements

The following new and amended standards and interpretations have been published and are mandatory for the first time for the financial year beginning January 1, 2010:

- (a) IAS 1 (amendment), 'Presentation of financial statements',. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.
- (b) IAS 7 (amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Bank's financial statements.
- (c) IAS 27 (revised), 'Consolidated and Separate Financial Statements', applicable for financial years beginning on or after July 1, 2009 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the profit and loss account. The standard also requires that the profit or loss and each component of other comprehensive income is attributable to the equity holders of the parent entity and to the minority interest (referred to as non-controlling interest) even if this results in the non-controlling interests having a deficit balance. The resultant impacts of the revised standard have been considered and applied on the consolidated financial statements of the Bank and its subsidiary.
- (d) IAS 36 (amendment), 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments', (that is, before the aggregation of segments with similar economic characteristics). The amendment is not expected to have any impact on the Bank's financial statements.
- (e) IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from January 1, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 fi Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.
- (f) IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale', (effective on or after January 1, 2010). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The management of the Bank believes that presently this standard does not have any impact on these financial statements.
- (g) IFRIC 17, 'Distribution of non-cash assets to owners', (effective on or after July 1, 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The management of the Bank believes that presently this interpretation does not have any impact on the Bank's financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

- (h) IFRIC 18, „Transfers of assets from customers,, effective for transfer of assets received on or after July 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The management of the Bank believes that presently this interpretation does not have any impact on the Bank's financial statements.
- (i) The Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006. During the current year the Bank has adopted the IFAS 1. In accordance with IFAS 1, murabaha transactions entered into by the Bank are accounted as follows:
- Murabaha receivable shall be recorded at the invoiced amount.
 - Inventories remaining unsold with the Bank on the reporting date shall constitute Bank's inventory and shall be valued in accordance with the IAS 2: „Inventories,, and shown under „Other Assets,,.
 - In case the inventories were acquired by the Bank for a customer who has eventually defaulted on his promise to purchase the inventories, it shall be valued in accordance with the IAS 2.
 - Purchases and sales under Murabaha and the resultant profit should be accounted for on the culmination of Murabaha transaction. However, the profit on that portion of sales revenue not due for payment should be deferred by accounting for by a debit to „Unearned Murabaha Income,, account with the corresponding impact to „Deferred Murabaha Income,, account and is shown as a liability.
- (j) There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

3.6 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the Bank's accounting period beginning on or after January 1, 2011.

- (a) IAS 1, „Presentation of financial statements' (effective from January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is not likely to have any impact on the Bank's financial statements.
- (b) IAS 24 (revised), „Related party disclosures,, issued in November 2009. It supersedes IAS 24, „Related party disclosures,, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Bank is currently in process of assessing the impact, if any, of the revised standard on the related party disclosures.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

- (c) IFRIC 14 (amendment), „Prepayments of a minimum funding requirement,,. The amendments correct an unintended consequence of IFRIC 14, „IAS 19 fi The limit on a defined benefit asset, minimum funding requirements and their interaction,,. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Bank is currently in the process of assessing the impact, if any, of the amendment on the financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011, but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments and derivative financial instruments have been marked to market and are carried at fair value.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgments in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 41 to these financial statements.

6. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise specified.

7.1 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Bank's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account. However, as more fully described in note 8.4 to these financial statements, the gain on bargain purchase arising on acquisition made in the current period has been recognised directly in equity as per the directive of the SBP.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account.

Acquisition of non-controlling interests (NCI) is measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Bank. The excess of fair value of consideration transferred over the proportionate share of the NCI in the fair value of the net assets acquired is recognised in equity.

7.2 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, if any, call money lendings and overdrawn nostro accounts.

7.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued over the period of the contract and recorded as an expense.

(b) Purchase of securities under repurchase agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in lendings. These transactions are accounted for on the settlement date. The difference between the purchase and contracted resale price is accrued over the period of the contract and recorded as income.

7.4 Investments

The Bank classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements, or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

(b) Held to maturity

These are securities with fixed or determinable payments and maturity that the Bank has a positive intent and ability to hold to maturity.

(c) Available for sale

These are investments, other than those, in subsidiaries and associates, that do not fall under either held for trading or held to maturity categories.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment. Investments other than those recognised as held for trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs associated with the transactions are expensed in the profit and loss account.

In accordance with the requirements of the State Bank of Pakistan (SBP), quoted securities, other than those classified as held to maturity and investments in subsidiaries and associates, are subsequently stated at market values. Investments classified as held to maturity are carried at cost whereas investments in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Surplus / deficit arising on revaluation of quoted securities classified as 'available for sale' is included in the statement of comprehensive income but is kept in a separate account shown in the statement of financial position below equity. The surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading' is taken to the profit and loss account.

Impairment loss in respect of investments classified as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of term finance certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the statement of financial position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Gain or loss on sale of investments is included in the profit and loss account currently.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using the effective interest method.

7.5 Advances

Loans and advances

Advances are stated net of specific and general provisions. Specific and general provisions for advances are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Bank determines write-offs in accordance with the criteria prescribed by SBP vide BPRD Circular No. 06 of 2007 dated June 05, 2007.

Net investment in finance lease

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

Murabaha

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sell to the client / customer a shariah compliant asset / goods for cost plus a pre-agreed profit. In principle on the basis of an undertaking (promise to purchase) from the client, the Bank purchases the goods / assets subject of the Murabaha from a third party and takes the possession thereof. However, the Bank can appoint the client as its agent to purchase the goods / assets on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Murabaha transactions are accounted for at gross receivable net of specific and general provisions. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time.

7.6 Fixed assets and depreciation

(a) Tangible assets - owned

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold and leasehold land which are stated at cost.

Depreciation on operating fixed assets (excluding land which is not depreciated) is charged using the straight line method in accordance with the rates specified in note 14.2 to these financial statements after taking into account residual value, if significant. The asset's residual values and useful lives are reviewed and adjusted, if required, at each balance sheet date. Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the profit and loss account in the period in which they arise.

(b) Tangible assets - leased

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments, if any, under operating leases are charged to income on a straight line basis over the lease term.

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to the future periods.

The finance charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

(c) Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

(d) Intangibles

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged applying the straight-line method over the useful life of the assets. Amortisation is calculated so as to write-off the assets over their expected economic lives at rates specific in note 14.3 to these financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed off. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any. Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which they arise.

7.7 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. Such reversals are only made to the extent that the asset's carrying amount does not exceed the amount that would have been determined if no impairment loss had been recognised.

7.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or below equity / other comprehensive income, in which case it is recognised in equity or below equity / other comprehensive income.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. The charge for current tax also includes adjustments relating to prior years, if necessary, arising from assessments finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS-12) dealing with income taxes.

7.9 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

7.10 Staff retirement benefits

a) Defined contribution plan

The Bank operates a contributory provident fund for all its permanent employees to which equal monthly contributions at the rate of 10 percent of basic salary are made by both the Bank and the employees.

b) Defined benefit scheme

The Bank operates an approved funded gratuity scheme for all its permanent employees and employees who are on contractual service and are employed under non-management cadre who complete the prescribed eligibility period of service. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Cumulative net unrecognized actuarial gains and losses at the end of the last reporting year are recognised over the expected average remaining working lives of the employees.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

7.11 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method, to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of the asset.

7.12 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the year in which they are approved / transfers are made.

7.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis except that mark-up income / interest / return on non-performing advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the State Bank of Pakistan, except where, in the opinion of the management, it would not be prudent to do so.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned finance income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in lease.
- Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Gains / losses on termination of lease contracts, documentation charges, front-end fee and other lease income is recognised as income when they are realised.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.
- Fee, brokerage and commission on letters of credit / guarantee and others is recognised on time proportion basis.
- Financial advisory fee is recognised when the right to receive the fee is established.
- Other income is recognised on accrual basis.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

7.14 Foreign currencies

(a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevailing at the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts are valued at rates determined with reference to their respective maturities. Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on contracts with the SBP is amortised over the term of the contract.

(b) Translation gains and losses

Translation gains and losses are included in the profit and loss account.

7.15 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the reporting date.

7.16 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

7.17 Financial instruments

Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits, liabilities against assets subject to finance lease and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. All derivative financial instruments are carried as assets when fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Bank has a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

7.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

7.19 Segment reporting

Segment reporting is based on operating (business) segments of the Bank. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. An operating segment's operating results are reviewed regularly by the President / Chief Executive Officer, which have been presented according to the functional basis and the guidance of SBP, to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available. These have been presented as per the Bank's functional structure and guidance of SBP. The segments of the Bank are as follows:

(a) Business Segments

Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatisation, securitisation, Initial Public Offers (IPOs) and secondary private placements.

Trading and Sales

It includes fixed income, equity, foreign exchanges, funding, own position securities, lending and repos.

Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and agriculture sector. It includes loans, deposits, other transactions and balances with retail customers.

Commercial banking

This includes strategic partnership with corporate and SME sector entities to provide working capital financing, trade financing and cash management services, project finance, export finance, leasing, lending, guarantees, bills of exchange and deposits.

(b) Geographical segment

The operations of the Bank are currently based only in Pakistan.

8. BUSINESS COMBINATION

- 8.1 During the year the Bank has acquired the Pakistan Operations of The Royal Bank of Scotland Limited [a listed commercial bank engaged in commercial, consumer and corporate banking activities] (the RBS). The Bank acquired the majority shareholding of 99.37% of the RBS for cash consideration of approximately Euro 41 million on the acquisition date of October 15, 2010 and the RBS became a subsidiary of the Bank as at the aforementioned date.

The Bank has acquired the operations of the RBS to capture the returns skewed towards larger banks. The management believes that the acquisition of the RBS is a materialization of the Bank's strategy for larger customer base and profit growth (both organically and through acquisition). The management further believes that the acquisition will translate synergies in the areas of customer franchise, cost saving, people and technology.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Subsequent to the above acquisition, the Pakistan operations of the RBS have been amalgamated and vested into the Bank with effect from the close of business on December 31, 2010. The proposal for the amalgamation and the scheme of amalgamation were approved by the Board of Directors and the shareholders of the Bank in their meetings held on October 15, 2010 and November 10, 2010 respectively. The State Bank of Pakistan through its letter BPRD (R&P-02)/625-99/2010/10601 dated December 29, 2010 had also approved the scheme of amalgamation and granted sanction order for the amalgamation of the RBS with and into the Bank.

Pursuant to the aforementioned approvals and scheme of amalgamation duly approved by the State Bank of Pakistan, the entire undertaking of the RBS including all the properties, assets and liabilities and the rights and obligations stand amalgamated with and vested into the Bank as at December 31, 2010 (closing of business). Accordingly the assets and liabilities included in the statement of financial position also include balances of the RBS.

In consideration for the amalgamation and as per the scheme of amalgamation, the Bank intends to allot 1,812,250 fully paid ordinary shares subsequent to the year ended December 31, 2010 to the shareholders of the RBS for the acquisition of non-controlling interest, which will rank pari passu with the existing shares of the Bank. The shares proposed to be issued by the Bank are as under:

	Note	Rs ,000
Proposed shares to be issued on amalgamation	8.5.1	<u>28,253</u>

8.2 Acquisition of controlling interest

The acquisition has been accounted for by applying the purchase method in accordance with the requirements of IFRS 3 (revised) 'Business Combinations'. The cost of the acquisition has been measured at the fair value of the consideration given. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date. The excess of the fair value of the Bank's share of the identifiable net assets acquired over the cost of acquisition has been recorded as gain on bargain purchase in the financial statements of the Bank.

Details of the purchase consideration given, fair values of the net assets acquired and gain on bargain purchase are as follows:

	Note	Rs ,000
Fair value of identifiable net assets of RBS as on October 15, 2010	8.3	8,343,022
Percentage of identifiable net assets acquired		<u>99.37%</u>
Fair value of identifiable net assets of RBS acquired as on October 15, 2010		8,290,461
Less: Purchase consideration paid in cash		<u>(4,991,315)</u>
Gain on bargain purchase	8.4	<u>3,299,146</u>
Acquisition-related costs (included in administrative expenses in the profit and loss account for the year ended December 31, 2010)		<u>38,957</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

8.3 The fair values and carrying amounts of identifiable assets and liabilities of RBS at the date of acquisition are as follows:

	Note	Acquiree's carrying amounts as on October 15, 2010	Fair value adjustments / intangible recognised	Fair values as on October 15, 2010
----- Rupees ,000 -----				
Cash and balances with treasury banks		5,847,882	-	5,847,882
Balances with other banks		1,897,428	-	1,897,428
Lendings to financial institutions		1,510,499	-	1,510,499
Investments		29,372,673	-	29,372,673
Advances		38,415,096	(1,415,701)	36,999,395
Operating fixed assets (includes intangibles held in the books of RBS)		3,681,947	143,501	3,825,448
Intangible assets recognised on acquisition	8.3.1	-	2,557,167	2,557,167
Deferred tax assets - net		2,873,463	(860,685)	2,012,778
Other assets - net		2,259,740	1,237,459	3,497,199
Total assets		85,858,728	1,661,741	87,520,469
Bills payable		1,103,025	-	1,103,025
Borrowings		4,194,598	-	4,194,598
Deposits and other accounts		67,204,987	16,047	67,221,034
Sub-ordinated loans		598,880	(2,285)	596,595
Other liabilities		6,062,195	-	6,062,195
Total liabilities		79,163,685	13,762	79,177,447
		6,695,043	1,647,979	8,343,022

8.3.1 Intangibles acquired in business combination

Consequent to the amalgamation of the RBS with and into the Bank, the Bank has recognised the following intangible asset as at the acquisition date of October 15, 2010.

	October 15, 2010 Rs '000
Customer relationship	2,557,167

This intangible asset comprises of core deposits of the RBS and represents the funding benefit that would be available to the Bank on account of availability of funding through deposit customers rather than from the wholesale or inter-bank markets. This benefit also considers the fact that the economic lifetime of these deposits is longer than their contractual life. Based on this assumption, this intangible asset has been valued using certain valuation techniques and is being amortised keeping in view the life expectancy of the core deposits.

The fair value of this identifiable intangible asset has been determined using an income approach, by an independent valuer. The income approach begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the fair value of the specific asset.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

In applying the income approach, the Bank used the Multiple-period Excess Earnings Method ("MEEM") to determine the value of the above intangibles. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings.

The valuations are based on information at the time of acquisition and the expectations and assumptions that have been deemed reasonable by the Bank's management. It has been assumed that the underlying assumptions or events associated with such assets will occur as projected.

- 8.4** As more fully discussed in note 8.2 to these financial statements, the acquisition of the RBS is a bargain purchase as the fair value of the net assets acquired exceeds the fair value of the consideration paid by the Bank as at the acquisition date. The total gain on bargain purchase arising on the acquisition of the RBS is Rs 3,299.146 million.

Under IFRS 3 (revised) a bargain purchase represents an economic gain, which should be immediately recognised by the acquirer in the profit and loss account. However, IFRS 3 requires the acquirer to ensure that it really does have a gain on bargain purchase and it has used all of the available evidences at the date of acquisition and re-assessed the business combination accounting. In this connection the management has reassessed the business combination accounting and believes that the gain on bargain purchase is primarily arising as a result of special circumstances under which RBS decided to sell international operations particularly Pakistan. However, the amount of bargain purchase gain has not been taken to the profit and loss account as the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011 has advised the Bank to recognise the amount of gain through the statement of changes in equity as 'Non-Distributable Capital Reserve', instead of recognising it in the profit and loss account. The SBP has further advised the Bank that this gain may become available for distribution as stock dividend to shareholders of the Bank after incorporating the adjustment, if any, recommended by the Banking Inspection Division of the SBP in the acquired portfolio of the RBS (which will be adjusted against this reserve) and with the prior approval of the SBP. The SBP letter also specifies that the requirement of creating statutory reserve under section 21 of the Banking Companies Ordinance, may not be applicable on this amount.

8.5 Acquisition of non-controlling interest

As at the date of acquisition the purchase of non-controlling interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Bank, as allowed under the requirements of IFRS 3. The management, at the date of amalgamation, has incorporated the share of NCI's post acquisition results of the RBS in the proportionate share of the NCI determined as at the acquisition of the RBS (the adjusted balance). The excess of the fair value of equity shares proposed to be issued and the adjusted balances of the NCI amounting to Rs.23.952 million has been recognised as part of the equity (shown separately as 'Reserve arising on amalgamation').

- 8.5.1** The fair value of the shares proposed to be issued to the shareholders of the RBS is based on the published quoted price of the shares of the Bank as at December 31, 2010.

- 8.6** The fair value of the gross contractual receivables representing advances, lendings and investments that include Market Treasury Bills, Pakistan Investment Bonds, Sukuks and Term Finance Certificates as at the acquisition date amounts to Rs 67,853 million. Gross contractual amounts for the aforementioned receivables due is Rs 77,500 million. The management believes that out of the total gross contractual receivables, a gross contractual amount of Rs 11,896 million is expected to be uncollectable.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

- 8.7 The acquired operations of the RBS have contributed mark up and non-mark up income of Rs 2,563.040 million and loss after tax of Rs 8.381 million during the period from October 16, 2010 to December 31, 2010. Had the acquisition of the RBS occurred and been accounted for on January 1, 2010, the results of the RBS would have contributed mark up and non-mark up income of Rs 10,909.668 million and loss after taxation of Rs 2,002.480 million in the results of the Bank. The details of the loss after taxation which pertains to the operations of the RBS for the period from October 16, 2010 to December 31, 2010 are as under:

	For the period from October 16, 2010 to December 31, 2010 Rs ,000
Mark-up / return / interest earned	1,866,678
Mark-up / return / interest expensed	(1,165,793)
Net mark-up / return / interest income	700,885
Provision against loans and advances - net	(111,028)
Reversal of provision for consumer loans - general	18,745
Bad debts written off directly	(97,920)
	(190,203)
Net mark-up / return / interest after provisions	510,682
NON MARK-UP / RETURN / INTEREST INCOME	
Fee, commission and brokerage income	144,988
Dividend income	918
Income from dealing in foreign currencies - net	67,794
Gain on sale of securities - net	112
Other income	482,550
Total non mark-up / return / interest income	696,362
	1,207,044
NON MARK-UP / RETURN / INTEREST EXPENSES	
Administrative expenses	(1,192,718)
Other provisions / write offs	708
Other charges	(15,715)
Total non mark-up / return / interest expenses	(1,207,725)
Loss before taxation	(681)
Taxation - Current	(27,916)
- Deferred	20,216
	(7,700)
Loss after taxation	(8,381)

These amounts are included in the respective heads of income and expenses as included in the profit and loss account.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
9 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		3,202,543	1,784,440
- foreign currencies		479,829	324,187
With the State Bank of Pakistan in			
- local currency current account	9.1	8,572,050	4,367,938
- foreign currency current account	9.2	1,041,817	365,765
- foreign currency deposit account	9.3	3,084,020	1,145,480
With the National Bank of Pakistan in			
- local currency current account		1,044,505	431,642
National Prize Bonds		4,160	7,750
		<u>17,428,924</u>	<u>8,427,202</u>

9.1 This represents local currency current account maintained with the SBP as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in a current account with SBP at a sum not less than such percentage of the Bank's time and demand liabilities in Pakistan as may be prescribed.

9.2 This represents cash reserve of 5% maintained with State Bank of Pakistan in US dollars current account on deposits held under the New Foreign Currency Accounts Schedule (FE- 25 deposits) as per BSD Circular No. 9 dated December 03, 2007.

9.3 This represents special cash reserve maintained with SBP in US dollars under the requirements of BSD Circular No. 14 of 2008 dated June 21, 2008 and local USD clearing account maintained with SBP to facilitate USD clearing and 6% special cash reserve requirement on FE-25 deposits maintained by Islamic Banking branches. Profit rates on these balances are fixed on monthly basis by SBP. The SBP has not remunerated any return on these deposits during the current and the last year.

	Note	2010 Rs ,000	2009 Rs ,000
10. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		558,987	120,292
Outside Pakistan			
- Current accounts		2,676,894	388,503
- Deposit accounts	10.1	2,492,028	-
		<u>5,727,909</u>	<u>508,795</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

- 10.1 This represent deposit of USD 29.1 million placed with The Royal Bank of Scotland, UK (RBS PLC) London as margin against interest rate and cross currency derivative contracts entered with RBS PLC. It carries markup rate of 0.18% (2009 : Nil) per annum. The deposit balance will vary according to the outstanding balance of contracts and will be released completely on maturity of last derivative contract in September 2014.

	Note	2010 Rs ,000	2009 Rs ,000
11. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	300,000
Repurchase agreement lendings (Reverse Repo)	11.2	-	14,717,826
		-	<u>15,017,826</u>
11.1 Particulars of lendings to financial institutions			
In local currency		-	<u>15,017,826</u>
11.2 Securities held as collateral against lendings to financial institutions			

	2010			2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees ,000					
Market Treasury Bills	-	-	-	14,717,826	-	14,717,826

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

12. INVESTMENTS

Investments by type and segment are given below while the detailed break down is contained in Annexure I to these financial statements

12.1 Investments by type	Note	2010			2009		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees ,000							
Held for trading securities							
Market Treasury Bills	12.2.1	2,497,865	-	2,497,865	618,471	-	618,471
Fully paid up ordinary shares / certificates of closed end mutual funds	12.2.3	718,952	-	718,952	811,223	-	811,223
Ijara Sukuk Bonds	12.2.3	300,000	-	300,000	-	-	-
		3,516,817	-	3,516,817	1,429,694	-	1,429,694
Available for sale securities							
Market Treasury Bills	12.2.1	44,273,115	10,724,483	54,997,598	14,192,378	17,165,757	31,358,135
Pakistan Investment Bonds	12.2.2	8,587,713	-	8,587,713	5,748,485	97,570	5,846,055
Ijara Sukuk Bonds	12.2.3	1,461,287	-	1,461,287	462,000	-	462,000
Units of open ended mutual funds							
- National Investment (Unit) Trust	12.2.4	420,009	-	420,009	2,671,422	-	2,671,422
- NIT Government Bond Fund		-	-	-	50,000	-	50,000
- NIT Income Fund		50,000	-	50,000	-	-	-
- Faysal Balanced Growth Fund		80,374	-	80,374	80,374	-	80,374
- Faysal Income Growth Fund		200,000	-	200,000	200,000	-	200,000
- Faysal Savings Growth Fund		208,230	-	208,230	207,411	-	207,411
- Faysal Islamic Savings Growth Fund		100,000	-	100,000	-	-	-
- Faysal Money Market Fund		100,000	-	100,000	-	-	-
- PICIC Income Fund		100,000	-	100,000	-	-	-
- AKD Income Fund		826	-	826	-	-	-
- First Habib Income Fund		2,043	-	2,043	-	-	-
- HBL Income Fund		6,064	-	6,064	-	-	-
- IGI Income Fund		2,046	-	2,046	-	-	-
- JS Large Capital Fund		27,888	-	27,888	-	-	-
- JS KSE 30 Index Fund		3,709	-	3,709	-	-	-
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds		5,629,153	-	5,629,153	1,810,932	-	1,810,932
Fully paid up preference shares		415,969	-	415,969	492,677	-	492,677
Sukuk Bonds		-	-	-	85,000	-	85,000
Term finance certificates	12.3.3	1,589,537	-	1,589,537	1,828,288	-	1,828,288
		63,257,963	10,724,483	73,982,446	27,828,967	17,263,327	45,092,294
Held to maturity securities							
Term finance certificates	12.3.4	7,765,875	-	7,765,875	7,127,929	-	7,127,929
Sukuk Bonds	12.3.4	2,707,496	-	2,707,496	2,410,077	-	2,410,077
		10,473,371	-	10,473,371	9,538,006	-	9,538,006
Associate							
Fully paid up ordinary shares of							
- Faysal Asset Management Limited		45,000	-	45,000	45,000	-	45,000
Subsidiary							
Fully paid up ordinary shares of							
- Faysal Management Services (Private) Limited	12.6	108,000	-	108,000	108,000	-	108,000
Investments at cost		77,401,151	10,724,483	88,125,634	38,949,667	17,263,327	56,212,994
Less: Provision for diminution in the value of investments	12.3	(1,495,601)	-	(1,495,601)	(1,140,082)	-	(1,140,082)
Investments (net of provisions)		75,905,550	10,724,483	86,630,033	37,809,585	17,263,327	55,072,912
Surplus / (deficit) on revaluation of held for trading securities - net	12.5	18,883	-	18,883	(49,084)	-	(49,084)
(Deficit) / surplus on revaluation of available for sale securities - net	24	(193,500)	(36,867)	(230,367)	1,535,296	(27,786)	1,507,510
Total investments		75,730,933	10,687,616	86,418,549	39,295,797	17,235,541	56,531,338

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
12.1.1 Strategic Investments		
Available for sale securities - Listed		
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	467,271	238,981
Units of open ended mutual funds	108,262	80,374
Available for sale securities - Unlisted		
Fully paid up ordinary shares	794,250	797,549
Associate	45,000	45,000
Subsidiary	108,000	108,000
	<u>1,522,783</u>	<u>1,269,904</u>
Provision for diminution in the value of investments	(509,285)	(287,903)
	<u>1,013,498</u>	<u>982,001</u>
Surplus on revaluation of available for sale securities	96,873	106,114
	<u>1,110,371</u>	<u>1,088,115</u>

Strategic investments are those which the Bank makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the fulfillment of the requirements prescribed by the SBP in the Prudential Regulations. The overall exposure limit for equity investments prescribed by the SBP does not apply to these investments. Further, as per the SBP instructions in BPD Circular Letter No. 16 of 2006 dated August 01, 2006, investments marked as strategic have a minimum retention period of 5 years from the original purchase date. However, these can be sold before the stipulated period with the prior permission of the SBP.

	Note	2010 Rs ,000	2009 Rs ,000
12.2 Investments by segments			
Federal Government Securities			
- Market Treasury Bills	12.2.1	57,495,463	31,976,606
- Pakistan Investment Bonds	12.2.2	8,587,713	5,846,055
- Ijara Sukuk Bonds	12.2.3	1,761,287	462,000
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units			
- Listed companies / modarabas / mutual funds		5,528,929	1,822,818
- Unlisted companies		972,176	952,337
Fully Paid up Preference Shares			
- Listed companies		315,969	266,427
- Unlisted companies		100,000	226,250
Term Finance Certificates			
- Listed	12.3.4	1,065,122	1,328,168
- Unlisted	12.3.3	8,290,290	7,628,049
Units of Open ended Mutual Funds		1,301,189	3,209,207
Sukuk Bonds	12.3.4	2,707,496	2,495,077
Total investments at cost		<u>88,125,634</u>	<u>56,212,994</u>
Less: Provision for diminution in the value of investments	12.3	(1,495,601)	(1,140,082)
Investments (net of provisions)		<u>86,630,033</u>	<u>55,072,912</u>
Surplus / (deficit) on revaluation of investments classified as held for trading	12.5	18,883	(49,084)
(Deficit) / surplus on revaluation of investments classified as available for sale	24	(230,367)	1,507,510
Total investments		<u>86,418,549</u>	<u>56,531,338</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

- 12.2.1** Market Treasury Bills have tenures of three months to one year. The Bank's yield on these instruments ranges from 12.2% to 13.3% per annum (2009: 11.4% to 13.4% per annum) with maturities up to June 2011.
- 12.2.2** Pakistan Investment Bonds have tenures of 3 to 10 years. The Bank's return on these investments ranges from 4.6% to 14.3% per annum (2009: 4.6% to 13.1% per annum) with maturities from February 2011 to September 2019.
- 12.2.3** Ijara sukuk bonds have tenures of three years with maturities upto November 2013.
- 12.2.4** This represents the investment of the Bank in the units of National Investment (Unit) Trust LOC Holder's Fund (NIUTL). NIUTL is an open end mutual fund managed by the National Investment Trust Limited (NITL). In prior years, the Government of Pakistan (the Government) had issued Letter of Comfort (LOC) to four of its unit holders (including the Bank), guaranteeing a minimum redemption price of Rs. 13.70 per unit. The LOC dated June 30, 2009 issued by the Government had expired on December 31, 2009, and was not extended. Subsequent to the expiry, the Government had communicated a methodology to settle this investment to all investors including the Bank. In accordance with the methodology, all the underlying assets, except for 'Strategic Assets' representing shares of Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL), have been transferred in specie (after charging agreed premium of 2.5%) to the LOC Holder's according to their respective unit holding. Accordingly, during the year, NITL settled 87.61% of NIUTL's units (excluding Strategic Assets representing shares of PSO and SNGPL) by transferring investments in specie. The Bank had recognised a gain of Rs 1,530.607 million upon settlement of these assets which has been included in the profit and loss account of the current year.

It was also agreed that the Strategic Assets representing shares of PSO and SNGPL will be transferred to the NBP at a rate to be determined and agreed by the respective LOC holders' and the cash received from the NBP by the Fund will be paid to the LOC holders'. In this connection, an agreement has been signed between NITL, the Bank and the NBP to facilitate the settlement. The negotiation over the rate at which these Strategic Assets are to be transferred by the Fund to the NBP and consequently to the Bank has been finalized. However, the aforementioned Strategic Assets have not been transferred to the NBP as these were frozen by the Government of Pakistan (Privatization Commission) for sale due to their proposed Privatization. In this connection, the Privatization Commission had arranged a meeting on December 28, 2010 to discuss the matter of transferring the Strategic Assets to the NBP. However, the Privatization Commission has not provided final directions in this context to date.

The Bank had agreed the market value of ±Strategic Assets· as of October 13, 2010 for redeeming its existing units. The management is of the view that since the permission of transfer to NBP of the said ±Strategic Assets· has not yet been granted by the Privatization Commission of Pakistan therefore the value of the Bank's investment representing the ±Strategic Assets· should be classified as investments in the books of the Bank and should be marked to market on the basis of net assets value as on October 13, 2010 as the Bank will receive this amount subsequent to the permission of the Privatization Commission of Pakistan.

	Note	2010 Rs ,000	2009 Rs ,000
12.3	Particulars of provision for diminution in the value of investments		
Opening balance		1,140,082	887,890
Charge for the year	12.3.1	531,941	528,403
Reversals		(244,686)	(276,211)
		287,255	252,192
Provision against investments transferred from amalgamated entity		68,264	-
Closing balance		1,495,601	1,140,082

- 12.3.1** This includes provision of Rs. 162.336 million recognised on account of difference in carrying value and breakup value of DHA Cogen Limited, an investment marked as strategic.

Notes to and Forming Part of the Financial Statements

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	2010 Rs ,000	2009 Rs ,000
12.3.2 Particulars of provision for diminution in the value of investments by type and segment		
Available for sale securities		
Fully Paid up Ordinary Shares / Modaraba Certificates / Certificates of Closed end Mutual Funds		
- Listed companies / modarabas / mutual funds	324,779	196,436
- Unlisted companies	469,094	242,588
Fully Paid up Preference Shares		
- Listed companies	180,562	132,564
Units of Open ended Mutual Funds	19,140	156,425
Term Finance Certificates		
- Listed	4,204	5,919
- Unlisted	342,495	300,000
Held to maturity securities		
Term Finance Certificates		
- Unlisted	80,327	31,150
Sukuk Bonds	75,000	75,000
	1,495,601	1,140,082

12.3.3 This includes Pre IPO investment of 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 has advised the Bank to maintain provision at least at the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. Prior to the issuance of this directive, the Bank had maintained a provision of Rs 300 million as per the earlier relaxation provided by the SBP. The Bank as per the above recent directive has availed the relaxation and maintained a provision of Rs 330 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 year ended December 31, 2010 would have been higher by Rs 170 million and the profit before taxation for the year ended December 31, 2010 would have been lower by Rs 170 million.

12.3.4 The investment portfolio includes the term finance certificates and Sukuk Bonds of Rs 1,117.689 million and Rs 500 million respectively made in the Agritech Limited and Azgard Nine Limited. The impact of relaxation availed by the Bank for maintaining the provision against these investments is disclosed in note 13.4.2 to these financial statements.

12.4 Quality of available for sale securities

The details regarding the quality of available for sale securities and their mark-up / interest and other terms are contained in Annexure I, which forms an integral part of these financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

		2010 Rs ,000	2009 Rs ,000
12.5	Surplus/ (deficit) on revaluation of investments classified as held for trading		
	Market Treasury Bills	(223)	(92)
	Fully paid up ordinary shares / certificates of closed end mutual fund	18,356	(48,992)
	Ijara Sukuk Bonds	750	-
		<u>18,883</u>	<u>(49,084)</u>
12.6	On October 1, 2010, the Board of Directors of Faysal Management Services (Private) Limited (FMSL) [a subsidiary of the Bank in which the Bank has 60% shareholding] has decided to voluntarily wind up the company and accordingly, they have resolved to initiate proceedings of winding up by the members of FMSL under the Companies Ordinance, 1984.		
		Note	2009 Rs ,000
13.	ADVANCES		
	Loans, cash credits, running finances, etc. fi in Pakistan	140,249,441	85,056,738
	Net investment in finance lease fi in Pakistan	8,689,093	11,112,580
		<u>148,938,534</u>	<u>96,169,318</u>
	Bills discounted and purchased (excluding government treasury bills)		
	Payable in Pakistan	645,235	438,472
	Payable outside Pakistan	1,284,440	1,438,480
		<u>1,929,675</u>	<u>1,876,952</u>
	Margin financing / reverse repo transactions	338,200	338,200
	Gross advances	<u>151,206,409</u>	<u>98,384,470</u>
	Provision against non-performing advances	(17,163,067)	(6,848,394)
	Provision against consumer loans - general	(336,573)	(190,075)
	Advances - net of provision	<u>133,706,769</u>	<u>91,346,001</u>
13.1	Particulars of advances (Gross)		
13.1.1	In local currency	146,029,423	94,585,866
	In foreign currencies	5,176,986	3,798,604
		<u>151,206,409</u>	<u>98,384,470</u>
13.1.2	Short term (upto one year)	82,330,096	61,236,117
	Long term (over one year)	68,841,821	37,148,353
		<u>151,171,917</u>	<u>98,384,470</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

13.2 Net investment in finance lease

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees '000							
Lease rentals receivable	4,197,618	2,611,384	-	6,809,002	4,507,793	4,947,192	-	9,454,985
Residual value	988,893	1,939,721	-	2,928,614	938,017	2,337,952	-	3,275,969
Minimum lease payment	5,186,511	4,551,105	-	9,737,616	5,445,810	7,285,144	-	12,730,954
Finance charge for future period	(481,168)	(567,355)	-	(1,048,523)	(820,439)	(797,935)	-	(1,618,374)
Present value of minimum lease payment	4,705,343	3,983,750	-	8,689,093	4,625,371	6,487,209	-	11,112,580

13.3 Advances includes Rs. 24,708 million (2009: Rs. 10,671 million) which have been placed under non-performing status as detailed below:

	2010			2009					
	Domestic	Classified Advances Overseas	Total	Domestic	Provision required Overseas	Total	Domestic	Provision held Overseas	Total
	Rupees '000								
Category of classification									
Other Assets Especially									
Mentioned (Agri financing)	307,671	-	307,671	-	-	-	-	-	-
Substandard	2,684,583	-	2,684,583	646,290	-	646,290	646,290	-	646,290
Doubtful	2,230,321	-	2,230,321	673,490	-	673,490	673,490	-	673,490
Loss	19,485,183	-	19,485,183	15,843,287	-	15,843,287	15,843,287	-	15,843,287
	24,707,758	-	24,707,758	17,163,067	-	17,163,067	17,163,067	-	17,163,067

	2010			2009					
	Domestic	Classified Advances Overseas	Total	Domestic	Provision required Overseas	Total	Domestic	Provision held Overseas	Total
	Rupees '000								
Category of classification									
Other Assets Especially									
Mentioned (Agri financing)	277,202	-	277,202	-	-	-	-	-	-
Substandard	1,756,150	-	1,756,150	334,776	-	334,776	334,776	-	334,776
Doubtful	2,112,776	-	2,112,776	800,237	-	800,237	800,237	-	800,237
Loss	6,524,902	-	6,524,902	5,529,323	-	5,529,323	5,529,323	-	5,529,323
	10,671,030	-	10,671,030	6,664,336	-	6,664,336	6,664,336	-	6,664,336

13.4 Particulars of provision against non-performing advances

	2010			2009		
	Specific	General (excluding consumer loan)	Total	Specific	General (excluding consumer loan)	Total
	Rupees '000					
Opening balance	6,664,336	184,058	6,848,394	4,833,099	58,676	4,891,775
Charge for the year	2,506,791	-	2,506,791	2,570,287	183,382	2,753,669
Transfer from / to general provision - note 13.4.1	184,058	(184,058)	-	-	-	-
Reversals during the year	(600,412)	-	(600,412)	(729,255)	(58,000)	(787,255)
Net charge	2,090,437	(184,058)	1,906,379	1,841,032	125,382	1,966,414
Amounts written off - note 13.7.1	(829)	-	(829)	(9,795)	-	(9,795)
Provision against advances transferred from amalgamated entity	8,409,123	-	8,409,123	-	-	-
Closing balance	17,163,067	-	17,163,067	6,664,336	184,058	6,848,394

Notes to and Forming Part of the Financial Statements

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- 13.4.1** Until last year, in addition to specific provision against loans and advances, the Bank was also maintaining general provision against potential losses on performing loans and finance lease based on management estimate. However, during the period the management has decided that the general provision is no longer required as all loan losses are timely identified and are subjected to provision as required under the Prudential Regulations issued by the State Bank of Pakistan. Accordingly, the balance of provision as at December 31, 2009 has been reversed and transferred to specific provision.
- 13.4.2** During the year, financing facility disbursed to Agritech Limited and Azgard Nine Limited has been restructured / agreed to be restructured as a result of financial difficulties / repayment problems faced by these companies. The State Bank of Pakistan vide its letter no. BSD/BRP-5/X/000197/2011 dated January 6, 2011 has allowed extension for withholding provisioning against the exposure till March 31, 2011, to all those banks who have agreed to reschedule / restructure their exposures against these companies. Had the exemption not been provided by the State Bank of Pakistan, the provision against loans and advances and investments would have been higher by Rs 570.194 million and the profit before taxation for the current year would have been lower by the same amount.
- 13.4.3** Under the revised guidelines issued by the SBP, banks have been allowed to avail the benefit of 40% of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against all non-performing loans for 4 years from the date of classification for calculating provisioning requirement. However, as per the Circular, the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential, commercial and industrial properties would not be available for payment of cash or stock dividend. Under the previous guidelines issued by the SBP which were effective from September 30, 2009, banks were allowed to avail the benefit of 40% of forced sales value of pledged stocks and only mortgaged residential and commercial properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of the SBP, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2010 would have been lower by approximately Rs 227.973 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2010 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs 1,466.175 million (2009: 502.835 million).

13.4.4 Particulars of provision against non-performing advances:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees '000					
In local currency	17,163,067	-	17,163,067	6,664,336	184,058	6,848,394
In foreign currencies	-	-	-	-	-	-
Total	17,163,067	-	17,163,067	6,664,336	184,058	6,848,394

Notes to and Forming Part of the Financial Statements

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	2010 Rs ,000	2009 Rs ,000
13.5 Particulars of provision against consumer loans - general		
Opening balance	190,075	216,798
Reversals during the year	(89,730)	(26,723)
General provision against consumer loans transferred from amalgamated entity	236,228	-
Closing balance	<u>336,573</u>	<u>190,075</u>

13.5.1 General provision against consumer loans represents provision maintained at an amount equal to 1.5 percent of the fully secured regular portfolio of consumer loans and 5 percent of the unsecured regular portfolio of consumer loans as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

13.6 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, 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.

	2010 Rs ,000	2009 Rs ,000
13.7 Particulars of write-offs		
13.7.1 Against provisions	829	9,795
Directly charged to profit and loss account	97,920	-
	<u>98,749</u>	<u>9,795</u>
13.7.2 Write-offs of Rs. 500,000 and above	13,400	9,795
Write-offs below Rs. 500,000	85,349	-
	<u>98,749</u>	<u>9,795</u>

13.8 Details of loan write-offs of Rs 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2010 is given in Annexure - II to these financial statements. However, the write-off of loans does not affect the Bank's right to recover the outstanding loans from these customers.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
13.9 Particulars of loans and advances to directors, associated companies, etc.		
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons *		
Balance at beginning of the year	619,457	504,926
Loans granted during the year	686,229	297,198
Repayments during the year	(406,235)	(182,667)
Balance at end of the year	899,451	619,457
Loans transferred from amalgamated entity	2,440,044	-
	<u>3,339,495</u>	<u>619,457</u>
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members		
Balance at beginning of the year	-	-
Loans granted during the year	1,999,374	-
Repayments during the year	(44,714)	-
Balance at end of year	1,954,660	-
Loans transferred from amalgamated entity	59,508	-
	<u>2,014,168</u>	<u>-</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of the year	802,558	731,564
Loans granted during the year	1,750	72,735
Repayments during the year	(2,113)	(1,741)
Balance at end of the year	802,195	802,558
	<u>802,195</u>	<u>802,558</u>
* These include loans given by the Bank to its employees as per the terms of their employment.		
13.9.1 Maximum total amount of advances (including temporary advances) outstanding at the end of any month during the year		
	2010 Rs ,000	2009 Rs ,000
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons	3,339,495	619,457
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members	2,014,168	-
Debts due by subsidiaries, controlled firms, managed modarabas and other related parties	802,195	802,558
14. FIXED ASSETS		
Capital work-in-progress	187,234	65,033
Tangible fixed assets	5,867,444	2,495,798
Intangible assets	2,671,728	226,786
	<u>8,726,406</u>	<u>2,787,617</u>

Notes to and Forming Part of the Financial Statements

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	2010 Rs ,000	2009 Rs ,000
14.1 Capital work-in-progress		
Civil works	75,627	18,578
Equipments	81,515	20,705
Advances to suppliers and contractors	30,092	25,750
	187,234	65,033

14.2 Tangible fixed assets

	2010									
	COST			ACCUMULATED DEPRECIATION				Book value at December 31, 2010	Rate of Depreciation (%)	
	As at January 1, 2010	Additions / assets transferred from amalgamated entity *	Deletions / Writeoffs **	As at December 31, 2010	As at January 1, 2010	Charge / on assets transferred from amalgamated entity *	Charge on deletions / writeoffs **			As at December 31, 2010
	Rupees ,000									
Freehold land	40,184	-	-	889,173	-	-	-	-	889,173	-
		848,989 *	-			-	-			
Leasehold land	467,764	-	-	1,680,540	19,206	-	-	19,206	1,661,334	-
		1,212,776 *	-			-	-			
Building on freehold land (note 14.2.2)	41,648	-	-	485,424	16,009	29,294	-	83,712	401,712	5
		443,776 *	-			38,409 *	-			
Leasehold property and improvement	1,449,819	72,900	(72)	2,934,377	420,824	169,248	(72)	1,232,414	1,701,963	5 to 20
		1,411,730 *	-			642,414 *	-			
Office furniture, fixtures, equipments and computers	1,873,234	302,277	(26,833)	4,059,982	1,195,151	426,320	(24,725)	2,977,255	1,082,727	20 to 33.33
		2,286,624 *	(375,320)**			1,744,918 *	(364,409)**			
Vehicles	405,410	21,896	(202,874)	284,441	131,071	35,769	(57,851)	153,906	130,535	20
		60,009 *	-			44,917 *	-			
Total Owned	4,278,059	397,073	(229,779)	10,333,937	1,782,261	660,631	(82,648)	4,466,493	5,867,444	
		6,263,904 *	(375,320)**			2,470,658 *	(364,409)**			

Notes to and Forming Part of the Financial Statements

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	2009									
	COST				ACCUMULATED DEPRECIATION				Book value at December 31, 2009	Rate of Depreciation (%)
	As at January 1, 2009	Additions	Deletions / Writeoffs	As at December 31, 2009	As at January 1, 2009	Charge	Charge on deletions / writeoffs	As at December 31, 2009		
	Rupees ,000									
Owned										
Freehold land	40,184	-	-	40,184	-	-	-	-	40,184	-
Leasehold land	417,008	50,756	-	467,764	19,206	-	-	19,206	448,558	-
Building on freehold land (note 14.2.2)	41,648	-	-	41,648	15,431	578	-	16,009	25,639	5
Leasehold property and improvement	1,304,998	144,821	-	1,449,819	292,374	128,450	-	420,824	1,028,995	5 to 20
Office furniture, fixtures, equipments and computers	1,414,953	481,269	(22,988)	1,873,234	882,421	332,139	(19,409)	1,195,151	678,083	20 to 33.33
Vehicles	344,984	113,252	(52,826)	405,410	107,593	52,672	(29,194)	131,071	274,339	20
Total Owned	3,563,775	790,098	(75,814)	4,278,059	1,317,025	513,839	(48,603)	1,782,261	2,495,798	
Assets held under finance lease										
Vehicles	14,830	-	(14,830)	-	10,986	-	(10,986)	-	-	20
Total	3,578,605	790,098	(90,644)	4,278,059	1,328,011	513,839	(59,589)	1,782,261	2,495,798	

14.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 1,416.693 million (2009: Rs. 1,311.674 million).

14.2.2 One of these properties is encumbered to the extent of Rs. 34 million on account of a claim by a local bank in settlement of its second charge.

14.3 Intangible assets

	2010									
	COST				ACCUMULATED AMORTISATION				Book value at December 31, 2010	Rate of amortisation % per annum
	As at January 1, 2010	Additions / assets transferred from amalgamated entity *	Deletions / Writeoffs **	As at December 31, 2010	As at January 1, 2010	Charge / on assets transferred from amalgamated entity *	Charge on deletions / writeoffs **	As at December 31, 2010		
	Rupees ,000									
Computer software	401,784	23,596 306,707	- (31,119) **	700,968	174,998	116,733 274,385	- (20,227) **	545,889	155,079	20 to 33.33
Customer Relationship (note 8.3.1)	-	2,557,167	-	2,557,167	-	40,518	-	40,518	2,516,649	Note 8.3.1
	401,784	23,596 2,863,874	- (31,119) **	3,258,135	174,998	157,251 274,385	- (20,227) **	586,407	2,671,728	

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	COST				ACCUMULATED AMORTISATION				Book value at December 31, 2009	Rate of amortisation % per annum
	As at January 1, 2009	Additions	Deletions / Writeoffs	As at December 31, 2009	As at January 1, 2009	Charge	Charge on deletions / writeoffs	As at December 31, 2009		
	Rupees ,000									
Computer software	233,291	168,493	-	401,784	78,160	96,838	-	174,998	226,786	20 to 33.33
	233,291	168,493	-	401,784	78,160	96,838	-	174,998	226,786	

14.3.1 Intangible assets include fully amortised items still in use having cost of Rs. 293.846 million (2009: Rs. 146.827 million).

14.4 Details of disposal of fixed assets to executives, and other persons having cost of more than Rs. 1 million or net book value of Rs. 250,000 or above are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of purchaser / addresses
	(Rupees ,000)					
Owned - Vehicles						
Mercedes Benz	3,627	2,466	1,161	1,306	As per Bank's policy	Mr. Ahmed Kamran - Executive
Toyota Parado	2,591	1,693	898	933	As per Bank's policy	Mr. Arif Hassan Khan - Ex-executive
Honda Civic VTEC	1,754	281	1,473	1,550	As per Bank's policy	Mr. Muhammad Asghar Qureshi - Executive
Honda Civic VTEC	1,754	304	1,450	1,450	As per Bank's policy	Mr. Raza Mohsin Qizilbash - Ex-executive
Honda Civic VTEC	1,754	327	1,427	1,450	As per Bank's policy	Mr. Amir Nasib - Executive
Honda Civic VTEC	1,754	327	1,427	1,450	As per Bank's policy	Mr. Syed Nadeem Ahmed - Executive
Honda Civic VTEC	1,752	304	1,448	1,450	As per Bank's policy	Mr. Ali Waqar - Executive
Honda Civic VTEC	1,746	279	1,467	1,550	As per Bank's policy	Mr. Zafar Bashir - Executive
Honda Civic VTEC	1,744	209	1,535	1,550	As per Bank's policy	Mr. Shuja Haider - Executive
Honda Civic VTEC	1,744	233	1,511	1,550	As per Bank's policy	Mr. Ahmad Kamal Uddin - Executive
Honda Civic VTEC	1,744	279	1,465	1,550	As per Bank's policy	Mr. Asad Kerai - Executive
Honda Civic VTEC	1,686	90	1,596	1,676	As per Bank's policy	Mr. Ahmed Anwar Hemani - Executive
Honda Civic VTEC	1,669	134	1,535	1,550	As per Bank's policy	Mr. Shabbir Ahmed - Executive
Honda Civic VTEC	1,669	134	1,535	1,550	As per Bank's policy	Mr. Muhammad Asim - Non-executive
Honda Civic VTEC	1,651	132	1,518	1,550	As per Bank's policy	Mr. Syed M. Haider Ali Jafri - Ex-executive
Honda Civic VTEC	1,651	132	1,518	1,550	As per Bank's policy	Mr. Khalil Ghori - Executive
Honda Civic VTEC	1,610	322	1,288	1,450	As per Bank's policy	Mr. Siraj Ali Mithani - Executive
Honda Civic VTEC	1,570	335	1,235	1,450	As per Bank's policy	Mr. Akbar A. Ladak - Executive
Honda Civic VTEC	1,570	356	1,214	1,450	As per Bank's policy	Mr. Omar Quraishi - Ex-executive
Honda Civic VTEC	1,570	356	1,214	1,450	As per Bank's policy	Mr. Shahid Salim - Executive
Honda Civic VTEC	1,560	374	1,186	1,450	As per Bank's policy	Mr. Syed Mehdi Haider - Executive
Honda City	1,439	173	1,266	1,266	As per Bank's policy	Ms. Uzma Hashim - Executive
Honda City	1,432	153	1,279	1,279	As per Bank's policy	Mr. Mukhtar Hussain - Ex-executive
Honda City	1,429	133	1,296	1,296	As per Bank's policy	Mr. Akber Amir Ali - Executive
Honda City	1,429	152	1,277	1,277	As per Bank's policy	Mr. Mustapha Lotia - Executive
Honda Civic VTEC	1,413	358	1,055	1,413	As per Bank's policy	Mr. Adnan Riaz - Executive
Toyota Corolla	1,389	148	1,241	1,325	As per Bank's policy	Mr. Muhammad Tahir Bhatti - Executive
Toyota Corolla	1,389	167	1,222	1,325	As per Bank's policy	Ms. Sarah Irfan - Non-executive
Toyota Corolla	1,389	167	1,222	1,325	As per Bank's policy	Ms. Amna Alam - Executive
Honda Civic VTEC	1,380	368	1,012	1,380	As per Bank's policy	Mr. Masoodul Islam Jaffri - Executive
Honda Civic VTEC	1,380	368	1,012	1,380	As per Bank's policy	Mr. Syed Javed Akhtar - Ex-executive
Honda Civic VTI	1,380	386	994	1,380	As per Bank's policy	Mr. Sajjad M. Burney - Executive
Toyota Corolla	1,329	53	1,276	1,329	As per Bank's policy	Mr. Muhammad Abid Rasheed Abbasi - Executive
Toyota Corolla	1,329	71	1,258	1,325	As per Bank's policy	Mr. Irfan Merchant - Executive
Toyota Corolla	1,329	71	1,258	1,325	As per Bank's policy	Mr. Faysal Azim Lehri - Executive
Toyota Corolla	1,329	71	1,258	1,325	As per Bank's policy	Mr. Shakil Ahmed - Executive
Honda City	1,329	124	1,205	1,250	As per Bank's policy	Mr. Aneeq Malik - Executive
Honda City	1,327	88	1,238	1,327	As per Bank's policy	Mr. Barney Sarfraz - Executive
Honda City	1,325	71	1,254	1,325	As per Bank's policy	Mr. Mustafa Kamal - Executive
Honda City	1,325	71	1,254	1,325	As per Bank's policy	Mr. Anjum Siddiqui - Ex-executive
Honda City	1,322	88	1,234	1,300	As per Bank's policy	Mr. Muhammad Ozair Baig - Executive
Toyota Corolla	1,322	53	1,269	1,322	As per Bank's policy	Mr. Imran Ali Malik - Executive
Honda City	1,319	123	1,196	1,200	As per Bank's policy	Mr. Sattar Qureshi - Executive
Honda City	1,314	105	1,208	1,250	As per Bank's policy	Ms. Tayyaba Rasheed - Executive
Honda City	1,314	105	1,208	1,250	As per Bank's policy	Mr. Shamoon Rasheed - Executive
Honda City	1,314	105	1,208	1,250	As per Bank's policy	Mr. Imran Siraj Khan - Executive

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For the year ended December 31, 2010

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of purchaser / addresses
	(Rupees ,000)					
Honda Civic	1,300	641	659	659	As per Bank's policy	Mr. Ali Raza - Executive
Toyota Corolla	1,239	66	1,173	1,239	As per Bank's policy	Ms. Sara Irfan - Executive
Honda Civic	1,238	792	446	446	As per Bank's policy	Mr. Jamil Irshad - Ex-executive
Honda Civic	1,235	807	428	445	As per Bank's policy	Mr. Mirza Shauq Hussain - Executive
Honda Civic	1,233	789	444	444	As per Bank's policy	Mr. Afzal Haq - Executive
Honda Civic	1,208	773	435	1,053	Bid	M/s. Car Advisor 608, Showroom No. 2, Fatima Jinnah Road, Karachi.
Honda Civic	1,208	773	435	435	As per Bank's policy	Mr. Irfan A. Khan - Ex-executive
Honda City	1,076	215	861	925	As per Bank's policy	Mr. Muhammad Salman Zaffar - Ex-executive
Honda City	1,071	214	857	925	As per Bank's policy	Mr. Nadeem Shaukat Rathore - Executive
Honda City	1,055	225	830	925	As per Bank's policy	Ms. Rabia Salahuddin - Executive
Toyota Corolla	1,050	252	798	975	As per Bank's policy	Mr. Mohammad Saleem Brar - Executive
Honda City	936	599	337	337	As per Bank's policy	Mr. Aamir Ahmed - Executive
Honda City	934	598	336	336	As per Bank's policy	Mr. Abrar A. Cheema - Executive
Honda City	932	597	336	336	As per Bank's policy	Mr. Qamar Uz Zaman - Executive
Honda City	931	596	335	335	As per Bank's policy	Mr. Zahid Hameed - Executive
Toyota Corolla	925	234	691	925	As per Bank's policy	Mr. Imran Ahmed - Executive
Toyota Corolla	925	247	678	925	As per Bank's policy	Mr. Shahid Rizwan - Executive
Toyota Corolla	910	255	655	910	As per Bank's policy	Mr. Hasan Jamal - Executive
Toyota Corolla	910	255	655	910	As per Bank's policy	Mr. Mateen Wahid - Executive
Toyota Corolla	910	255	655	910	As per Bank's policy	Mr. Muhammad Sabih Qazi - Executive
Toyota Corolla	910	267	643	910	As per Bank's policy	Mr. Muhammad Asim Brar - Executive
Toyota Corolla	910	267	643	910	As per Bank's policy	Mr. Azeem Ahmad - Executive
Honda City	907	580	326	326	As per Bank's policy	Mr. Shahzad Ahsan - Executive
Honda City	905	241	664	905	As per Bank's policy	Mr. Ahsan Noor - Ex-executive
Honda City	905	229	676	905	As per Bank's policy	Mr. Saqib Imam Zaidi - Executive
Honda City	905	229	676	905	As per Bank's policy	Mr. Muhammad Akhtar - Executive
Honda City	905	229	676	905	As per Bank's policy	Mr. Naved Inayet - Executive
Honda City	905	229	676	905	As per Bank's policy	Mr. Rooh Ul Amin - Executive
Honda City	905	229	676	905	As per Bank's policy	Mr. Raja Imran Naseeb - Executive
Honda City	905	241	664	905	As per Bank's policy	Mr. Fahd Jafri - Executive
Toyota Corolla	900	420	480	900	As per Bank's policy	Mr. Pervez I. Khan - Executive
Toyota Corolla	893	262	631	893	As per Bank's policy	Mr. Syed Fuad Ali - Executive
Toyota Corolla	893	312	580	893	As per Bank's policy	Mr. Yameen Ghani - Executive
Toyota Corolla	893	324	568	893	As per Bank's policy	Mr. M. Amjad Idris - Executive
Honda City	885	566	318	318	As per Bank's policy	Mr. M. Zaheer - Executive
Honda City	884	566	318	318	As per Bank's policy	Mr. Faiz Ahmed Mirza - Executive
Honda City	884	625	259	318	As per Bank's policy	Mr. M. Rafiq - Executive
Honda City	884	625	259	834	As per Bank's policy	Mr. M. Faisal Saleem - Non-executive
Suzuki Cultus	884	118	766	766	As per Bank's policy	Mr. Syed Khurram Shehzad Gilani - Executive
Suzuki Cultus	884	118	766	766	As per Bank's policy	Mr. Jamil Ahmad - Non-executive
Suzuki Cultus	884	118	766	766	As per Bank's policy	Mr. Bashir Ahmed Wasan - Executive
Suzuki Cultus	884	141	743	743	As per Bank's policy	Mr. Shahzad Anwer Mian - Executive
Honda Civic	879	387	492	879	As per Bank's policy	Mr. Asim Seth - Ex-executive
Toyota Corolla	879	398	481	879	As per Bank's policy	Mr. Najeeb Ahmed - Executive
Toyota Corolla	879	398	481	879	As per Bank's policy	Mr. Adnan Rashid - Executive
Toyota Corolla	879	422	457	879	As per Bank's policy	Mr. Muhammad Saeed - Ex-executive
Toyota Corolla	879	527	352	966	Bid	Mr. Manzar Nadeem (Individual) House No. B-88, Block No.11, FB Area, Karachi.
Toyota Corolla	879	574	305	316	As per Bank's policy	Mr. Abid Ali - Executive
Honda City	846	496	350	868	Bid	M/s. Car Advisor 608, Showroom No. 2, Fatima Jinnah Road, Karachi.
Suzuki Cultus	814	141	673	675	As per Bank's policy	Mr. Saddam Haider - Non-executive
Suzuki Cultus	814	141	673	675	As per Bank's policy	Mr. Muhammad Zafar Abbas - Executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Khawaja M. Siddik - Non-executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Asifullah Siddiqui - Executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Syed Sohail Akhtar - Executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Adnan Aqeel - Executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Shakeel Raza Shah - Executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Syed Fida Hussain Shah - Executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Mohammad Younis Khan - Ex-executive
Suzuki Cultus	814	152	662	675	As per Bank's policy	Mr. Mohammad Javed - Executive
Suzuki Cultus	795	64	731	790	As per Bank's policy	Mr. Shoab Siddiqui - Executive
Suzuki Cultus	790	42	748	790	As per Bank's policy	Mr. Syed Mohammad Ali Zaidi - Ex-non-executive
Suzuki Cultus	790	42	748	790	As per Bank's policy	Mr. Syed Mahsin Ali Shah - Executive
Suzuki Cultus	790	42	748	790	As per Bank's policy	Mr. Rashid Saleem Choudhry - Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Ms. Sarwat Moiez - Executive

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For the year ended December 31, 2010

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of purchaser / addresses
Suzuki Cultus	790	53	737	790	As per Bank's policy	Mr. Muhammad Moinuddin Khan - Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Mr. Wajahat Naeem - Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Mr. Muhammad Tausif Ul Haq - Non-Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Ms. Arooj Waheed - Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Mr. Rehan Aslam - Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Mr. Zahir Ali Quettawalla - Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Mr. Faisal Shahzada - Executive
Suzuki Cultus	790	53	737	790	As per Bank's policy	Mr. Behram Keeki Irani - Executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Mr. Ahmad Amin - Non-executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Mr. Naveed Zia Tarar - Non-Executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Mr. Muhammad Naeem Akhtar - Non-Executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Mr. Mubashir Mustafa - Executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Mr. Omer Farouq Mukaty - Executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Mr. Muhammad Usman Bajwa - Executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Mr. Syed Asim Imtiaz - Executive
Suzuki Cultus	790	63	727	790	As per Bank's policy	Ms. Naz Saleem - Executive
Suzuki Cultus	785	52	733	785	As per Bank's policy	Mr. Amer Rafique - Executive
Suzuki Cultus	785	52	733	785	As per Bank's policy	Mr. Naveed M. Asad - Executive
Suzuki Cultus	785	52	733	785	As per Bank's policy	Mr. Javed Iqbal - Executive
Suzuki Cultus	754	151	603	675	As per Bank's policy	Mr. Atif Asad Mirza - Executive
Suzuki Cultus	754	151	603	675	As per Bank's policy	Mr. Shoukat Mehboob Malik - Executive
Suzuki Cultus	754	151	603	675	As per Bank's policy	Mr. Amjad Ashraf - Executive
Suzuki Cultus	754	151	603	650	As per Bank's policy	Mr. Hassan Ashraf Cheema - Non-Executive
Suzuki Cultus	754	161	593	675	As per Bank's policy	Mr. Muhammad Khalid Israr - Non-Executive
Suzuki Cultus	704	150	554	675	As per Bank's policy	Mr. Nadeem Ghani - Non-Executive
Suzuki Cultus	704	160	544	675	As per Bank's policy	Mr. Abdul Khalil - Executive
Suzuki Cultus	704	169	535	675	As per Bank's policy	Ms. Sunila Zaidi - Executive
Suzuki Cultus	704	169	535	675	As per Bank's policy	Mr. Ghouri Shahzad - Executive
Suzuki Cultus	682	164	518	650	As per Bank's policy	Mr. Saleem Shoukat Ali - Executive
Suzuki Cultus	682	164	518	650	As per Bank's policy	Ms. Fatima Mustafa - Executive
Suzuki Cultus	682	164	518	650	As per Bank's policy	Ms. Saima Adnan - Executive
Suzuki Cultus	652	165	487	650	As per Bank's policy	Mr. Ahsan Jamal - Executive
Suzuki Cultus	652	165	487	650	As per Bank's policy	Mr. Dharmendar Kumar - Executive
Suzuki Cultus	652	165	487	650	As per Bank's policy	Mr. Khalid Ali Khan Afridi - Executive
Suzuki Cultus	652	174	478	650	As per Bank's policy	Mr. Haroon Saleem - Ex-executive
Suzuki Cultus	652	174	478	650	As per Bank's policy	Mr. Abbas Ali Sahi - Ex-executive
Suzuki Cultus	652	174	478	650	As per Bank's policy	Mr. Ghulam Khalid Khan - Ex-executive
Suzuki Cultus	652	174	478	650	As per Bank's policy	Mr. Muhammad Qasim Sorathia - Executive
Suzuki Cultus	652	183	469	650	As per Bank's policy	Mr. Wasim Khalid - Non-Executive
Suzuki Cultus	650	199	450	650	As per Bank's policy	Mr. Syed Izzat Hussain - Executive
Suzuki Cultus	631	177	455	631	As per Bank's policy	Mr. Tariq Rasheed Siddiqui - Non-Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Imran Ahmed Minai - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Nauman Aftab - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Jamal Yousuf Khan - Ex-executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Taimoor Malik - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Aamir Aftab - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Saad Hassan Khan - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Faizan Shamsi - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Mirza Kamran Baig - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Muhammad Ahmed - Non-Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Ahsan Iqbal Sheikh - Non-Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Mohammad Arif Usman - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Aamir Salehjee - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Muhammad Yahya Hameed Wahla - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Naveed Aziz - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Shafiq Ahmed Baig - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Syed Imran Hassan - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Nasir Mahmood - Executive
Suzuki Cultus	631	185	446	631	As per Bank's policy	Mr. Zahid Bashir - Executive
Suzuki Cultus	626	184	443	626	As per Bank's policy	Mr. Rashid B. Hanfee - Executive
Suzuki Cultus	617	197	419	617	As per Bank's policy	Mr. Junaid Ahmed Khan - Ex-executive
Suzuki Cultus	617	236	380	550	As per Bank's policy	Mr. Faiz Hassan - Non-Executive
Suzuki Cultus	617	263	354	362	As per Bank's policy	Mr. Muhammad Ishaq Mir - Executive
Suzuki Cultus	617	296	321	575	As per Bank's policy	Mr. Maqsood Ahmed - Executive
Suzuki Cultus	616	181	435	616	As per Bank's policy	Mr. Mian M. Amjad - Executive
Suzuki Cultus	616	197	419	616	As per Bank's policy	Mr. Shafiq Ahmed Tahir - Executive
Suzuki Cultus	612	220	391	550	As per Bank's policy	Mr. Talha Aziz - Executive

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Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of purchaser / addresses
	----- (Rupees ,000) -----					
Suzuki Cultus	612	239	373	383	As per Bank's policy	Mr. Muhammad Ashraf Nadeem - Executive
Suzuki Cultus	600	264	336	525	As per Bank's policy	Mr. Muddassir Mazhar Ahmed - Executive
Suzuki Cultus	600	280	320	525	As per Bank's policy	Mr. M. Amjad Khan - Executive
Suzuki Cultus	600	272	328	525	As per Bank's policy	Mr. S. Kalim Jaffery - Executive
Suzuki Cultus	600	272	328	328	As per Bank's policy	Mr. Nasir Shabir - Non-Executive
Suzuki Cultus	600	296	304	312	As per Bank's policy	Mr. Abdul Rauf - Executive
Suzuki Cultus	600	296	304	312	As per Bank's policy	Mr. Tahir Malik - Non-Executive
Suzuki Cultus	600	296	304	312	As per Bank's policy	Mr. Syed Abid - Executive
Suzuki Cultus	600	296	304	304	As per Bank's policy	Mr. Murtaza Arif Dar - Executive
Suzuki Cultus	595	286	309	309	As per Bank's policy	Mr. Hammad Sarwar - Executive
Suzuki Cultus	588	321	267	267	As per Bank's policy	Mr. Zafar Hussain Malik - Executive
Suzuki Cultus	600	296	304	304	As Bank's per policy	Ms. Ayesha Umer - Executive
Suzuki Cultus	595	286	309	309	As Bank's per policy	Mr. Moazzam - Executive
Suzuki Cultus	588	321	267	267	As Bank's per policy	Mr. Dilawar Khan - Executive
Suzuki Cultus	560	284	276	632	Bid	Mr. Adnan Shakeel Khan (Individual) House No. 402, Block-10A, Gulshan-e-Iqbal, Karachi.
Suzuki Cultus Owned - Office furniture, fixtures, equipments and computers	560	269	291	202	As Bank's per policy	Mr. Riaz Ahmed - Executive
Generator	819	327	491	600	Bid	M/s. Dilawar & Brothers Sarfraz Town Korangi No. 3-1/2, Street-6, Sector 43/A, Karachi.

Note

2010
Rs ,0002009
Rs ,000

15. DEFERRED TAX ASSETS - NET

Deferred credits arising due to:

- Net investment in finance leases	15.1	-	(754,395)
- Accelerated tax depreciation		(236,216)	(197,457)
- Surplus on revaluation of securities		(73,019)	(154,888)
- Fair value adjustments relating to net assets acquired upon amalgamation		(852,596)	-

Deferred debits arising due to:

- Net investment in finance leases	15.1	16,534	-
- Provision against non-performing advances		4,672,350	1,923,825
- Provision for diminution in the value of investments		534,664	368,862
- Provision against other assets		20,887	-
- Minimum tax		195,014	-
- Unused tax losses (including unabsorbed depreciation)		561,306	-
- Deficit on revaluation of government securities		178,278	93,971
		5,017,202	1,279,918

15.1 Reversal of deferred tax liability on leased assets relating to prior years

During the year, the management has carried out an exercise to reconcile the deferred tax liability on leased assets appearing in the books of accounts with the related tax records. The results of the exercise highlighted that deferred tax liability in respect of leased assets was recorded in excess by Rs. 765.052 million as at December 31, 2009. In accordance with the requirements of International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the excess deferred tax liability has been reversed by adjusting the opening balance of deferred tax liability and unappropriated profit as at January 1, 2010 being the earliest period for which restatement was practicable. The comparative information for the year ended December 31, 2009 and for periods prior to that has not been adjusted as it was not considered practical on account of lack of availability of reliable data which can allow determination of these effects. There is no impact on cash flows because of this adjustment.

Notes to and Forming Part of the Financial Statements

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The impact of this reversal on the deferred tax liability relating to net investment in finance leases is as follows:

	Note	2010 Rs ,000
Deferred tax liability on net investment in finance leases as at January 1, 2010		(754,395)
Reversal of excess deferred tax liability on net investment in finance leases relating to prior years		765,052
Adjusted deferred tax asset on net investment in finance leases as at January 1, 2010		10,657
Deferred tax asset recognised in the profit and loss account during the current year		5,877
Deferred tax asset on net investment in finance leases as at December 31, 2010		16,534

		2010 Rs ,000	2009 Rs ,000
16. OTHER ASSETS			
Income / mark-up accrued in local currency		4,328,120	2,938,935
Income / mark-up accrued in foreign currencies		28,750	2,719
Advances, deposits, advance rent and other prepayments		820,369	254,774
Taxation (payments less provisions)		1,302,237	-
Non-banking assets acquired in satisfaction of claims	16.1	1,808,226	1,258,578
Credit cards and other products fee receivable		294,153	-
Suspense account		131	28,506
Unrealised gain on revaluation of forward foreign exchange contracts		-	10,004
Dividend receivable		86,879	62,995
Receivable from brokers against sale of shares		180,632	369,243
Prepaid employee benefits	16.2	1,192,575	-
Others		475,019	142,551
		<u>10,517,091</u>	<u>5,068,305</u>
Less: Provision held against other assets	16.3	(221,927)	(101,589)
Other assets (net of provisions)		<u>10,295,164</u>	<u>4,966,716</u>
16.1 Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuer		<u>2,290,577</u>	<u>1,400,965</u>

		2010 Rs ,000
16.2 The movement of prepaid staff benefits is as follows		
Prepaid employee benefits acquired on October 15, 2010		1,232,828
Employee benefits expensed during the period		(40,253)
Prepaid employee benefits on December 31, 2010		<u>1,192,575</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

16.3 Provision against other assets	Note	2010 Rs ,000	2009 Rs ,000
Opening balance		101,589	108,033
Charge for the year		62,621	12,648
Reversals		(844)	(19,092)
		61,777	(6,444)
Provision against other assets transferred from amalgamated entity		58,561	-
Closing balance		221,927	101,589
17. BILLS PAYABLE			
In Pakistan		3,108,933	1,451,976
Outside Pakistan		109,926	13,475
		3,218,859	1,465,451
18. BORROWINGS			
In Pakistan		34,633,828	34,964,216
Outside Pakistan		2,076	21,550
		34,635,904	34,985,766
18.1 Particulars of borrowings with respect to currencies			
In local currency		34,633,828	34,753,612
In foreign currencies		2,076	232,154
		34,635,904	34,985,766
18.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - Part I and II	18.3	14,248,560	8,671,912
- under scheme for long term financing for export oriented projects - (LTF-EOP)	18.4	1,602,302	1,968,740
- under long term financing facility (LTFF)	18.5	789,733	166,581
Repurchase agreement borrowings	18.6	10,681,859	17,206,379
		27,322,454	28,013,612
Unsecured			
Call borrowings	18.7	7,307,043	6,950,604
Overdrawn nostro accounts		6,407	21,550
		7,313,450	6,972,154
		34,635,904	34,985,766
18.3	In accordance with the ERF scheme, the Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Borrowing from the SBP under the export refinance scheme is secured by the Bank's cash and security balances held by the SBP. The mark-up rate on this facility ranges from 7.5% to 9% per annum (2009: 7% per annum) payable on quarterly basis with maturities upto June 30, 2011 from the date of borrowing.		
18.4	These represent borrowings from SBP under scheme for Long Term Financing for Export Oriented Projects at rates ranging from 4% to 5% per annum (2009: 4% to 5%) and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the Bank has granted SBP a right to recover the outstanding amount from the Bank at the respective date of maturity of finances by directly debiting the current account of the Bank maintained with SBP.		

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

- 18.5** These represent borrowings from SBP under scheme for Long Term Financing facility at rates ranging from 6.5% to 8.80% per annum (2009: 7.20% to 7.25% per annum), and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the Bank has granted SBP a right to recover the outstanding amount from the Bank at the respective date of maturity of finances by directly debiting the current account of the Bank maintained with SBP.
- 18.6** This represents collateralized borrowings against market treasury bills at rates ranging from 12.75% to 13.75% per annum (2009: 11.00% to 12.15% per annum) against market treasury bills and Pakistan investment bonds maturing upto January 2011.
- 18.7** These borrowings are from various institutions in the interbank market, made at rates ranging from 12.50% to 13.50% per annum (2009: 11.25% to 12.40% per annum) maturing up to January 2011.

		2010 Rs ,000	2009 Rs ,000
19.	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	86,153,050	53,096,526
	Saving deposits	61,531,285	40,443,955
	Current accounts fi Remunerative	29,471	-
	Current accounts fi Non-remunerative	39,670,673	21,147,284
	Margin accounts	2,405,061	1,733,746
		<u>189,789,540</u>	<u>116,421,511</u>
	Financial Institutions		
	Remunerative deposits	5,208,242	7,223,895
	Non-remunerative deposits	317,422	9,782
		<u>5,525,664</u>	<u>7,233,677</u>
		<u>195,315,204</u>	<u>123,655,188</u>
19.1	Particulars of deposits		
	In local currency	175,607,886	116,326,199
	In foreign currencies	19,707,318	7,328,989
		<u>195,315,204</u>	<u>123,655,188</u>

20. SUB-ORDINATED LOANS

This represents rated and un-secured Term Finance Certificates (TFCs). The salient features of the issues are as follows:

	2010 Rs ,000	2009 Rs ,000
Outstanding amount	4,595,395	999,200
Total issue amount	<u>4,800,000</u>	<u>1,000,000</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Particulars	TFC - I	TFC - II	TFC-others-relating to amalgamated entity
Outstanding amount	Rs. 998.8 million	Rs. 3,000 million	Rs. 598.800 million (fair value Rs 596.595 million)
Issue amount	Rs. 1,000 million	Rs. 3,000 million	Rs. 800 million
Rating	‡AA- (Double A Minus) by JCR-VIS	‡AA- (Double A Minus) by JCR-VIS	‡Rated A- (Single A) by PACRA
Listing	Listed	Unlisted	Listed
Rate	Base Rate Plus 1.40%	Base Rate Plus 2.25%	Base Rate Plus 1.90%.
	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.
Subordination	The TFCs are subordinated to all other indebtedness of the Bank including deposits.	The TFCs are subordinated to all other indebtedness of the Bank including deposits.	The TFCs are subordinated to all other indebtedness of the Bank including deposits.
Date of issue	November 2007	October 2010	February 2005
Tenure and maturity	7 years from the date of issue.	7 years from the date of issue.	8 years from the date of issue.
Principal Repayment	Semi annually as follows; 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month	Semi annually as follows; 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month	In 4 equal annual installments starting from 60th month from the date of issue.
Profit Payment	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.

	Note	2010 Rs ,000	2009 Rs ,000
21. OTHER LIABILITIES			
Mark-up / return payable in local currency		2,610,750	1,688,553
Mark-up / return payable in foreign currencies		16,300	26,324
Unearned commission / income		57,451	23,249
Accrued expenses		1,237,315	434,640
Taxation (provisions less payments)		489,731	664,024
Unclaimed dividends		48,129	42,788
Branch adjustment account		918	139
Unrealised loss on revaluation of forward foreign exchange contracts		321,094	-
Fair value of derivative contracts	26	3,334,626	-
Withholding tax payable		56,876	48,290
Federal Excise Duty payable		24,984	14,782
Security deposits against finance leases	21.1	2,928,841	3,275,969
Payable to brokers against purchase of shares		504,560	73,841
Others		1,406,216	684,470
		13,037,791	6,977,069

21.1 This represents interest free security deposits received from lessees against lease contracts and are adjustable against residual value of leased assets at the expiry of the respective lease terms.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

22. SHARE CAPITAL

22.1 Authorised capital

2010 Number of Shares	2009 Number of Shares		2010 Rs ,000	2009 Rs ,000
1,200,000,000	1,200,000,000	Ordinary shares of Rs. 10 each	12,000,000	12,000,000

22.2 Issued, subscribed and paid-up capital

2010 Number of Shares	2009 Number of Shares	Ordinary shares	2010 Rs ,000	2009 Rs ,000
201,451,420	201,451,420	Fully paid in cash	2,014,514	2,014,514
513,797,952	391,979,722	Issued as bonus shares	5,137,980	3,919,797
15,660,000	15,660,000	Issued for consideration other than cash	156,600	156,600
<u>730,909,372</u>	<u>609,091,142</u>		<u>7,309,094</u>	<u>6,090,911</u>

22.3 As at December 31, 2010, Ithmaar Bank B.S.C. (the ultimate holding company of the Bank) through its subsidiaries and nominees held 489,290,941 ordinary shares of Rs. 10 each (2009: 407,742,454 ordinary shares).

22.4 The movement in the issued, subscribed and paid-up capital during the year is as follows:

	Number of Shares	Rs ,000
Opening balance at January 1, 2010	609,091,142	6,090,911
Bonus shares issued during the year	121,818,230	1,218,183
Closing balance at December 31, 2010	<u>730,909,372</u>	<u>7,309,094</u>

23. RESERVES

	Note	2010 Rs ,000	2009 Rs ,000
Statutory reserve	23.1	4,031,590	3,640,514
Capital reserve			
Reserve arising on amalgamation	8.5	23,952	-
Revenue reserve			
Non-Distributable Capital Reserve - gain on bargain purchase	8.4	3,299,146	-
Capital market reserve	23.2	-	389,542
		<u>7,354,688</u>	<u>4,030,056</u>

23.1 Appropriations are made to statutory reserve as required by section 21 of the Banking Companies Ordinance, 1962, at the rate 20% of profit after tax for the year.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

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

	Note	2010 Rs ,000	2009 Rs ,000
24. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
Available for sale securities			
Federal Government Securities			
- Market Treasury Bills		(86,934)	(45,557)
- Pakistan Investment Bonds		(399,950)	(218,161)
- Ijara Sukuk Bonds		(22,954)	(2,113)
Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds			
- Listed companies / modarabas / mutual funds		113,968	28,237
Fully Paid up Preference Shares			
- Listed companies		(8,091)	4,048
Term Finance Certificates			
- Listed		(48,266)	(75,147)
Units of Open ended Mutual Funds		221,860	1,818,859
Other Investments			
- Sukuk Bonds		-	(2,656)
Related deferred tax asset / (liability)	24.1	(230,367) 105,259 (125,108)	1,507,510 (60,917) 1,446,593

- 24.1** This represents deferred tax on surplus / (deficit) on revaluation of securities at applicable tax rates.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
25. CONTINGENCIES AND COMMITMENTS		
25.1 Direct credit substitutes		
Contingent liability in respect of guarantees favouring:		
i) Government	-	-
ii) Banking companies and other financial institutions	3,275	7,819
iii) Others	833,770	-
	837,045	7,819
Acceptances		
i) Government	-	-
ii) Banking companies and other financial institutions	-	-
iii) Others	1,659,850	1,471,261
	1,659,850	1,471,261
25.2 Transaction-related contingent liabilities		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
i) Government	7,748,465	4,454,789
ii) Banking companies and other financial institutions	11,774,727	41,492
iii) Others	4,938,603	9,910,872
	24,461,795	14,407,153
25.3 Trade-related contingent liabilities		
Letters of credit		
i) Government	3,067,558	2,695,731
ii) Banking companies and other financial institutions	-	-
iii) Others	10,893,659	7,279,003
	13,961,217	9,974,734
25.4 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	26,959,996	1,641,661

The above 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, management is confident that the matter will be decided in Bank's favour.

iv) Income tax assessments of the Bank have been finalised upto the tax year 2010 (Accounting year 2009).

The department and the Bank have disagreements on various matters for tax years from 1994 to 2009. These include disallowance on certain matters that include initial depreciation on leases, provision for bad debts, bad debts written off, taxability of dividend, excess perquisites and certain other matters. The Bank and the department have filed appeals with the CIT (Appeals), ITAT and the High Court in the aforementioned matters. The additional tax liability on these matters is Rs 1,343.382 million. The management of the Bank is confident that the decision in respect of these matters will be decided in the Bank's favour and accordingly no provision has been made in these financial statements in respect of this liability.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
25.5 Commitments in respect of forward lending / purchase		
Commitment to invest in securities	-	210,000
Commitment to extend credit - advances	-	2,000,000
<p>The Bank makes commitments to extend credit 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.</p>		
25.6 Commitments in respect of forward exchange contracts	2010 Rs ,000	2009 Rs ,000
Purchase		
- Customers	1,043,656	1,745,536
- Banks	23,244,880	6,390,515
	24,288,536	8,136,051
Sale		
- Customers	-	4,840
- Banks	5,224,327	6,522,648
	5,224,327	6,527,488
25.7 Commitments for the acquisition of operating fixed assets	82,108	84,787
25.8 Commitments in respect of repo transactions		
Repurchase	10,699,230	17,250,582
Resale	421,320	15,088,857
25.9 Other Commitments		
Interest rate swaps and cross currency swaps (notional principal)	53,231,890	-

26. DERIVATIVE INSTRUMENTS

The purpose of the derivative business of the Bank is to provide risk solutions for the clients of the Bank and to hedge and manage the risks in its own books. The Bank currently deals in interest rate and cross currency derivatives with clients.

The Bank's risk management function is independent from the business line. Risk management reviews credit risks, market risks and other risks associated with a transaction or area of activity and assigns limits within which the transaction / area of activity can be carried out. Adherence to these limits is ensured through independent monitoring and control functions.

26.1 Derivative Risk Management

There are a number of risks undertaken by the Bank, which need to be monitored and assessed. Management of risks includes the following primary components:

- Comprehensive risk measurement approach;
- Detailed structure of limits, guidelines and other parameters used to govern risk taking; and
- Strong management information system for controlling, monitoring and reporting risks.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Major risks associated with derivatives are market risk and credit risk. The Bank uses internal models to measure and manage these risks.

Market risks

The authority for approving policies and limits rests with Risk Management which also undertakes periodic portfolio reviews. The most important measures used to manage market risks are Delta, Value at Risk and OCP. These involve extreme shifts in a variety of parameters, such as FX rates, interest rates, equity prices, implied volatility levels and combinations of the above. These measures are calculated through the relevant systems.

Credit risk

There are two types of credit risk (Settlement and Pre-Settlement risk) that are associated with derivatives transactions and monitored on a regular basis. Risk Management sets the policies and limits for counterparty risk based on internal ratings model.

Liquidity risk

Liquidity risk is managed as part of the overall liquidity risk of the Bank.

26.2 Product Analysis

	2010		2009	
	Interest Rate and Cross Currency Swaps		Interest Rate and Cross Currency Swaps	
	No. of Contracts	Notional Principal Rs '000	No. of Contracts	Notional Principal Rs '000
Counterparties				
With Banks for Hedging Market Making	36	20,304,317	-	-
With other entities for Hedging Market Making	77	32,927,573	-	-
Total Hedging Market Making	113	53,231,890	-	-

26.3 Maturity Analysis

Interest Rate Swaps and Cross Currency Swaps

Remaining Maturity

	No. of Contracts	Notional Principal	2010		
			Negative	Mark to Market Positive	Net
			Rupees '000		
Upto 1 month	-	-	-	-	-
1 to 3 months	3	956,608	(84,682)	-	(84,682)
3 to 6 months	2	207,889	(36,824)	6,370	(30,454)
6 months to 1 Year	25	3,746,774	(434,500)	70,543	(363,957)
1 to 2 Years	23	4,904,687	(334,259)	76,992	(257,267)
2 to 3 Years	43	12,395,042	(1,548,892)	129,653	(1,419,239)
3 to 5 Years	17	31,020,890	(2,723,249)	1,544,222	(1,179,027)
5 to 10 years	-	-	-	-	-
	113	53,231,890	(5,162,406)	1,827,780	(3,334,626)

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Remaining Maturity

	No. of Contracts	Notional Principal	2009		Net
			Mark to Market		
			Negative	Positive	
Rupees '000					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 Year	-	-	-	-	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-

26.4 As at December 31, 2010 the fair value of derivative financial instruments has been determined using valuation techniques with significant inputs such as forecasted market interest rate and foreign exchange rate. The determination of the fair value of these instruments is most sensitive to these key assumptions. Any significant change in these key assumptions may have an effect on the fair value of these derivative financial instruments.

27. MARK-UP / RETURN / INTEREST EARNED

	2010 Rs ,000	2009 Rs ,000
a) On financing to:		
i) customers	13,240,019	11,293,342
ii) financial institutions	52,141	103,439
b) On investments in:		
i) held for trading securities	84,521	1,689
ii) available for sale securities	4,771,339	4,028,665
iii) held to maturity securities	1,160,505	1,259,364
c) On deposits with treasury bank and financial institutions	34,417	482
d) On securities purchased under resale agreements	332,128	206,140
e) On call money lendings	35,390	64,754
	<u>19,710,460</u>	<u>16,957,875</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
28. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		10,682,289	9,321,454
Securities sold under repurchase agreements		890,969	1,289,906
Other short term borrowings		1,263,933	578,526
SBP borrowings		814,859	629,995
Long term borrowings		4,794	-
Subordinated loans		262,412	148,004
		<u>13,919,256</u>	<u>11,967,885</u>
29. GAIN / (LOSS) ON SALE OF SECURITIES			
Federal Government Securities			
- Market Treasury Bills		9,627	8,220
- Pakistan Investment Bonds		8,862	46,415
- Ijara Sukuk Bonds		4,213	-
Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds		(223,849)	449,755
Units of Open end Mutual Funds		1,540,964	320,231
		<u>1,339,817</u>	<u>824,621</u>
30. OTHER INCOME			
Rent on property		76,879	50,284
Maintenance charges on property rented		16,521	11,095
Net profit on sale of property and equipment		28,709	5,788
Recovery of amount written off previously invested in Certificate of Investments		-	12,500
Income realised on un-winding of certain derivative contracts		455,158	-
Others		32,982	924
		<u>610,249</u>	<u>80,591</u>
31. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other employee benefits		2,920,838	1,931,364
Charge for defined benefit plan		66,257	58,854
Contribution to defined contribution plan		89,341	61,261
Non-executive directors' fees		10,314	1,450
Rent, taxes, insurance, electricity, etc.		784,211	547,737
Legal and professional charges		106,538	80,488
Communications		242,323	78,182
Repairs and maintenance		275,991	168,505
Finance charge on leased assets		-	22
Stationery and printing		113,463	80,307
Advertisement and publicity		101,267	107,854
Donations	31.1	23,436	2,085
Auditors' remuneration	31.2	8,671	5,696
Depreciation	14.2	660,631	513,839
Amortisation	14.3	157,251	96,838
License and technical fee		112,079	72,128
Travelling, conveyance and entertainment		64,849	52,198
Vehicle running expenses		86,595	71,451
Books, periodicals and subscription		40,431	38,002
Brokerage and commission		146,358	40,983
Others		633,228	274,842
		<u>6,644,072</u>	<u>4,284,086</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
31.1			
Donations made during the year were as follows:			
Donee			
The Aga Khan University		-	100
SWAT Refugee Relief Fund		-	1,036
The Helpcare Society		-	480
The Citizens Foundation		-	469
Karachi Relief Trust		40	-
Prime Minister's Flood Relief Fund		1,653	-
District Government Bahawalpur		25	-
Institute of Business Administration (IBA)		10,000	-
Waqf Faisal (Trust) - This is a charitable public welfare project (The President & CEO of the Bank is the managing trustee of the trust)		11,718	-
		23,436	2,085
31.2			
Auditors,, remuneration			
Statutory audit fee		1,600	1,500
Fee for quarterly and annual group reporting		2,500	2,250
Fee for the review of the half yearly financial statements		400	350
Fee for the provident and gratuity funds		46	46
Tax services		3,300	-
Special certifications and sundry advisory services		475	1,275
Out-of-pocket expenses		350	275
		8,671	5,696
32.			
OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		11,117	33,029
Workers Welfare Fund		16,879	-
Fixed assets written off		21,803	-
Others		19,016	-
		68,815	33,029
33.			
TAXATION			
For the year			
Current		239,124	1,157,443
Deferred		(468,690)	(439,983)
		(229,566)	717,460
For prior years			
Current		191,736	2,823,492
Deferred	33.2	(325,445)	(3,440,610)
		(133,709)	(617,118)
		(363,275)	100,342

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

		2010 Rs ,000	2009 Rs ,000
33.1 Relationship between tax expense and accounting profit			
Profit before tax		827,054	1,300,501
Tax calculated at the rate of 35% (2009: 35%)		289,469	455,175
Effect of:			
- permanent differences		10,915	84,531
- income chargeable to tax at reduced rate		(493,003)	(166,981)
- prior year reversal		(133,709)	(617,118)
- others		(36,947)	344,735
Tax charge for the year		(363,275)	100,342
33.2	This represents reversals arising in respect of prior years on finalisation of assessments. Provision in respect of tax liability is made on management's best estimate which is adjusted based on assessment made by the tax authorities. Any difference arising on assessment finalised during the year is adjusted in the profit and loss account in accordance with the Bank's accounting policy.		
34. EARNINGS PER SHARE		2010 Rs ,000	2009 Rs ,000
Profit after tax for the year		1,190,329	1,200,159
		In thousands	
Weighted average number of ordinary shares outstanding during the year		730,909	730,909
		Rupees	
Earnings per share - basic		1.63	1.64
34.1	Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2010 and December 31, 2009 which would have any effect on the earnings per share if the option to convert is exercised.		
		Note	
35. CASH AND CASH EQUIVALENTS		2010 Rs ,000	2009 Rs ,000
Cash and balance with treasury banks	9	17,428,924	8,427,202
Balances with other banks	10	5,727,909	508,795
Call money lendings	11	-	300,000
Overdrawn nostros	18.2	(6,407)	(21,550)
		23,150,426	9,214,447

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
36. STAFF STRENGTH			
Permanent		3,547	1,931
Temporary / on contractual basis		35	111
Bank's own staff strength at the end of the year		<u>3,582</u>	<u>2,042</u>
Outsourced	36.1	2,287	976
Total Staff Strength		<u>5,869</u>	<u>3,018</u>
36.1	Outsourced staff represent employees hired by an outside contractor / agency and posted in the Bank to perform various tasks / activities of the Bank.		
37. DEFINED BENEFIT PLAN			
37.1 General description			
<p>The Bank operates an approved funded gratuity scheme for all its permanent employees and employees who are on contractual service in non-management cadre. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof. The minimum qualifying eligible service for gratuity is 1 year for employees who became members of the Fund before November 12, 2002. In the case of other members of the Fund the minimum qualifying eligible service is 5 years. The minimum qualifying eligible service for contractual employees not employed under the management cadre is 6 months. The latest actuarial valuation of the Bank's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out as at December 31, 2010.</p>			
37.2 Principal actuarial assumptions			
	Note	2010	2009
Discount factor used (% per annum)		14.50	12.75
Expected long term rate of return on plan assets (% per annum)		14.50	12.75
Expected rate of salary increase (% per annum)		14.50	12.75
Normal retirement age (years)		60	60
37.3 Reconciliation of receivable from defined benefit plan			
		2010 Rs ,000	2009 Rs ,000
Present value of defined benefit obligations	37.4	277,157	229,961
Fair value of plan assets	37.5	<u>(245,286)</u>	<u>(168,135)</u>
		31,871	61,826
Net actuarial loss not recognized		<u>(32,221)</u>	<u>(62,165)</u>
		<u>(350)</u>	<u>(339)</u>
37.4 Movement in present value of defined benefit obligation			
Opening balance		229,961	167,125
Current service cost		59,120	46,493
Interest cost		32,229	27,979
(Gain) / loss on defined benefit obligation		<u>(24,523)</u>	6,124
Actual benefits paid during the year		<u>(19,630)</u>	<u>(17,760)</u>
Closing balance		<u>277,157</u>	<u>229,961</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000			
37.5 Movement in fair value of plan assets						
Opening balance		168,135	107,351			
Expected return on plan assets		24,884	19,626			
Contribution made		70,620	58,854			
Benefits paid by the fund		(19,630)	(17,760)			
Gain / (loss) on plan assets		1,277	64			
Closing balance		245,286	168,135			
37.5.1 Plan assets consist of the following:						
Balances with banks and financial institutions		155,428	104,740			
Units of open ended mutual funds		82,562	40,421			
Term finance certificates		7,296	22,974			
		245,286	168,135			
37.6 Movement in amount receivable from defined benefit plan						
Opening balance		(339)	(339)			
Charge for the year	37.7	70,609	58,854			
Contribution to fund made during the year		(70,620)	(58,854)			
Closing balance		(350)	(339)			
37.7 Charge for defined benefit plan						
Current service cost		59,120	46,493			
Interest cost		32,229	27,979			
Expected return on plan assets		(24,884)	(19,626)			
Amortization of loss		4,144	4,008			
		70,609	58,854			
37.8 Actual return on plan assets		26,655	15,637			
37.9 Historical information		2010	2009	2008	2007	2006
		Rupees '000				
Defined benefit obligation		(277,157)	(229,961)	(167,125)	(123,141)	(118,509)
Fair value of plan assets		245,286	168,135	107,351	97,739	97,253
Deficit		(31,871)	(61,826)	(59,774)	(25,402)	(21,256)
Experience adjustments on plan liabilities		24,523	(6,124)	(30,928)	(2,818)	(4,231)
Experience adjustments on plan assets		1,277	64	(5,477)	(2,745)	888

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

38. DEFINED CONTRIBUTION PLAN

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 10% of basic salary. The financial statements of the fund are separately prepared and audited and are not included as part of these financial statements.

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Rupees '000					
Managerial remuneration (including bonus)	125,554	99,875	-	-	764,264	332,091
Fees	-	-	10,314	1,450	-	-
Charge for defined benefit plan	800	800	-	-	40,322	22,889
Contribution to defined contribution plan	2,956	2,688	-	-	48,391	26,827
Rent and house maintenance	1,645	6,145	-	-	213,029	124,262
Utilities	736	163	-	-	50,377	28,568
Medical	189	278	-	-	27,080	17,848
Leave fare assistance	-	-	-	-	57,423	44,735
Others	1,957	2,215	-	-	211,459	49,799
	<u>133,837</u>	<u>112,164</u>	<u>10,314</u>	<u>1,450</u>	<u>1,412,345</u>	<u>647,019</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>789</u>	<u>267</u>

39.1 Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

39.2 In addition to the above, the Chief Executive and Executives are provided with free use of the Bank's maintained cars.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Book value		Fair value	
	2010	2009	2010	2009
	Rupees '000			
On-balance sheet financial instruments				
Assets				
Cash balances with treasury banks	17,428,924	8,427,202	17,428,924	8,427,202
Balances with other banks	5,737,209	508,795	5,737,209	508,795
Lendings to financial institutions	-	15,017,826	-	15,017,826
Investments	86,265,549	56,531,338	86,030,744	56,531,338
Advances	135,063,807	91,346,001	135,063,807	91,346,001
Other assets	6,215,982	3,393,795	6,215,982	3,393,795
	<u>250,711,471</u>	<u>175,224,957</u>	<u>250,476,666</u>	<u>175,224,957</u>
Liabilities				
Bills payable	3,218,859	1,465,451	3,218,859	1,465,451
Borrowings	34,635,904	34,985,766	34,635,904	34,985,766
Deposits and other accounts	195,308,457	123,655,188	195,308,457	123,655,188
Sub-ordinated loans	4,595,395	999,200	4,595,395	999,200
Other liabilities	12,892,534	6,226,585	12,892,534	6,226,585
	<u>250,651,149</u>	<u>167,332,190</u>	<u>250,651,149</u>	<u>167,332,190</u>
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	24,288,536	8,136,051	24,288,536	8,136,051
Forward agreements for borrowings	10,699,230	17,250,582	10,699,230	17,250,582
Forward sale of foreign exchange	5,224,327	6,527,488	5,224,327	6,527,488
Forward agreements for lending	421,320	15,088,857	421,320	15,088,857

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

The fair value of traded investments is based on quoted market price, except for marketable securities classified as 'held to maturity'. These securities are carried at amortised cost in order to comply with the requirements of BSD circular No. 14 dated September 24, 2004. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest audited financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of advances has been calculated in accordance with the Bank's accounting policy as stated in note 7.5 to these financial statements.

The repricing profile and effective rates and maturity are stated in note 46.6 and 46.7.1 respectively.

The fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer advances and deposits, are regularly repriced.

41. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgement was exercised in application of the accounting policies are as follows:

- i) classification and provisioning against investments (notes 7.4 and 12).
- ii) income taxes (notes 7.8, 15 and 33).
- iii) classification and provisioning against advances (notes 7.5 and 13).
- iv) depreciation / amortisation of operating fixed assets (notes 7.6 and 14).
- v) fair value of the net assets acquired in a business combination (note 8).
- vi) accounting for defined benefit plan (notes 7.10 and 37).
- vii) fair value of derivative financial instruments (notes 7.17 & 26)

42. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

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

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
Rupees '000					
December 31, 2010					
Total income - net	208,042	1,835,115	4,405,115	3,355,270	9,803,542
Total expenses	(81,316)	(796,897)	(5,566,419)	(2,531,856)	(8,976,488)
Net income (loss)	126,726	1,038,218	(1,161,304)	823,414	827,054
Segment assets (Gross)	-	91,138,328	63,305,812	131,998,604	286,442,744
Segment non performing loans	-	670,924	10,375,566	13,661,268	24,707,758
Segment provision required against loans	-	(48,245)	(6,441,819)	(11,009,576)	(17,499,640)
Segment liabilities	(21,220)	(30,063,645)	(176,893,053)	(43,825,235)	(250,803,153)
Segment return on assets (ROA) (%)	-	12.20%	11.20%	13.60%	
Segment cost of funds (%)	-	4.20%	7.70%	6.90%	
December 31, 2009					
Total income - net	113,880	719,586	2,860,306	4,109,283	7,803,055
Total expenses	(58,000)	(289,014)	(2,791,914)	(3,363,626)	(6,502,554)
Net income	55,880	430,572	68,392	745,657	1,300,501
Segment assets (Gross)	-	51,119,347	73,079,622	64,946,584	189,145,553
Segment non performing loans	-	-	6,693,223	3,977,807	10,671,030
Segment provision required against loans	-	-	(3,677,327)	(3,361,142)	(7,038,469)
Segment liabilities	-	(48,391,126)	(95,523,015)	(24,168,533)	(168,082,674)
Segment return on assets (ROA) (%) *	-	12.20%	11.20%	13.60%	
Segment cost of funds (%) *	-	4.20%	7.70%	6.90%	

* These percentages have been computed based on closing assets / liability figure instead of average balances.

Note: The above table is based on best estimates / assumptions.

43. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers.

44. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its holding company, associated undertaking, subsidiary 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.

Banking transactions with the related parties are executed substantially on the same terms, except transaction with directors and key management personnel that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Details of advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members are given in note 13.9 to these financial statements.

Contributions to and accruals in respect of retirement benefit plans are made in accordance with the actuarial valuations / terms of contribution plan (refer notes 7.10, 37 and 38 to these financial statements for the details of the plans). Remuneration to executives (including key management personnel) of the Bank is disclosed in note 39 to these financial statements. Such remuneration is determined in accordance with the terms of their employment.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	2010					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies	Strategic Investments
	Rupees '000					
Deposits						
Balance at the beginning of the year	39,485	350,367	188,070	399	2,181,528	27,085
Placements during the year	662,295	2,417,003	552,779	249,939	42,632,583	227,712
Withdrawals during the year	(686,384)	(1,768,478)	(740,357)	(249,859)	(44,298,132)	(236,892)
Amalgamation	61,969	646,556	-	-	-	-
Balance at end of the year	<u>77,365</u>	<u>1,645,448</u>	<u>492</u>	<u>479</u>	<u>515,979</u>	<u>17,905</u>
Advances						
Balance at the beginning of the year	33,576	-	-	-	-	802,558
Disbursement during the year	6,000	-	-	-	2,014,168	1,750
Repayment during the year	(148,261)	-	-	-	-	(2,113)
Amalgamation	159,473	-	-	-	-	-
Balance at end of the year	<u>50,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,014,168</u>	<u>802,195</u>

	2009					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies	Strategic Investments
	Rupees '000					
Deposits						
Balance at the beginning of the year	21,081	148,888	184,051	958	1,174,456	13,412
Placements during the year	411,448	770,721	2,361,789	82,678	71,421,342	610,833
Withdrawals during the year	(393,044)	(569,242)	(2,357,770)	(83,237)	(70,414,270)	(597,160)
Balance at end of the year	<u>39,485</u>	<u>350,367</u>	<u>188,070</u>	<u>399</u>	<u>2,181,528</u>	<u>27,085</u>
Advances						
Balance at the beginning of the year	71,807	-	-	-	-	731,564
Disbursement during the year	-	-	-	-	-	72,735
Repayment during the year	(38,231)	-	-	-	-	(1,741)
Balance at end of the year	<u>33,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,558</u>

Balances pertaining to parties that were related at the beginning of the year 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.

	2010					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies	Strategic Investments
	Rupees '000					
Nostro balances with group companies	-	-	-	-	254	-
Shares / Units purchased during the year	-	-	-	-	2,540,698	-
Shares / Units sold during the year	-	-	-	-	2,727,062	-
Profit paid / accrued	3,238	49,668	3,631	39	119,574	1,230
Profit return / earned	1,839	-	-	-	113,780	226
Dividend income from subsidiary	-	-	11,251	-	-	-
Remuneration of key management personnel						
- Salaries and other short-term employee benefits	257,753	-	-	-	-	-
- Post-employment benefits	6,322	-	-	-	-	-
Contribution to staff retirement benefits	-	155,598	-	-	-	-
Guarantees issued favoring related parties or on their behalf	-	-	-	-	25,000	-

Notes to and Forming Part of the Financial Statements

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	2009					
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies	Strategic Investments
	Rupees '000					
Nostro balances with group companies	-	-	-	-	16,215	-
Shares / Units purchased during the year	-	-	-	-	2,376,766	-
Shares / Units sold during the year	-	-	-	-	2,754,444	56,201
Profit paid / accrued	2,954	23,686	20,156	11	156,628	1,468
Profit return / earned	2,330	-	-	-	-	356
Dividend income from subsidiary	-	-	-	-	-	-
Remuneration of key management personnel						
- Salaries and other short-term employee benefits	134,010	-	-	-	-	-
- Post-employment benefits	9,406	-	-	-	-	-
Contribution to staff retirement benefits	-	120,115	-	-	-	-

Disposal of vehicles to key management personnel and other executives is disclosed in note 14.4 to these financial statements.

45. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

45.1 Capital Management

The objective of Capital Management is to ensure the Bank's ability to operate as a going concern by maintaining appropriate capital base in line with minimum regulatory requirements. The Bank has implemented and is operating under Basel II capital adequacy framework that applies to all Banks and DFIs as prescribed under SBP BSD Circular No. 8 dated June 27, 2006 and amendments made by SBP through circulars. The Bank has adopted Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The Bank ensures that it:

- complies with the capital requirements set by the State Bank of Pakistan;
- safeguards the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintains a strong capital base to support the development of its business.

Capital adequacy is regularly monitored by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as adopted by the State Bank of Pakistan. The required information is submitted to the State Bank of Pakistan on a quarterly basis.

The State Bank of Pakistan requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum level of 10%.

The Bank's regulatory capital is divided into three tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings;
- Tier 2 capital: qualifying subordinated loan capital, general provision and unrealized gains arising on the fair valuation of equity instruments held as available for sale; and
- Tier 3 capital: the Bank has no eligible Tier 3 capital.

Book value of goodwill, other intangible assets including software, brand value etc, are deducted from Tier 1 capital whereas Investments in associates and subsidiary as disclosed in Note 12.1 are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

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The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs.

Vide BSD Circular No. 07 of 2009, the State Bank of Pakistan has prescribed a minimum paid-up capital requirement (net of losses) of Rs 7 billion for all banks to be achieved by December 31, 2010. The required minimum Capital Adequacy Ratio (CAR), on consolidated as well as on standalone basis is 10%.

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy is as follows:-

	Note	2010 Rs ,000	2009 Rs ,000
45.2 Capital Structure			
Tier I Capital			
Share Capital		7,309,094	6,090,911
Proposed shares to be issued on amalgamation		28,253	-
Reserves		7,354,688	4,030,056
Unappropriated profits		1,950,843	1,215,179
		16,642,878	11,336,146
Less: Book value of intangible assets	45.7	1,790,901	226,786
Shortfall / relaxation in provision		740,194	200,000
Deficit on account of revaluation of investments held in AFS category		230,367	-
Other deductions (represents 50% of the majority or significant minority interest in subsidiaries and associates)		76,500	76,500
		2,837,962	503,286
Total Tier I Capital		13,804,916	10,832,860
Tier II Capital			
Subordinated debt (upto 50% of total Tier 1 Capital)		3,837,918	799,360
General provisions subject to 1.25% of total Risk Weighted Assets		336,573	190,075
Revaluation reserve (upto 45%)		-	650,967
		4,174,491	1,640,402
Less: Other deductions (represents 50% of the majority or significant minority interest in subsidiaries and associates)		76,500	76,500
Total Tier II Capital		4,097,991	1,563,902
Eligible Tier III Capital		-	-
Total Regulatory Capital Base		17,902,907	12,396,762

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

	Note	Capital Requirements		Risk Weighted Assets	
		2010	2009	2010	2009
..... Rupees '000.....					
45.3 Capital Adequacy					
Credit Risk					
Public sector enterprise		211,170	225,041	2,111,698	2,250,408
Financial institution		505,460	95,737	5,054,602	957,369
Corporate		8,750,352	5,485,593	87,503,524	54,855,928
Retail		1,885,177	1,298,542	18,851,768	12,985,422
Past due loans		892,336	428,156	8,923,356	4,281,561
Other	45.7	2,299,594	749,869	22,995,942	7,498,686
Total Credit Risk		14,544,089	8,282,938	145,440,890	82,829,374

Market Risk

Capital requirement for portfolios subject to standardized approach

Interest rate risk	128,208	351,030	1,282,079	4,387,871
Equity position risk	533,816	283,577	5,338,161	3,544,712
Foreign exchange risk	30,690	1,329	306,897	16,617
Total Market Risk	692,714	635,936	6,927,137	7,949,200

Operational Risk

Capital requirement for operational risks

Total Operational Risk	2,204,046	1,051,940	27,550,577	13,149,246
	17,440,849	9,970,814	179,918,604	103,927,820

Capital Adequacy Ratio

	2010	2009
Total eligible regulatory capital held	45.2 <u>17,902,907</u>	12,396,762
Total risk weighted assets	<u>179,918,604</u>	103,927,820
Capital adequacy ratio	45.6 <u>9.95%</u>	11.93%

45.4 As more fully disclosed in notes 12.3.3, 12.3.4 and 13.4.2 to these financial statements, the SBP has given a relaxation to the Bank in maintaining provision against outstanding facilities extended to Dewan Mushtaq Group and Azgard Nine Group. In accordance with the Revised Regulatory Capital Framework under Basel II issued by the SBP, banks are required to deduct from Tier I Capital any shortfall in provisions required against classified assets irrespective of any relaxation allowed by the SBP. Accordingly, an amount of Rs 740.194 million has been deducted from the bank's Tier I Capital.

45.5 The benefit of FSV allowed by the SBP has not been deducted from Tier I capital of the bank based on clarification issued by the SBP through its letter BSD/BAI-1/220/452/2009 dated April 27, 2009 in accordance with section 1.1 of the SBP Basel II guidelines.

45.6 In accordance with BSD Circular No. 30 dated November 25, 2008 issued by the State Bank of Pakistan (SBP), the Bank is required to maintain a Capital Adequacy Ratio (CAR) of at least 10% at December 31, 2010. However, as at December 31, 2010 the CAR of the Bank was 9.95% and is therefore lower than the prescribed requirement by 0.05%. The SBP vide its letter No. BSD/BAI-3/615/4097/2010 dated April 5, 2011 has granted post facto exemption to the Bank in meeting the CAR till March 31, 2011.

Notes to and Forming Part of the Financial Statements

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45.7 The SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011 has advised the Bank that the deduction of intangible assets, as appear under Tier-I capital, would be limited to the extent of the amount of the intangible recognised as negative goodwill / intangible gain. Whereas, the portion of Deferred Tax Liabilities (DTL) created due to such intangible assets would not be netted against Deferred Tax Assets (DTA) for calculation of CAR.

46. RISK MANAGEMENT

The variety of business activities undertaken by the Bank requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Bank has a dynamic risk management framework defined by the Board of Directors (BOD) and implemented through Risk Management Group (RMG). The Risk Management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of credit policies & procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Board Risk Management Committee (BRMC), comprising of 4 directors including the President & CEO, is appointed and authorized by the Board to assist the BOD in design, regular evaluation and timely updation of the Risk Management framework. BRMC has further authorized management committees such as Country Credit Committee (CCC), Enterprise Risk Management Committee (ERMC) and Assets & Liabilities Committee (ALCO) to supervise risk management activities within their respective scopes.

In order to have an effective and efficient risk assessment, and to closely align its functions with Business, RMG has separate Risk functions for Credit Risk Management: Corporate Risk Management, Commercial Risk Management, Retail SME & Agri Risk Management and Retail Risk Management. While Corporate, Commercial and Retail SME & Agri Risk Management involve a customer-based risk assessment under a pre-defined credit approval process, Retail Risk Management operates on a program lending approach to manage, mitigate and approve risk on a portfolio level.

The Risk Management architecture is further fostered by Enterprise Risk Management, Credit Administration and Risk Policy functions.

The Enterprise Risk Management function is responsible for managing and controlling Market, Operational and Liquidity Risks at an enterprise level and maintaining regulatory capital requirements of the Bank.

Credit Administration Department looks after the security, loan documentation, disbursement and post disbursement monitoring aspects of the credit portfolio.

Risk Policy unit ensures formulation of synchronized and adhesive policies in conjunction with the Bank's strategy and practices while adhering to the local and regulatory guidelines within Corporate, Commercial and Retail business segments. This also encompasses detailed review of macro risk factors, NPL status and monitoring of internal credit rating models including model documentation and the coordination of analytics within the Enterprise Risk Management functionalities.

46.1 Credit Risk

Credit risk is the identification of probability that a counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk can arise from both direct lending activities as well as contingent liabilities.

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The Bank's credit risk philosophy is based on the Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analyzed, fully disclosed to the approving authorities and appropriately rated, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank deals with many different types of borrowers and borrowing structures across the wholesale and retail segments. The Bank manages customer credit risk exposures within appropriate limits to ensure that it does not provide a disproportionate level of credit to a single customer or group of connected clients. The Bank follows aggregation principles of summing of credit risk limits to the same customer, or group of connected clients to identify and manage effectively all significant credit risk exposures to a single customer connection within an individual business and, where appropriate, across other business segments.

The Bank has well-defined credit approval and review processes under which senior officers (with the inclusion of Risk Management's consent) with the requisite credit background, critically scrutinize and sanction financing. Besides financial, industry and transaction analysis, in order to quantify risks of counterparty, the credit evaluation also includes risk rating system to evaluate risk rating of all customers which is then monitored on a portfolio basis to gauge the Bank's credit portfolio quality. To avoid risk concentration, counterparty limits, counterparty group limits and industry concentration limits are also established, monitored and assessed in the light of changing counterparty and market conditions.

46.1.1 Segment by class of business

Portfolio management is an integral part of the Bank's credit process. Risk concentration may arise where total exposure to a particular group or industry is high in relation to shareholders' equity. The Bank has set up a portfolio strategy and planning function with an aim to monitor the overall risk and to avoid high exposure to a single group or industry.

Segmental information in respect of the class of business and geographical distribution of advances, deposits, and contingencies and commitments is given below:

	2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and Pharmaceuticals	10,660,112	7.05	4,808,016	2.46	1,493,882	3.61
Agriculture	3,455,591	2.29	4,881,073	2.50	544,671	1.32
Textile	29,269,648	19.36	1,674,602	0.86	3,560,257	8.60
Cement	4,850,342	3.21	149,610	0.08	2,453,244	5.93
Sugar	3,056,884	2.02	109,086	0.06	89,334	0.22
Construction	788,628	0.52	1,967,022	1.01	1,032,579	2.50
Ready made garments	968,971	0.64	259,619	0.13	269,145	0.65
Footwear and leather garments	1,032,889	0.68	255,924	0.13	119,749	0.29
Automobile and transportation equipment	364,287	0.24	429,124	0.22	244,508	0.59
Financial	288,407	0.19	6,787,411	3.48	12,951,649	31.30
Oil Refining / Marketing	205,812	0.14	6,614,430	3.39	5,121,643	12.38
Distribution / Trading	7,477,745	4.95	6,195,143	3.17	1,798,148	4.35
Electronics and electrical appliances	1,285,032	0.85	854,840	0.44	1,438,587	3.48
Production and transmission of energy	16,657,824	11.02	6,613,736	3.39	2,016,398	4.87
Iron and Steel	2,235,005	1.48	800,265	0.41	366,167	0.88
Food and Allied	3,962,536	2.62	595,083	0.30	224,712	0.54
Synthetic and Rayon	1,057,214	0.70	28,944	0.01	75,963	0.18
Food Industries	-	0.00	914,803	0.47	157,735	0.38
Paper and Board	334,878	0.22	65,855	0.03	1,409	0.00
Individuals	19,993,893	13.22	89,405,382	45.77	76,134	0.18
Telecommunication	-	0.00	806,275	0.41	1,288,772	3.11
Transportation, Road and Air	3,579,183	2.37	1,569,298	0.80	369,503	0.89
Mining and Quarrying	119,760	0.08	150,678	0.08	270,032	0.65
Others	39,561,768	26.15	59,378,985	30.40	5,413,229	13.10
	151,206,409	100.00	195,315,204	100.00	41,377,450	100.00

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For the year ended December 31, 2010

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and Pharmaceuticals	8,287,946	8.42	5,403,369	4.37	2,045,152	7.77
Agriculture	3,445,103	3.50	4,043,629	3.27	46,526	0.18
Textile	15,689,375	15.95	831,859	0.67	1,076,158	4.09
Cement	3,123,810	3.18	279,911	0.23	389,840	1.48
Sugar	2,645,778	2.69	77,447	0.06	14,500	0.06
Construction	1,274,940	1.30	2,366,164	1.91	1,980,231	7.52
Ready made garments	113,991	0.12	442,319	0.36	213,111	0.81
Footwear and leather garments	903,885	0.92	224,882	0.18	164,076	0.62
Automobile and transportation equipment	220,132	0.22	329,533	0.27	107,876	0.41
Financial	895,493	0.91	8,460,302	6.84	785,548	2.98
Oil Refining / Marketing	30,823	0.03	13,973,436	11.30	4,492,404	17.07
Distribution / Trading	3,291,661	3.35	2,321,507	1.88	905,118	3.44
Electronics and electrical appliances	33,134	0.03	605,672	0.49	2,339,778	8.89
Production and transmission of energy	5,972,805	6.07	1,407,218	1.14	4,474,344	17.00
Iron and Steel	1,308,612	1.33	491,971	0.40	1,159,558	4.41
Food and Allied	251,203	0.26	-	-	-	-
Synthetic and Rayon	2,061,035	2.09	104,483	0.08	-	-
Food Industries	2,096,027	2.13	474,873	0.38	516,901	1.96
Paper and Board	413,787	0.42	54,468	0.04	4,121	0.02
Individuals	12,347,103	12.55	38,925,270	31.48	1,906	0.01
Telecommunication	-	-	5,188,571	4.20	2,850,079	10.83
Transportation, Road and Air	-	-	-	-	249,919	0.95
Mining and Quarrying	-	-	36,302	0.03	-	-
Others	33,977,827	34.53	37,612,002	30.42	2,501,364	9.50
	98,384,470	100.00	123,655,188	100.00	26,318,510	100.00

46.1.2 Segment by sector

	2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	9,896,164	6.54	16,223,860	8.31	3,296,250	7.97
Private	141,310,245	93.46	179,091,344	91.69	38,081,200	92.03
	151,206,409	100.00	195,315,204	100.00	41,377,450	100.00

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	9,197,928	9.35	9,159,093	7.41	6,304,914	23.96
Private	89,186,542	90.65	114,496,095	92.59	20,013,596	76.04
	98,384,470	100.00	123,655,188	100.00	26,318,510	100.00

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46.1.3 Details of non-performing advances and specific provisions by class of business segment

	2010		2009	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees '000			
Chemical and Pharmaceuticals	1,265,250	844,380	775,233	727,967
Agriculture	933,483	236,021	623,871	167,299
Textile	5,377,745	4,179,663	1,220,495	1,068,749
Cement	1,005,109	584,796	-	-
Sugar	56,920	56,640	529,490	105,283
Construction	273,918	80,822	36,992	14,560
Ready Made Garments	82,496	66,621	7,339	992
Footwear and leather garments	32,947	18,529	-	-
Automobile and Transport Equipment	145,472	134,240	124,505	89,617
Financial	90,014	44,510	62,221	6,687
Oil Refining / Marketing	200,239	85,239	502,178	305,165
Distribution / Trading	2,061,389	1,405,577	-	-
Electronics and electrical appliances	439,604	420,893	1,076,982	995,260
Production and transmission of energy	3,095,105	2,944,563	150,647	148,786
Iron and Steel	152,172	131,452	77,532	23,922
Food and Allied	826,777	561,892	75,351	62,547
Synthetic and Rayon	372,630	372,630	1,485,642	648,582
Food and Industry	-	-	560,545	168,842
Paper and Board	125,290	78,229	58,000	58,000
Transportation, Road and Air	7,267	5,602	-	-
Individuals	2,859,486	1,629,843	372,630	372,630
Others (including manufacturing and real estate)	5,304,445	3,280,925	2,931,377	1,699,448
	<u>24,707,758</u>	<u>17,163,067</u>	<u>10,671,030</u>	<u>6,664,336</u>

46.1.4 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	24,707,758	17,163,067	10,671,030	6,664,336
	<u>24,707,758</u>	<u>17,163,067</u>	<u>10,671,030</u>	<u>6,664,336</u>

46.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees '000			
Pakistan	827,054	267,320,923	16,517,770	41,377,450
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>827,054</u>	<u>267,320,923</u>	<u>16,517,770</u>	<u>41,377,450</u>

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	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees '000			
Pakistan	1,300,501	180,865,413	12,782,739	26,318,510
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,300,501</u>	<u>180,865,413</u>	<u>12,782,739</u>	<u>26,318,510</u>

46.2 Credit Risk: General disclosures Basel II specific

The Bank has adopted the Standardised Approach, under Basel II. According to the regulatory statement submitted under the Standardised Approach, the portfolio has been divided into claims on Public Sector Entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 34.04% (2009: 37.37%) of the total exposure, 2.53% (2009: 4.69%) represents claims on PSEs and 7.89% (2009: 10.75%) exposure pertains to claims categorized as retail portfolio.

46.2.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used. For claims on foreign entities, ratings assigned by Standard and Poor's, Fitch and Moody's are used. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Types of exposure for which each agency is used in the year ended December 31, 2010 are as follows;

Exposures	PACRA	JCR-VIS	Standard and Poor's	Moody's	Fitch
Corporate	□	□	-	-	-
Banks	□	□	□	□	□
Sovereigns	-	-	-	-	-
SMEs	-	-	-	-	-
Securitized	-	-	-	-	-

SBP indicative mapping process as instructed in SBP circular "Minimum Capital Requirements for Banks and DFI's" (indicated in table below) was used to map alphanumeric ratings of PACRA, JCR-VIS, S&P's, Moody's, Fitch Ratings, and numeric scores of ECAs, to SBP rating grades.

SBP Rating	ECA Scores	PACRA	JCR-VIS	S & P	Moody's	Fitch
1	0,1	AA- and above	AA- and above	AA- and above	Aa3 and above	AA- and above
2	2	A+ to A-	A+ to A-	A+ to A-	A1 to A3	A+ to A-
3	3	BBB+ to BBB-	BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	4	BB+ to BB-	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	5,6	B+ to B-	B+ to B-	B+ to B-	B1 to B3	B+ to B-
6	7	CCC+ & Below	CCC+ & Below	CCC+ & Below	Caa1 & Below	CCC+ & Below

For exposure amounts after risk mitigation subject to the standardized approach, amount of Bank's/DFI's outstandings (rated & unrated) in each risk bucket as well as those that are deducted are as follows;

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Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
- Cash and Cash Equivalent		3,682,372	-	3,682,372
- Corporate	1	8,997,693	-	8,997,693
	2	14,814,330	4,488	14,809,842
	3,4	1,817,234	8,071	1,809,163
	5,6	254,176	7,248	246,928
	Unrated	65,468,998	1,259,640	64,209,358
- Public Sector Equities	1	4,743,496	-	4,743,496
	2,3	579,041	-	579,041
	Unrated	278,548	3,259	275,289
- Banks	1,2,3	7,530,429	104,699	7,425,730
	4,5	142,025	-	142,025
	Unrated	181,763	-	181,763
- Sovereigns etc.		-	-	-
- Government of Pakistan		77,836,628	-	77,836,628
- SBP		4,064,347	-	4,064,347
- Retail		24,076,633	3,159,391	20,917,242
- Residential Mortgage		7,038,028	-	7,038,028
- Past Dues Loans		8,090,011	647,668	7,442,343
- Past Dues against Residential Mortgage		1,072,171	-	1,072,171
- Unlisted Equity Investment		350,083	-	350,083
- Listed Equity		4,054,952	-	4,054,952
- Operating Fixed Assets		6,054,678	-	6,054,678
- Other Assets		12,230,984	-	12,230,984
Total		253,358,620	5,194,464	248,164,156

Collaterals used by the Bank for Credit Risk Mitigation (CRM) were as follows:

- Cash margin
- Government securities
- Guarantees of Government and Banks.
- Shares on KSE main index.

46.3 Market Risk

It is the risk that the value of the On and Off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, equity prices and/or commodity prices resulting in a loss to earnings and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Treasury Front Office, Market Risk Management and Treasury Middle Office perform market risk management activities within the Bank. The Bank has Enterprise Risk Management Committee which is responsible for reviewing and approving market risk policies and strategies. The market risk is further divided into various sub-categories, which are defined as follows:

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46.4 Foreign Exchange Risk / Currency Risk

Foreign exchange risk / currency risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movements in currency exchange rates on the value of open foreign currency positions. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect revenues from foreign exchange dealing.

The Bank undertakes currency risk mostly to support its trade services and maintains overall foreign exchange risk position to the extent of statutory Foreign Exchange Exposure Limit (FEEL) prescribed by SBP. Foreign Exchange Risk exposures are managed by matching future maturities.

Exposure limits such as counterparty, gap, net open position, dealer and product limits are also in place in accordance with the Bank's approved Standard Operating Procedures to limit risk and concentration to the acceptable tolerance levels.

46.4.1 Currency Risk

	2010			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees '000			
Pakistan rupee	252,407,210	231,010,136	(5,181,551)	16,215,523
United States dollar	13,043,436	15,031,236	2,276,874	289,074
Great Britain pound	729,571	2,588,787	1,860,831	1,615
Japanese yen	6,275	2,729	(2,106)	1,440
Euro	1,115,659	2,170,027	1,056,127	1,759
Other currencies	18,772	238	(10,175)	8,359
	<u>267,320,923</u>	<u>250,803,153</u>	<u>-</u>	<u>16,517,770</u>

	2009			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees '000			
Pakistan rupee	174,802,789	160,453,477	(1,582,956)	12,766,356
United States dollar	5,457,197	5,967,507	525,116	14,806
Great Britain pound	132,705	1,030,639	897,700	(234)
Japanese yen	31	1,574	1,825	282
Euro	471,422	629,469	158,315	268
Other currencies	1,269	8	-	1,261
	<u>180,865,413</u>	<u>168,082,674</u>	<u>-</u>	<u>12,782,739</u>

46.5 Equity position risk

Equity position risk is the risk arising from unfavourable fluctuations in prices of shares in which the Bank carries long and/or short positions, in its trading book. It is risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Bank. Price risk associated with equities could be systematic or unsystematic. Systematic risk is due to sensitivity of portfolio's value to changes in overall level of equity prices, while the unsystematic risk is associated with price volatility that is determined by the specific characteristics of the investee company.

The Bank's equity position is governed by SBP limits for overall investment and per scrip exposure. In addition, there are internal limits set for trading positions, as well as stop loss limits.

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46.6 Mismatch of Interest Rate Sensitive Assets and Liabilities / Yield / Interest Rate Risk

Effective Yield / Interest rate	2010										Non-interest bearing financial instruments
	Exposed to Yield / Interest risk										
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	17,428,924	1,841,189	-	-	-	-	-	-	-	-	15,587,735
Balances with other banks	5,727,909	-	-	-	-	-	-	-	-	-	5,727,909
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investments	86,265,549	17,508,217	25,877,811	25,730,920	1,974,097	2,097,215	2,460,240	1,601,366	1,921,411	-	7,094,272
Advances	133,706,769	19,707,160	47,807,198	35,863,713	18,794,879	1,944,798	1,223,283	1,779,694	2,224,448	939,899	3,421,697
Other assets	6,215,982	-	-	-	-	-	-	-	-	-	6,215,982
	249,345,133	39,056,566	73,685,009	61,594,633	20,768,976	4,042,013	3,683,523	3,381,060	4,145,859	939,899	38,047,595
Liabilities											
Bills payable	3,218,859	-	-	-	-	-	-	-	-	-	3,218,859
Borrowings	34,635,904	19,591,632	7,329,480	4,198,881	1,708,968	485,863	484,498	676,131	158,375	-	2,076
Deposits and other accounts	195,315,204	78,833,274	16,060,800	25,520,971	30,838,576	1,018,501	449,335	184,203	16,890	-	42,392,654
Subordinated loans	4,595,395	-	-	4,595,395	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,892,534	214,615	513,911	-	-	-	-	-	-	-	12,164,008
	250,657,896	98,639,521	23,904,191	34,315,247	32,547,544	1,504,364	933,833	860,334	175,265	-	57,777,597
On-balance sheet gap	(1,312,763)	(59,582,955)	49,780,818	27,279,386	(11,778,568)	2,537,649	2,749,690	2,520,726	3,970,594	939,899	(19,730,002)
Off-balance sheet financial instruments											
Forward lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Rate Sensitivity Gap	(59,582,955)	49,780,818	27,279,386	(11,778,568)	2,537,649	2,749,690	2,520,726	3,970,594	939,899	939,899	18,417,239
Cumulative Yield / Interest Rate Sensitivity Gap	(59,582,955)	(9,802,137)	17,477,249	5,698,681	10,986,020	13,506,746	17,477,340	18,417,239	18,417,239	18,417,239	18,417,239

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Mismatch of Interest Rate Sensitive Assets and Liabilities / Yield / Interest Rate Risk

2009

Effective Yield / Interest rate	Exposed to Yield / Interest risk										Noninterest bearing financial instruments	
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years		
	Rupees in '000											
	8,427,202	-	-	-	-	-	-	-	-	-	-	8,427,202
	508,795	-	-	-	-	-	-	-	-	-	-	508,795
12.66	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-	-	-
12.29	56,531,338	1,719,914	9,800,470	20,680,576	10,032,741	89,172	166,944	4,491,019	-	-	-	8,305,484
13.83	91,346,001	20,440,376	30,135,710	25,432,177	6,531,702	2,453,769	1,464,386	1,101,566	218,131	391,342	-	3,176,842
	3,393,795	-	-	-	-	-	-	-	-	-	-	3,393,795
	175,224,957	36,402,751	40,711,545	46,112,753	16,564,443	2,542,941	1,631,330	2,346,584	4,709,150	391,342	-	23,812,118
	1,465,451	-	-	-	-	-	-	-	-	-	-	1,465,451
9.87	34,985,766	20,387,801	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-	-	21,550
8.81	123,655,188	63,157,425	21,214,332	5,408,698	10,335,183	473,435	149,990	49,209	-	-	-	22,866,916
15.02	999,200	-	-	200	999,000	-	-	-	-	-	-	-
	6,226,585	-	-	-	-	-	-	-	-	-	-	6,226,585
	167,332,190	83,545,226	31,178,468	8,164,571	11,806,760	892,699	455,747	560,279	147,938	-	-	30,580,502
	7,892,767	47,142,475	9,533,077	37,948,182	4,757,683	1,650,242	1,175,583	1,786,305	4,561,212	391,342	-	(6,768,384)
	(2,210,000)	2,210,000	-	-	-	-	-	-	-	-	-	-
	(2,210,000)	2,210,000	-	-	-	-	-	-	-	-	-	-
	(44,932,475)	9,533,077	37,948,182	4,757,683	1,650,242	1,175,583	1,786,305	4,561,212	391,342	-	-	-
	(44,932,475)	(35,399,398)	2,548,784	7,306,467	10,132,292	8,956,709	16,479,809	16,871,151	-	-	-	-

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments
Advances
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Subordinated loans
Liabilities against assets subject to finance lease
Other liabilities

On-balance sheet gap

Off-balance sheet financial instruments

Forward lending
(including call lending, repurchase agreement lending, commitments to extend credit, etc.)

Forward borrowings
(including call borrowing, repurchase agreement borrowing, etc.)

Off-balance sheet gap

Total Yield / Interest Rate Sensitivity Gap

Cumulative Yield / Interest Rate Sensitivity Gap

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

46.6.1 Yield curve risk is the risk that a financial instrument will suffer either a decline in income or capital because future changes in prevailing interest rates impact assets more or less than they impact liabilities. The component of interest rate risk arising from differences in the timing of asset and liability. It is inherent primarily to the banking book mainly through advances and deposits portfolio.

46.6.2 The Interest rate risk of the Bank arises when there is a mismatch between contractual maturities, which are subject to interest rate adjustment within a specified period or re-pricing of on- and off-balance sheet assets and liabilities. Risk is addressed by Asset and Liability Management Committee that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities to ensure that the spread of the Bank remains at an acceptable level.

46.6.3 Major sources of Interest rate risk are;

- i) differences between the timing of rate changes and the timing of cash flows (re-pricing risk);
- ii) changing rate relationships among different yield curves effecting bank activities (basis risk);
- iii) changing rate relationships across the range of maturities (yield curve risk); and
- iv) interest-related options embedded in bank products (options risk).

46.7 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn.

The Bank's Asset and Liability Management Committee manages the liquidity position on a continuous basis. The Bank's liquidity risk management process, as carried out within the Bank and monitored by the management, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Monitoring of next three months liquidity target, available Internal liquidity, liquidity excess / shortfall and estimated overall liquidity; and
- Managing the liabilities both on a contractual and behavioural basis primarily by matching the maturity profiles of assets and liabilities.

Monitoring and reporting of treasury and capital market maturities is done through monitoring of daily maturities. Hence, monitoring and reporting takes the form of regular and periodic cash flow measurement and projections.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

46.7.1 Maturities of Assets and Liabilities (based on contractual maturities)

	2010									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
Rupees in '000										
Assets										
Cash and balances with treasury banks *	17,428,924	17,428,924	-	-	-	-	-	-	-	-
Balances with other banks	5,727,909	5,727,909	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	86,418,549	16,674,351	21,460,698	22,423,915	7,417,939	4,711,316	4,615,102	6,001,116	2,610,128	503,984
Advances	133,706,769	16,210,160	20,017,232	18,261,452	20,216,872	15,799,084	10,483,820	12,221,808	16,575,638	3,920,703
Operating fixed assets	8,726,406	22,082	34,723	238,378	145,056	540,401	754,243	276,945	989,987	5,724,591
Deferred tax assets - net	5,017,202	48,528	97,057	145,585	291,170	582,340	582,340	3,270,182	-	-
Other assets	10,295,164	1,212,236	1,207,377	2,810,930	776,510	-	-	4,288,111	-	-
	267,320,923	57,324,190	42,817,087	43,880,260	28,847,547	21,633,141	16,435,505	26,058,162	20,175,753	10,149,278
Liabilities										
Bills payable	3,218,859	3,218,859	-	-	-	-	-	-	-	-
Borrowings	34,635,904	19,599,709	7,329,479	4,198,881	1,708,968	485,863	484,498	676,131	158,375	-
Deposits and other accounts **	195,315,204	109,082,182	16,427,389	30,169,171	30,838,576	1,018,501	7,578,292	184,203	16,890	-
Subordinated loans	4,595,395	-	-	198,035	960	201,280	699,720	501,400	2,994,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,037,791	3,302,033	1,714,608	926,820	2,258,730	1,041,651	1,946,009	1,847,940	-	-
	250,803,153	135,196,783	25,471,476	35,492,907	34,807,234	2,747,295	10,708,519	3,209,674	3,169,265	-
Net assets	16,517,770	(77,872,593)	17,345,611	8,387,353	(5,959,687)	18,885,846	5,726,986	22,848,488	17,006,488	10,149,278
Share capital	7,309,094									
Proposed shares to be issued on amalgamation	28,253									
Reserves	7,354,688									
Unappropriated profit	1,950,843									
Surplus on revaluation of assets	16,642,878									
	(125,108)									
	16,517,770									

* Included in cash and balances with treasury banks are the current and deposit accounts with the State Bank of Pakistan which are maintained to meet the Statutory Liquidity Reserve Requirements (SLR). Since such balances have no actual maturity, the same are classified in the earliest maturity band of upto one month.

** As per SBP's requirement, the entire balance held in saving deposit accounts is classified under the maturity band of upto one month. On the basis of history, the Bank expects that these deposits will be maintained over a longer period without withdrawal.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Maturities of Assets and Liabilities (based on contractual maturities)

2009

Total	Over one									
	Upto one month	month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	
8,427,202	8,427,202	-	-	-	-	-	-	-	-	-
508,795	508,795	-	-	-	-	-	-	-	-	-
15,017,826	14,242,461	775,365	-	-	-	-	-	-	-	-
56,531,338	359,262	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-	-
91,346,001	13,853,009	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666	-
2,787,617	2,926	2,478	4,851	52,686	89,732	520,340	485,806	10,595	1,618,253	-
1,279,918	-	-	2,445,367	811,575	-	1,223,578	1,279,918	-	-	-
4,966,716	486,196	-	-	-	-	-	-	-	-	-
180,865,413	37,879,851	20,879,961	37,940,047	21,547,931	14,642,276	12,069,352	16,355,471	15,070,605	4,479,919	-
1,465,451	1,465,451	-	-	-	-	-	-	-	-	-
34,985,766	20,409,351	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-	-
123,655,188	86,024,339	21,214,333	5,408,698	10,335,183	473,435	149,991	49,209	-	-	-
999,200	-	-	200	200	400	400	998,000	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
6,977,069	1,617,756	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-	-
168,082,674	109,516,897	31,429,224	8,446,724	11,991,104	1,803,004	1,323,483	3,424,300	147,938	-	-
12,782,739	(71,637,046)	(10,549,263)	29,493,323	9,556,827	12,839,272	10,745,869	12,931,171	14,922,667	4,479,919	-
Share capital	6,090,911	-	-	-	-	-	-	-	-	-
Reserves	4,030,056	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,215,179	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	11,336,146	-	-	-	-	-	-	-	-	-
	1,446,593	-	-	-	-	-	-	-	-	-
	12,782,739	-	-	-	-	-	-	-	-	-

Rupees in '000

Assets

Cash and balances with treasury banks *

Balances with other banks

Lendings to financial institutions

Investments

Advances

Operating fixed assets

Deferred tax assets - net

Other assets

Liabilities

Bills payable

Borrowings

Deposits and other accounts **

Subordinated loans

Liabilities against assets subject to finance lease

Deferred tax liabilities - net

Other liabilities

Net assets

Share capital

Reserves

Unappropriated profit

Surplus on revaluation of assets

* Included in cash and balances with treasury banks are the current and deposit accounts with the State Bank of Pakistan which are maintained to meet the Statutory Liquidity Reserve Requirements (SLR). Since such balances have no actual maturity the same are classified in the earliest maturity band of upto one month.

** As per SBP's requirement, the entire balance held in saving deposit accounts is classified under the maturity band of upto one month. On the basis of history, the Bank expects that these deposits will be maintained over a longer period without withdrawal.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

46.7.2 Maturities of Assets and Liabilities - Based on expected withdrawal pattern

The following maturity analysis is presented as an additional disclosure to depict the maturities of assets and liabilities as determined by the Bank's Asset and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of deposits.

	2010									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
Assets										
Cash and balances with treasury banks *	17,428,924	10,833,877	721,112	1,003,597	1,509,751	1,111,235	514,559	652,392	980,059	102,342
Balances with other banks	5,727,909	5,727,909	-	-	-	-	-	-	-	-
Lendings to financial institutions	86,418,549	16,674,351	21,460,698	22,423,915	7,417,939	4,711,316	4,615,102	6,001,116	2,610,128	503,984
Investments	133,706,769	16,210,161	20,017,232	18,544,592	20,216,872	15,799,084	10,483,820	12,221,808	16,292,497	3,920,703
Advances	8,726,406	22,082	34,723	238,378	145,056	540,401	754,243	276,945	989,987	5,724,591
Operating fixed assets	5,017,202	48,528	97,057	145,585	291,170	582,340	582,340	3,270,182	-	-
Deferred tax assets - net	10,295,164	1,671,958	1,207,377	2,505,021	777,516	-	-	4,133,292	-	-
Other assets	267,320,923	51,188,866	43,538,199	44,861,088	30,358,304	22,744,376	16,950,064	26,555,735	20,872,671	10,251,620
Liabilities										
Bills payable	3,218,859	3,218,859	-	-	-	-	-	-	-	-
Borrowings	34,635,904	19,593,709	7,329,479	4,198,881	1,708,968	485,863	484,498	676,131	158,375	-
Deposits and other accounts	195,315,204	32,046,851	20,266,923	23,871,020	38,511,303	29,364,402	12,131,135	14,360,021	22,387,475	2,376,074
Subordinated loans	4,595,395	-	-	198,035	960	201,280	699,720	501,400	2,994,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	13,037,791	3,633,720	1,664,608	623,026	2,258,730	1,041,651	1,946,009	1,870,047	-	-
Other liabilities	250,803,153	58,493,139	29,261,010	28,890,962	42,479,961	31,093,196	15,261,362	17,407,599	25,539,850	2,376,074
Net assets	16,517,770	7,304,273	14,277,189	15,970,126	(12,121,657)	(8,348,820)	1,688,702	9,148,136	(4,667,179)	7,875,546
Share capital	7,309,094									
Proposed shares to be issued on amalgamation	28,253									
Reserves	7,354,688									
Unappropriated profit	1,950,843									
Surplus on revaluation of assets	16,642,878									
	(125,108)									
	16,517,770									

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

Maturities of Assets and Liabilities - Based on expected withdrawal pattern

2009

Total	Rupees in '000									
	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	
..... Rupees in '000										
Assets										
Cash and balances with treasury banks	8,427,202	1,167,072	511,364	765,678	228,641	541,401	487,604	459,847	473,518	
Balances with other banks	508,795	-	-	-	-	-	-	-	-	
Lendings to financial institutions	15,017,826	775,365	-	-	-	-	-	-	-	
Investments	56,531,338	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-	
Advances	91,346,001	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666	
Operating fixed assets	2,787,617	2,478	4,851	52,635	89,732	520,340	485,806	10,595	1,618,253	
Deferred tax assets - net	1,279,918	-	-	811,575	-	1,223,578	-	-	-	
Other assets	4,966,716	-	2,445,367	-	-	-	-	-	-	
	180,865,413	22,047,033	38,451,411	22,313,608	14,870,917	12,610,753	16,843,075	15,530,452	4,953,437	
Liabilities										
Bills payable	1,465,451	-	-	-	-	-	-	-	-	
Borrowings from financial institutions	34,985,766	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-	
Deposits and other accounts	123,655,188	25,644,080	10,517,585	16,757,188	4,488,642	9,922,551	9,407,208	9,357,999	9,591,906	
Subordinated loans	999,200	-	200	200	400	400	998,000	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities - net	6,977,069	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-	
Other liabilities	168,082,674	35,858,971	13,555,611	18,413,109	5,818,211	11,096,023	12,782,299	9,505,937	9,591,906	
	12,782,739	(13,811,938)	24,895,800	3,900,499	9,052,706	1,514,730	4,060,776	6,024,515	(4,638,469)	
Net assets										
Share capital	6,090,911									
Reserves	4,030,056									
Unappropriated profit	1,215,179									
	11,336,146									
Surplus on revaluation of assets	1,446,593									
	12,782,739									

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2010

46.8 Operational Risk

Operational Risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors, or from external events. The Bank's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses originate from business / operational process failure, IT security failure, natural disasters, dependence on key suppliers, fraud, service quality compromised, regulatory non-compliance, loss of key staff, and social and environmental impacts.

The Operational Risk Management Policy of the Bank is approved by the Board of Directors. Regular updates on operational risk status is presented before Enterprise Risk Management Committee (ERM) and Board of Directors through the Board Risk Management Committee (BRMC).

The Bank has implemented risk controls and loss mitigation actions for curtailing operational risk. Each division has processes and systems in place to address operational risks within their area. These include key controls and the provision of business continuity plans to protect against major disruptions. The Bank's ORM framework consists of tools such as Risk & Controls Self Assessment, Loss Database and Key Risk Indicators. Material Operational risks are identified in new activities and products through "Other Risk Assessment Procedures (ORAP)".

47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 29, 2011 by the Board of Directors of the Bank.

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There were no appropriations or distributions made after the balance sheet date.

49. GENERAL

49.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. Earnings per share for the prior year has been restated consequent to the issue of bonus shares during the current year.

49.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

49.3 Captions as prescribed in BSD circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which no amounts are outstanding have not been reproduced in these financial statements except in the statement of financial position and the profit and loss account.



President & CEO



Director



Director



Director

Annexure I to the Financial Statements

For the year ended December 31, 2010

Statement showing details of investments in ordinary and preference shares / certificates of listed and unlisted companies / modarabas / mutual funds and Term Finance Certificates and bonds as referred to in note 12 to the financial statements.

1. Details of investments in listed companies / modarabas / closed end mutual funds are as follows:

						Quality of Available for Sale Securities		
2010	2009	Name of company/ modaraba/ mutual fund	2010	2009	2010	2009	2010	2009
Ordinary shares / certificates of Rs 10 each			At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
			Rupees ,000	Rupees ,000				
Equity Investment Instruments								
4,006,670	3,994,715	Al-Meezan Mutual Fund [†]	35,348	35,263	33,295	26,365		A
1,999,950	1,999,950	NAMCO Balanced Fund	20,000	20,000	8,260	9,440		AM3-
25,639	-	Dominion Stock Fund Limited***	-	-	-	-		
28,042	-	Investec Mutual Fund Limited***	-	-	-	-		
-	2,812,895	JS Large Capital Fund	-	27,888	-	12,939		5-Star
Modarabas								
3,018,500	2,990,000	First Habib Modaraba [†]	22,829	22,656	20,224	17,432	AA+	AA+
100,000	-	First Fidelity Leasing Modaraba	288	-	174	-	BBB	
199,568	-	I.B.L Modaraba 1st	575	-	357	-		
77,000	-	Tawakkal Modaraba 1st***	-	-	-	-		
56,703	-	Unicap Modaraba	11	-	5	-		
101	1,001	First Prudential Modaraba	-	1	-	1		
Banks / Financial Services								
69,922	-	Atlas Bank Limited (Formerly Dawood Bank Limited)	217	-	114	-		
1,762,772	1,709,700	Prudential Investment Bank Limited */***	12,528	12,528	-	-		
600,000	-	Arif Habib Corporation	15,966	-	14,934	-		
100,000	-	Arif Habib Investment Limited	1,855	-	1,776	-	A	
15,240	-	First Capital Securities Corporation Limited	129	-	54	-		
16,024	-	Investec Securities Limited***	-	-	-	-		
22,770	-	Islamic Investment Bank Limited***	-	-	-	-		
43,105	-	National Asset Leasing Corporation Limited***	-	-	-	-		
4,100	-	National Over Limited***	-	-	-	-		
118,630	-	Natover Lease & Refinance Limited	-	-	-	-		
16,990	-	Standard Chartered Leasing Limited	49	-	48	-	AA-	
3,827,120	-	Askari Commercial Bank	74,849	-	67,702	-	AA	
20,000	-	Bank Alfalah Limited	230	-	224	-	AA	
8,153,324	-	Bank Al Habib Limited	301,407	-	295,641	-	AA+	
192,962	-	Javed Omer Vohra & Company	2,163	-	772	-		
85,411	-	JS Bank Limited	424	-	220	-	A	
-	202,834	Habib Bank Limited	-	25,201	-	25,038	AA+	AA+
10,171,365	2,893,534	The Bank of Punjab	91,420	43,914	99,781	56,424	AA-	AA-
554,621	-	Bankers Equity Limited***	-	-	-	-		
11,493,620	-	Habib Metropolitan Bank Limited	338,034	-	333,200	-	AA+	
24	-	Indus Bank Limited***	-	-	-	-		
325	-	Industrial Development Bank Limited	-	-	-	-		
5,730	-	Innovative Investment Bank***	-	-	-	-		
100,000	-	KASB Bank Limited	540	-	251	-	A-	
120,100	-	Mehran Bank Limited***	-	-	-	-		
1,000,000	-	Silk Bank Limited	3,030	-	2,620	-	A-	
3,520,045	3,520,050	First Credit & Investment Bank Limited	35,200	35,192	11,475	11,792	A-	A-
433,477	-	National Bank of Pakistan Limited	32,437	-	33,300	-	AAA	
1,114,368	25,008,000	NIB Bank Limited	3,361	166,365	3,287	120,038	AA-	AA-
10,825,024	-	Soneri Bank Limited	111,421	-	89,956	-	AA-	
Construction and Materials								
9,700	-	Adamjee Floorings Limited***	-	-	-	-		
-	4,964,530	Fauji Cement Limited	-	39,373	-	30,582		
9,662	-	Buxly Paints Limited	177	-	140	-		
852,764	-	Pioneer Cement Limited	7,494	-	5,774	-		
Balance carried forward			1,111,982	428,381	1,023,584	310,051		

*The bank holds more than 10% of investees' capital in Prudential Investment Bank Limited fi 17.10% (2009: 17.10%)

**Shares / certificates of Rs 5 each

***Delisted companies

[†] Includes 3,994,715 certificates of Al-Meezan Mutual Fund and 2,990,000 certificates of First Habib Modaraba classified as strategic investment

Annexure I to the Financial Statements

For the year ended December 31, 2010

						Quality of Available for Sale Securities	
2010	2009	2010	2009	2010	2009	2010	2009
Ordinary shares / certificates of Rs 10 each		Name of company/ modaraba/ mutual fund		At Cost		Market Values	
				Rupees ,000		Rupees ,000	
						Medium to Long Term Rating Assigned (where available)	
		Balance brought forward	1,111,982	428,381	1,023,584	310,051	
53,197	-	Cherat Cement Company Limited	718	-	572	-	
10,665	-	Dadabhoy Construction Technology Limited	16	-	5	-	
3,149	-	EMCO Industries Limited	18	-	9	-	
280,986	-	FECTO Cement Limited	2,891	-	2,037	-	
26,900	-	Gypsum Corporation Limited***	-	-	-	-	
110,411	-	Mustehkam Cement Limited	3,292	-	1,590	-	
72,100	-	Punjab Building***	-	-	-	-	
79,089	-	Zeal Pak Cement Factory Limited***	-	-	-	-	
25,300	-	Karachi Pipes Limited***	-	-	-	-	
		Oil and Gas					
22,977	21,825	Pakistan State Oil Limited	6,737	6,463	6,782	6,492	AA+
530,350	-	Shell Gas LPG	22,111	-	17,942	-	
57,375	-	Shell Pakistan Limited	11,469	-	11,947	-	
41,004	-	Attock Petroleum Limited	13,742	-	13,717	-	
250,979	-	Pakistan Petroleum Limited	54,689	-	54,500	-	
310,697	55,213	Pakistan Refinery Limited	23,166	6,500	33,468	6,664	
504,529	-	Pakistan Oilfields Limited	150,891	-	149,320	-	
10,000	114,489	National Refinery Limited	2,751	26,183	2,738	20,244	AAA
289,874	-	Mari Gas Company Limited	41,439	-	36,226	-	
100,000	1,664,059	Sui Northern Gas Pipelines Limited	2,756	55,857	2,674	41,269	AA
		Fixed Line Telecommunication					
11,000,000	7,297,581	Pakistan Telecommunication Company Limited	212,788	155,070	213,620	128,802	
14	-	Callmate Telips Limited***	-	-	-	-	
200,000	-	Telecard	516	-	442	-	
1,126,362	-	Worldcall Telecom	3,613	-	3,266	-	A-
		Electricity					
110,499	-	Altern Energy	1,214	-	1,109	-	
12,635,679	891,361	Hub Power Company Limited ⁺	456,821	30,000	472,701	27,703	AA+
16,100	-	Hyderabad Electric Limited***	-	-	-	-	-
939,372	939,372	Ideal Energy Limited *	28,161	28,182	9,394	-	
1,304,841	-	Karachi Electric Supply Company**	2,675	-	3,667	-	
766,201	723,000	Kohinoor Energy Limited ⁺	24,513	23,174	16,688	22,413	
40,999	-	Kohinoor Power Company Limited	303	-	189	-	
6,612,241	-	Kot Addu Power Company	275,654	-	268,986	-	
-	1,000,000	Nishat Power Limited	-	14,985	-	12,730	AA-
		Personal Goods					
53,500	-	(Colony) Sarhad Textile Limited	27	-	21	-	
74,500	-	Accord Textile Limited	93	-	52	-	
100	-	Adamjee Industries Limited***	-	-	-	-	
15,223	-	Adil Textile Mills Limited***	-	-	-	-	
10,416	-	Afsar Textile Mills Limited***	-	-	-	-	
51,715	-	Alif Textile Mills Limited***	-	-	-	-	
58,047	-	Al-Qaim Textile Mills Limited	100	-	87	-	
3,911	-	Amazai Textile Mills Limited	2	-	3	-	
46,649	-	Apex Fabrics Limited***	-	-	-	-	
181,000	-	Asim Textile Mills Limited	362	-	452	-	
34,500	-	Awan Textile Mills Limited***	-	-	-	-	
34,012	-	Ayaz Textile Mills Limited***	-	-	-	-	
6,220,000	-	Azgard Nine Limited	72,586	-	60,085	-	SD
10,192	-	Bahawalpur Textiles Limited	-	-	-	-	
60,913	-	Bannu Woollen Mills Limited	870	-	816	-	
194,773	1,530	Bata Pakistan Limited	163,233	1,426	134,228	1,498	
13,667	-	Bawany Textile Mills Limited***	-	-	-	-	
1,900	-	Bleesed Textile Mills Limited	74	-	88	-	
5,700	-	Central Cotton Mills Limited***	-	-	-	-	
12,723	-	Crescent Knitware Limited***	-	-	-	-	
118,000	-	Crescent Spinning Mills Limited***	-	-	-	-	
335,070	-	Crescent Textile Mills Limited	11,479	-	7,948	-	
		Balance carried forward	2,703,752	776,221	2,550,953	577,866	

*The bank holds more than 10% of investees' capital in Ideal Energy Limited fi 11.74% (2009: 11.74%)

**Shares / certificates of Rs 5 each

***Delisted companies

⁺ Includes 891,361 shares of Hub Power Company Limited and 723,000 shares of Kohinoor Energy Limited classified as strategic investment

Annexure I to the Financial Statements

For the year ended December 31, 2010

		Quality of Available for Sale Securities						
2010	2009	2010	2009	2010	2009			
Ordinary shares / certificates of Rs 10 each		At Cost	Market Values	Medium to Long Term Rating Assigned (where available)				
		Rupees ,000	Rupees ,000					
		Balance brought forward	2,703,752	776,221	2,550,953	577,866		
178,648	127,045	Crown Textile Mills Limited***	1,239	1,238	-	-		
37,584	-	Dawood Lawrancepur Limited	2,353	-	1,634	-		
3,700	-	Fateh Industries Limited	30	-	20	-		
7,300	-	Fateh Sports Wwear Limited	69	-	69	-		
3,782	-	Fateh Textile Mills Limited	1,362	-	427	-		
283	-	Fazal Textile Mills Ltd.	128	-	113	-		
7,315	-	Ghafoor Textile Mills Limited***	-	-	-	-		
8,000	-	Ghulam Dadabhoy***	-	-	-	-		
10,500	-	Globe Textile Mills Limited	155	-	126	-		
55,548	-	Gul Ahmed Textile Mills	1,499	-	1,624	-		
37,800	-	Gulistan Spinning Mills Limited	286	-	260	-		
194,400	-	Gulshan Spinning Mills Limited	1,439	-	1,361	-		
1,500	-	Hafiz Textile Mills Limited	24	-	28	-		
41,612	-	Hakkim Textile Mills Limited	10	-	10	-		
9,475	-	Harum Tex Limited***	-	-	-	-		
343,846	-	Ibrahim Fibre Limited	12,623	-	14,490	-	A+	
72,936	-	Indus Dyeing Manufacturing Company Limited	14,588	-	23,938	-	A	
1	-	Indus Polyester Company Limited***	-	-	-	-		
18,370	-	International Knitwear Limited	255	-	165	-		
57,819	-	Ishaque Textile Mills Limited	260	-	398	-		
26,059	-	Itti Textile Mills Limited	25	-	23	-		
6,064	-	Junaid Cotton Mills Limited***	-	-	-	-		
6,056	-	Kaiser Art And Kraft Mills Limited***	-	-	-	-		
18,050	-	Karim Cotton Mills Limited***	-	-	-	-		
3,500	-	Karim Silk Mills Limited***	-	-	-	-		
10,136	-	Kohinoor Cotton Textile Limited***	-	-	-	-		
29,000	-	Kohinoor Industries Limited	74	-	46	-		
27,752	-	Kohinoor Looms Limited***	-	-	-	-		
300,000	-	Kohinoor Mills Limited	1,587	-	882	-		
84,000	-	Kohinoor Spinning Mills Limited	139	-	100	-		
117,103	-	Kohinoor Sugar Mills Limited	978	-	595	-		
413,483	-	Kohinoor Textile Mills Limited	3,899	-	2,076	-		
259,500	-	Maqbool Textile Mills Limited	3,490	-	2,232	-		
19,200	-	Marr Fabrics Limited***	-	-	-	-		
164,753	-	Masood Textile Mills Limited	5,766	-	3,295	-		
8,500	-	Mehr Dastgir Textile Mills Limited	2	-	17	-		
19,701	-	Mehran Jute Mills Limited***	-	-	-	-		
27,594	-	Mian Mohammed Sugar Mills Limited***	-	-	-	-		
104,400	-	Mohd Farooq Textile Mills Limited	158	-	144	-		
26,022	-	Mohib Textile Mills Limited***	-	-	-	-		
18,780	-	Moonlite (Pak) Limited	242	-	103	-		
4,400	-	National Match Industries Limited	-	-	-	-		
11,600	-	Naveed Textile Mills Limited***	-	-	-	-		
3,057,189	-	Nishat (Chunian) Limited	70,200	-	69,459	-		
100,000	160,500	Nishat Mills Limited	6,572	11,564	6,417	11,219	A+	A+
22,201	-	Norrie Textile Mills Limited***	-	-	-	-		
49,858	-	Nusrat Textile Mills Limited***	-	-	-	-		
58,289	-	Olympia Textile Mills Limited	152	-	117	-		
2,000,010	-	Pakistan Synthetic Limited	18,695	-	18,200	-		
288,510	-	Paramount Spinning Mills Limited	2,897	-	3,001	-		
37,500	-	Pearl Fabrics Limited***	-	-	-	-		
117,895	-	Premium Textile Mills Limited	2,594	-	3,336	-		
9,345	-	Punjab Cotton***	-	-	-	-		
12,000	-	Qayyum Spinning Mills Limited	4	-	4	-		
38,000	-	Ravi Textile Mills Limited	405	-	57	-		
128,500	-	Redco Textiles Limited	127	-	114	-		
65,321	-	Reliance Cotton Spinning Mills Limited	1,828	-	2,381	-		
47,250	-	Reliance Weaving Mills Limited	481	-	430	-		
99,326	-	Ruby Textile Mills Limited	1,067	-	497	-	BBB+	
260,605	-	Rupali Polyester Limited	9,642	-	9,382	-		
500	-	Sadoon Textile Mills Limited	-	-	-	-		
327,276	-	Saif Textile Mills Limited	2,605	-	1,473	-		
58,000	-	Saitex Spinning Mills Limited***	-	-	-	-		
40,200	-	Sana Industries Limited	1,407	-	1,851	-		
19,926	-	Sapphire Fibers Limited	2,192	-	2,572	-		
		Balance carried forward	2,877,300	789,023	2,724,420	589,085		

***Delisted companies

Annexure I to the Financial Statements

For the year ended December 31, 2010

		Quality of Available for Sale Securities							
2010 Ordinary shares / certificates of Rs 10 each	2009	Name of company/ modaraba/ mutual fund	2010	2009	2010	2009	2010	2009	
			At Cost	At Cost	Market Values	Market Values	Medium to Long Term Rating Assigned (where available)	Medium to Long Term Rating Assigned (where available)	
		Rupees ,000		Rupees ,000					
		Balance brought forward	2,877,300	789,023	2,724,420	589,085			
43,000	-	Schon Textiles Limited***	-	-	-	-			
27,000	-	Service (Textile) Industries Limited	19	-	11	-			
219,268	-	Service Fabrics Limited	88	-	66	-			
280,564	-	Service Industries	77,518	-	67,347	-			
76,000	-	Shahtaj Textile Mills Limited	1,440	-	1,460	-			
12,831	-	Shahyar (O.E.) Textile***	-	-	-	-			
36,200	-	Shahyar Textile***	-	-	-	-			
57,498	-	Shams Textile Mills Limited	1,144	-	1,437	-			
17,000	-	Siftaq Internatioanal Limited	30	-	17	-			
12,859	-	Sind Fine Textile Mills Limited	77	-	102	-			
2,376	-	Sunrise Textile Limited***	-	-	78	-			
71,700	-	Sunshine Cloth Limited	-	-	-	-			
69,000	-	Sunshine Cotton Mills Limited***	69	-	23	-			
5,000	-	Suraj Cotton Mills Limited	156	-	176	-			
229,000	-	Taj Textile Mills Limited	82	-	85	-			
7,000	-	Tariq Cotton Mills Limited***	-	-	-	-			
18,734	-	Tawakkal Garments Industries Limited***	-	-	-	-			
19,000	-	Tawakkal Limited***	-	-	-	-			
42,176	-	Treet Corporation Limited	2,514	-	2,533	-	AA-		
601	-	United Brands Limited	27	-	17	-			
11,000	-	Zafar Textile Mills Limited	-	-	-	-			
79,306	-	Zahoor Cotton Mills Limited	22	-	71	-			
2,567,046	2,500,000	Zahoor Textile Mills Limited***	2,500	2,500	-	-			
156,600	-	Zil Limited	9,281	-	8,752	-			
		Electronic and Electrical Equipment							
6,300	-	Aslo Electronic Limited***	-	-	-	-			
9,700	-	Greaves Airconditons Limited***	-	-	-	-			
90,400	-	Johnson And Phillips (Pakistan) Limited	1,379	-	852	-			
17,700	-	Punjab Lamps***	-	-	-	-			
4	-	Refrigerator Manufacturing Limited	-	-	-	-			
		Support Services							
700,000	-	TRG Pakistan	2,945	-	2,499	-			
		Non Life Insurance							
400,000	-	Adamjee Insurance Company Limited	35,849	-	35,000	-	AA		
10,000	-	EFU General Insurance	456	-	440	-			
50	-	Union Insurance Company of Pakistan Limited***	-	-	-	-			
		Food Producers							
232,077	-	Al- Abbas Sugar Mills Limited	21,579	-	22,025	-	A		
1,500	-	Charsada Sugar***	-	-	-	-			
1,000	-	Chashma Sugar Mills Limited	10	-	12	-			
35,599	-	Colony Sugar Mills	392	-	115	-			
80,000	-	Crescent Sugar Mills and Distillery Limited	515	-	540	-			
425,600	-	Faran Sugar Mills Limited	8,938	-	8,870	-			
7,270	-	Fazal Vegetable Ghee Mills Limited	33	-	33	-			
617,500	-	Habib Sugar Mills Limited***	17,004	-	20,569	-			
400	-	Ismail Industries Limited	27	-	30	-			
17,389	-	JDVW Sugar	1,429	-	1,543	-	A-		
133,364	-	Mirpurkhas Sugar Mills Limited	10,134	-	6,882	-			
9,500	-	Morafco Industries Limited	126	-	88	-			
9,084	-	Mubarik Dairies Limited	9	-	36	-			
580	-	Nestle Pakistan	1,363	-	1,377	-			
10,000	-	Pak Ghee Industries Limited	4	-	3	-			
126,839	-	Pangrio Sugar Mills Limited	901	-	774	-			
173,000	-	Sanghar Sugar Mills Limited	2,595	-	2,491	-			
382,779	-	Shahmurad Sugar Mills Limited	5,608	-	4,195	-	BBB+		
130,390	-	Shahtaj Shugar Mills Limited	12,257	-	10,451	-			
1,170,210	-	Shakarganj Mills Limited	9,479	-	6,471	-	D		
9,000	-	Suraj Ghee Industries Limited	117	-	90	-			
8,205	-	Unilever Pakistan Limited	35,197	-	35,775	-			
23,500	-	Uqab Breeding Farms Limited***	-	-	-	-			
		Balance carried forward	3,140,613	791,523	2,967,756	589,085			

***Delisted companies

Annexure I to the Financial Statements

For the year ended December 31, 2010

		Quality of Available for Sale Securities					
2010	2009	2010	2009	2010	2009		
Ordinary shares / certificates of Rs 10 each		At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
		Rupees ,000	Rupees ,000				
		Balance brought forward	3,140,613	791,523	2,967,756	589,085	
75,363	70,000	Industrial Engineering					
71,635	66,900	Al-Ghazi Tractors **	18,479	17,607	17,107	16,663	
43,152	-	Millat Tractors	35,673	23,772	35,802	25,409	
43,797	-	Bela Engineering Limited***	-	-	97	-	
113,973	-	Bolan Casting Limited	1,752	-	1,931	-	
125,948	-	Hinopak Motors Limited	21,409	-	15,032	-	
4,241	-	K.S.B. Pumps Company Limited	9,375	-	7,571	-	
		Nowshera Engineering***	-	-	-	-	
		Automobiles and Parts					
16,636	-	Honda Atlas Cars Limited	323	-	193	-	
24,921	18,358	Indus Motor Company Limited	6,358	3,691	6,292	3,608	
4,835	-	Agri Auto Industries Limited**	356	-	368	-	
46,600	-	Atlas Battery Limited	8,819	-	8,876	-	
17,333	-	Atlas Honda Limited	2,542	-	2,166	-	
247,658	-	Baluchistan Wheels Limited	7,417	-	8,376	-	
16,000	-	Data Agro Limited***	-	-	-	-	
12,204	-	Exide Pakistan Limited	2,481	-	2,395	-	
595,017	-	General Tyre and Rubber Company of Pakistan Limited	15,192	-	13,447	-	
151,317	-	Pak Suzuki Motor Company Limited	14,070	-	10,565	-	
9,300	-	Rex Baren Battery***	-	-	-	-	
16,000	-	Taga Pakistan Limited***	-	-	-	-	
		Chemicals					
157,230	-	BOC Pakistan Limited	20,287	-	14,324	-	
22,500	-	Adil Polypropylene Limited***	-	-	-	-	
7,137,000	-	AgriTech Limited	213,273	-	170,574	-	SD
252,497	-	Clariant Pakistan Limited	45,194	-	46,207	-	
1,779,232	-	Dawood Hercules Chemicals Limited ⁺	371,980	-	352,928	-	
316,676	-	Dewan Salman Fibre Limited	1,083	-	947	-	
200,000	-	Engro Corporation	39,152	-	38,762	-	AA
1,374,615	1,374,615	Fauji Fertilizer Company Limited ⁺	100,000	100,000	173,009	141,489	
3,200,000	-	Lotte Pakistan Limited	45,008	-	43,840	-	
-	-	Polyron Limited***	-	-	-	-	
24,223	-	Sardar Chemical Industries Limited	46	-	22	-	
114,947	-	Sind Alkalis Limited	-	-	-	-	
110,942	-	Sitara Chemical Industries Limited	19,848	-	14,173	-	AA-
72,000	-	United Distributors Pakistan Limited	1,549	-	726	-	
101,272	-	Wah-Nobel Chemicals Limited	5,353	-	3,659	-	
-	943,584	Sitara Peroxide Limited	-	22,150	-	14,937	
		Industrial Metals and Mining					
516,199	-	Crescent Steel & Allied Products Limited	16,080	-	14,201	-	A+
221,580	-	Huffaz Seamless Pipe Industries Limited	4,682	-	3,459	-	
1,252,967	-	International Industries Limited	68,811	-	74,990	-	
16,000	-	Metropolitan Steel Corporation Limited	213	-	106	-	
1,000	-	Quality Steel Works Limited	12	-	11	-	
		Industrial Transportation					
169,430	-	Pakistan International Container Terminal Limited	12,679	-	12,326	-	A
244,023	-	Pakistan National Shipping Corporation	10,424	-	9,261	-	AA-
500	-	Pan Islamic Steamship Company Limited***	-	-	-	-	
		Health Care Equipment and Services					
48,000	-	Medi Glass Limited	38	-	22	-	
		Pharma and Bio Tech					
321,353	60,800	Abbot Laboratories (Pakistan) Limited	34,020	7,086	35,265	7,370	
253,620	-	Ferozsons Laboratories Limited	25,954	-	22,098	-	
538,033	43,555	Glaxosmithkline (Pakistan) Limited	48,553	4,725	47,449	4,759	
68,200	-	Highnoon Laboratories Limited	2,244	-	1,974	-	
17,114	-	Otsuka Pakistan Limited	668	-	562	-	
20,722	-	Sanofi-Aventis Pakistan Limited	2,942	-	2,943	-	
119,000	480,000	Searl Pakistan Limited	7,547	30,463	7,141	29,928	BBB+
21,238	-	Wyeth Pak Limited	25,017	-	22,336	-	BBB
		Balance carried forward	4,407,516	1,001,017	4,211,289	833,248	

**Shares / certificates of Rs 5 each

***Delisted companies

⁺ Includes 1,131,158 shares of Dawood Hercules Chemicals Limited and 1,374,615 shares of Fauji Fertilizer Company Limited classified as strategic investment

Annexure I to the Financial Statements

For the year ended December 31, 2010

						Quality of Available for Sale Securities		
2010	2009	Name of company/ modaraba/ mutual fund	2010	2009	2010	2009	2010	2009
Ordinary shares / certificates of Rs 10 each	At Cost		Market Values	Medium to Long Term Rating Assigned (where available)				
	Rupees ,000		Rupees ,000					
		Balance brought forward	4,407,516	1,001,017	4,211,289	833,248		
		Forestry and Paper						
43,923	-	Adamjee Papers Limited***	-	-	-	-		
6,900	-	Chilya Corr Board Limited***	-	-	-	-		
16,900	-	Pakistan Paper Corporation	-	-	-	-		
100,000	-	Security Paper Limited	4,871	-	4,486	-		
		Beverages						
186,315	-	Shezan International Limited	24,638	-	21,670	-		
		Leisure Goods						
51,384	-	Grays of Combridge (Pakistan) Limited	4,034	-	2,569	-		
3,200	-	RCD Ball***	-	-	-	-		
		Media						
49,000	-	Southern Networks***	-	-	-	-		
		Household Goods						
206,979	-	Al-Abid Silk Mills Limited	4,946	-	5,959	-		
1,089,438	-	Pak Elektron Limited	19,120	-	15,296	-	A	
15,000	-	Regal Ceramics Limited***	-	-	-	-		
		Jute						
-	100,000	Thall Limited **	-	10,578	-	8,487		
		Tobacco						
255,035	-	Pakistan Tobacco Company	29,366	-	28,113	-		
		General Industrials / Others						
225	225	VISA Incorporation - Class C Shares	-	-	1,352	1,671		
60,326	-	Dadabhoy Leasing Limited***	-	-	-	-		
9,927	-	Al-Hussainy Industries Limited	-	-	-	-		
30,714	-	Arag Industries Limited***	-	-	-	-		
27,488	-	Aswan Tantage Limited***	-	-	-	-		
12,145	-	Baluchistan Foundry	-	-	-	-		
127,000	-	Baluchistan Particle Board Limited	127	-	152	-		
9,000	-	Casspak Industries Limited***	-	-	-	-		
8,013	-	Dadabhoy Sack Limited***	-	-	-	-		
102,500	-	Fatima Enterprise	1,789	-	1,363	-		
18,400	-	H.Shaikh M. Hussain***	-	-	-	-		
26,000	-	Hashmi Can Company Limited	156	-	172	-		
26,500	-	Kaytex Mills Limited***	-	-	-	-		
15,500	-	Lafayat Industry Limited	-	-	-	-		
40,459	-	Merit Packaging Limited	768	-	991	-		
592,353	-	Packages Limited	77,514	-	76,183	-	AA	
169,148	-	Siemens Pakistan Engineering Company Limited	218,525	-	212,028	-		
2,223	-	Syed Match Company Limited	31	-	29	-		
43,169	-	Tri-Pack Films Limited	5,410	-	5,274	-	A+	
27,521	-	Turbo Tec Limited***	-	-	-	-		
25	-	Pakistan Services Limited	3	-	4	-		
770,000	-	Noon Pakistan Limited	11,163	-	12,266	-		
			4,809,977	1,011,595	4,599,196	843,406		

**Shares / certificates of Rs 5 each

***Delisted companies

Annexure I to the Financial Statements

For the year ended December 31, 2010

2. Details of investments in unlisted companies are as follows	Quality of Available for Sale Securities					
	2010	2009	2010	2009	2010	2009
	At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
	Rupees ,000	Rupees ,000	Rupees ,000	Rupees ,000		
Al Hamra Avenue (Private) Limited⁺ 24,375,000 (2009 : 24,375,000) ordinary shares of Rs 10 each The bank holds 15.22% (2009 : 15.22%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.52 (2009: Rs 9.54) Period of financial statements: June 30, 2010 (un-audited)	243,750	243,750	-	-	Not Applicable	
Al Hamra Hills (Private) Limited⁺ 12,500,000 (2009 : 12,500,000) ordinary shares of Rs 10 each The bank holds 14.13% (2009 : 14.13%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 8.17 (2009: Rs. 9.47) Period of financial statements: June 30, 2010 (audited)	125,000	125,000	-	-	Not Applicable	
DHA Cogen Limited * /⁺ 32,500,000 (2009 : 32,500,000) ordinary shares of Rs 10 each	325,000	325,000	-	-	Not Applicable	
ECOTEC CNG 484,562 (2009: Nil) ordinary shares of Rs 10 each	-	-	-	-	Not Applicable	
First Capital Investment (Private) Limited * 150,000 (2009 : 150,000) ordinary shares of Rs 10 each	750	750	-	-	Not Applicable	AM4+ AM4+
Himont Chemical (Private) Limited * 810,000 (2009 : 810,000) ordinary shares of Rs 10 each	1,037	1,037	-	-	Not Applicable	
Sukhchayn Gardens (Private) Limited⁺ 242,785 (2009 : 250,758) ordinary shares of Rs 100 each The bank holds 5.52% (2009: 5.70%) of investee's capital. Chief Executive: Mr. Shujaat Azeem Break up value per share: Rs. 172.61 (2009: 171.39) Period of financial statements: June 30, 2010 (un-audited)	100,500	103,800	-	-	Not Applicable	
Credit Rating Information Services Limited (Bangladesh) * 260,000 (2009: Nil) ordinary shares of Taka 10 each. The bank holds 18.50% (2009: nil) of investee's capital Name of Chief Executive : Mr. Muzaffar Ahmed Break up value per share: Taka 6.43 (2009: Nil) Period of financial statements: December 31, 2004 (audited)	2,452	-	-	-	Not Applicable	
Khushhali Bank Limited 1,500,000 (2009: Nil) ordinary shares of Rs 10 each The bank holds 0.88% (2009: Nil) of investee's capital. Chief Executive: Mr. Muhammad Ghalib Nishtar Break up value of share: Rs. 1.22 (2009: Nil) Period of financial statements: December 31, 2009 (audited)	15,000	-	-	-	Not Applicable	
Pakistan Export Finance Guarantee Agency Limited * 568,044 (2009: Nil) ordinary shares of Rs 10 each The bank holds 5.27% (2009: Nil) of investee's capital. Chief Executive: Mr. S.M. Zaeem Break up value of share: Rs. 3.15 (2009: Nil) Period of financial statements: December 31, 2007 (audited)	5,687	-	-	-	Not Applicable	
	<u>819,176</u>	<u>799,337</u>				

*Fully provided investments

⁺Strategic investments

Annexure I to the Financial Statements

For the year ended December 31, 2010

3. Preference shares of Listed companies

2010		2009		Name of company	Rate	2010		2009		Quality of Available for Sale Securities	
Share of Rs 10 each						At Cost	Market Values	2010	2009	2010	2009
						Rupees ,000	Rupees ,000			Medium to Long Term Rating Assigned (where available)	
2,249,000	2,249,000			Azgard Nine Limited	8.95% Cumulative	22,490	22,490	22,040	22,040	SD	A+
24,430,177	24,394,111			Maple Leaf Cement Factory Limited	9.75% Cumulative Convertible	244,099	243,937	103,096	115,872	BB	SD
29	-			Charsada Sugar *	6% per annum	-	-	-	-		
79,998	-			Nishat (Chunian) 15% NVCCP	15% Cumulative	1,750	-	1,680	-		
20	-			Unilever Pakistan Limited *	5% Cumulative	-	-	-	-		
4,763,000	-			Chenab Limited	9.25% p.a.	47,630	-	-	-		
						315,969	266,427	126,816	137,912		

* Securities having no book value as at December 31, 2010

4. Preference shares of Unlisted companies

2010		2009		Name of company	Rate	2010		2009		Quality of Available for Sale Securities	
Share of Rs 10 each						At Cost	Market Values	2010	2009	2010	2009
						Rupees ,000	Rupees ,000			Medium to Long Term Rating Assigned (where available)	
2,500,000	2,500,000			Fazal Cloth Mills (Private) Limited Chief Executive: Mr. Sheikh Naseem Ahmad The bank holds 10% (2009 : 2.5% plus 10.00%) of investee's capital. 6 months KIBOR		25,000	25,000	Not Applicable		A-	
7,700,302	7,500,000			Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The bank holds 17.13% (2009 : 14.25%) of Class A 9.50% Cumulative preference shares in Convertible investee's capital.		75,000	75,000	Not Applicable		A	A
-	12,625,000			Pak Elektron Limited Chief Executive: Mr. Naseem Saigol Class B preference shares of 11% Cumulative investee's capital. Convertible		-	126,250	Not Applicable			A
						100,000	226,250				

5. Details of investments in open ended mutual funds:

2010		2009		Name of fund	2010		2009		Quality of Available for Sale Securities		
					At Cost	Market Values	2010	2009	2010	2009	
						Rupees ,000	Rupees ,000			Medium to Long Term Rating Assigned (where available)	
Open ended Mutual funds											
1,873,887	1,873,887			Faysal Income Growth Fund		200,000	200,000	197,227	198,951	A(f)	A+(f)
2,107,900	2,100,000			Faysal Savings Growth Fund		208,230	207,411	221,646	216,111	A+(f)	A(f)
1,003,499	-			Faysal Islamic Savings Growth Fund		100,000	-	105,327	-		
1,000,000	-			Faysal Money Market Fund		100,000	-	100,530	-	AA+(f)	
143,758	-			JS KSE 30 Index Fund		3,709	-	4,262	-		
281,289	-			JS Large Capital Fund †		27,888	-	22,849	-		5-Star
1,000,000	-			PICIC Income Fund		100,000	-	100,155	-		
20,356	-			First Habib Income Fund		2,043	-	2,089	-	AA-(f)	
20,200	-			IGI Income Fund		2,046	-	2,037	-		
61,634	-			HBL Income Fund		6,064	-	6,198	-	A(f)	
17,800	-			AKD Income Fund **		826	-	851	-	BBB(f)	
1,310,292	1,310,292			Faysal Balanced Growth Fund †		80,374	80,374	99,739	130,033		3 Star
22,771,496	154,923,195			National Investment (Unit) Trust ***		420,009	2,671,422	588,211	4,299,119	3-Star	2-Star
5,000,000	-			National Investment Trust Income Fund ***		50,000	-	52,790	-		
-	5,000,000			National Investment Trust Government Bond Fund ***		-	50,000	-	50,668		
						1,301,189	3,209,207	1,503,911	4,894,882		

* Nature of fund has been changed to open ended fund from closed end fund.

** Units of Rs 50 each

*** Units of Rs 10 each

†Strategic investment

Annexure I to the Financial Statements

For the year ended December 31, 2010

	2010		2009		Quality of Available for Sale Securities	
	At Cost		Market Values		2010	2009
	Rupees ,000		Rupees ,000			
6. Term Finance Certificates - Listed, Secured						
Al Zamin Leasing Modaraba Limited - Second Tranche						
Nil (2009: 9,942) certificates of Rs. 5,000 each Mark-up: Minimum 9.5% on PLS Basis (4% above six months KIBOR - Floor 11%) Redemption: Three annual installments commencing May 2008 Maturity: May 2010 Modaraba Management Company: Al Zamin Modaraba Management (Private) Limited Chief Executive Officer of Management Company : Mr. Basheer Ahmed Chowdry	-	16,901	-	14,746		A
Azgard Nine Limited	118,489	118,489	111,379	118,113	A	AA-
31,640 (2009: 31,640) certificates of Rs. 5,000 each Mark-up: Different spread over six months KIBOR rate in different years with no floor and cap Redemption: 12 unequal semi annual installments, 2012-2015: 47% and 2016-2017: 53% of the outstanding amount Maturity: September 2017 Chief Executive Officer: Mr. Ahmad Shaikh						
Bank Al-Habib Limited - Unsecured	99,760	99,800	90,615	87,760	AA	AA
20,000 (2009: 20,000) certificates of Rs. 5,000 each Mark-up: 1.5% above six months KIBOR, with floor-3.50% & cap-10% Redemption: 0.25% per annum in first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month. Maturity: July 2012 Chief Executive Officer: Mr. Abbas D. Habib						
Jahangir Siddiqui & Company Limited - Fourth Tranche	49,920	49,940	50,149	51,147	AA	AA+
10,000 (2009: 10,000) certificates of Rs. 5,000 each Mark-up: 2.5% above six months KIBOR floor-6% per annum; cap-16% per annum Redemption: 0.18% of principal in the first 54 months, remaining 99.82% in equal installments in 60th & 66th month Maturity: May 2012 Chief Executive Officer: Mr. Munaf Ibrahim						
Trust Leasing & Investment Bank Limited - Second Tranche	-	24,450	-	23,433		BBB
Nil (2009: 24,450) certificates of Rs. 5,000 each Mark-up: 2% above six months KIBOR rate; with no floor and no cap Redemption: Ten semi fi annual installments commencing 6 months from date of issue Maturity: November 2010 Chief Executive Officer: Mr. Humayun Nabi Jan						
United Bank Limited - First Issue	252,093	249,520	232,990	221,419	AA	AA
50,535 (2009: 50,000) certificates of Rs. 5,000 each Mark-up: 8.45% per annum Redemption: 0.25% per annum in first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month. Maturity: July 2012 Chief Executive Officer: Mr. Atif R. Bokhari						
United Bank Limited - Second Issue	99,978	99,982	87,603	86,073	AA	AA
20,000 (2009: 20,000) certificates of Rs. 5,000 each Mark-up: 9.49% per annum Redemption: At maturity Maturity: March 2013 Chief Executive Officer: Mr. Atif R. Bokhari						
United Bank Limited - Fourth Issue	-	226,589	-	220,304		AA
Nil (2009: 50,000) certificates of Rs. 5,000 each Mark-up: For 1 - 5 years, 0.85% above six months KIBOR rate with no floor and cap. For 6 - 10 years, 1.35% above six months KIBOR rate with no floor and cap. Redemption: At maturity or at the exercise of call option or partial call option. Maturity: February 2018 Chief Executive Officer: Mr. Atif R. Bokhari						
Financial Receivables Securitization Company Limited	67,201	82,591	66,468	80,613	A+	A+
20,000 (2009: 20,000) certificates of Rs. 5,000 each Mark-up: 2.00% above six months KIBOR rate, floor-8%, cap-16% Redemption: Equal Semi annual installment with a grace period of 1 year Maturity: January 2014 Chief Executive Officer: Mr. Suleman Kanjiyani						
Balance carried forward	687,441	968,262	639,204	903,608		

Annexure I to the Financial Statements

For the year ended December 31, 2010

					Quality of Available for Sale Securities	
	2010	2009	2010	2009	2010	2009
	At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
	Rupees ,000	Rupees ,000	Rupees ,000	Rupees ,000		
Balance brought forward	687,441	968,262	639,204	903,608		
Telecard Limited 70,233 (2009 : 70,233) certificates of Rs. 5,000 each Mark-up: 3.75% above six months KIBOR rate, with no floor and no cap Redemption: Ten unequal semi-annual installments commencing 18 months from the last date of public subscription. Maturity: November 2013 Chief Executive Officer: Mr. Shams ul Afreen	129,053	160,026	123,503	143,615	BBB	BBB
Pakistan Mobile Communication Limited 3,000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 2.85% above six months KIBOR rate, with no floor and no cap Redemption: Six equal semi-annual installments commencing 54th months from the date of issuance. Maturity: May 2013 Chief Executive Officer: Mr. Rashid Khan	12,480	-	12,478	-	A+	
Askari Bank Limited - Second Issue 3,000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 1.50% above six months KIBOR rate, with no floor and no cap Redemption: 0.3% of the principal amount in the first 90 months and remaining in the 96th month of issue date Maturity: October 2013 Chief Executive Officer: Mr. Muhammad Rafiquddin Mehkari	14,970	-	14,665	-	AA-	
Pak Arab Fertilizers Limited 691 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 1.50% above six months KIBOR rate, with no floor and no cap Redemption: 6% semi annually in first 30 months, balance in five stepped-up semi annual installments commencing from the 36th month from the issuance date. Maturity: February 2013 Chief Executive Officer: Fawad Ahmed Mukhtar	3,248	-	3,150	-	AA	
Bank Alfalah Limited - Second Issue 6,000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 1.50% above six months KIBOR rate, with no floor and no cap Redemption: 0.25% semi annually in first 78 months, balance of 33.25% each starting from 84th month. Maturity: November 2012 Chief Executive Officer: Mr. Sirajuddin Aziz	29,931	-	29,584	-	AA-	
	877,123	1,128,288	822,584	1,047,223		
7. Term Finance Certificates - Unlisted						
Dewan Cement Limited (formerly Pakland Cement Limited) The TFC has not currently been issued. Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui	500,000	500,000		Not applicable	D	
Bank Alfalah Limited - Fourth Issue 40,000 (2009: 40,000) certificates of Rs. 5,000 each Mark-up: 2.50% above six months KIBOR rate with no floor and cap Redemption: 0.26% semi annually in first 78 months, balance of 33.25% each starting from 84th month. Maturity: September 2017 Chief Executive Officer: Mr. Sirajuddin Aziz	199,919	200,000	201,989	-	AA	AA-
Dewan Sugar Mills Limited 10,000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: SBP discount rate less 2% p.a. with 6% floor and 12% cap Maturity: June 2008 Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui	12,495	-		Not applicable		
	712,414	700,000	201,989	-		
8. Details of investment in an Associate:						
Faysal Asset Management Limited⁺ 4,500,000 (2009 : 4,500,000) ordinary shares of Rs 10 each The bank holds 30% (2009: 30%) of investee's capital. Chief Executive: Mr. Salman Haider Shaikh Break up value of share: Rs. 17.85 (2009: Rs 17.36) Period of financial statements: December 31, 2010	45,000	45,000		Not Applicable	AM2-	AM3+
	45,000	45,000	-	-		
9. Details of investment in a Subsidiary:						
Faysal Management Services (Private) Limited⁺ 1,080,000 (2009 : 1,080,000) ordinary shares of Rs 100 each The bank holds 60% (2009: 60%) of investee's capital. Chief Executive: Mr. Nauman Ansari Break up value of share: Rs 104.55 (2009: Rs. 102.77) Period of financial statements: December 31, 2010	108,000	108,000		Not Applicable		
	108,000	108,000	-	-		

⁺Strategic investments

Faysal Bank Limited

Annexure II to the Financial Statements

For the year ended December 31, 2010

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2010 as referred to in note 13.8 to these financial statements.

S. No.	Name of borrower	Address	Name of Individuals/ Partners / Directors / CNIC	Father,s / Husband,s Name	Outstanding Liabilities at beginning of the year		Principal written-off		Interest / Markup written-off	Others Financial Reliefs provided	Total (10+11+12)	
					Principal	Interest / Markup	Total (6+7+8)	Others				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
1	De-Lucchi	16B/1 Sunset Boulevard Phase-2 Dha Karachi	Sunaira,Khalid,Qadri 4230172076142	Khalid Mahmood Qadri	15,178	9,841	-	25,019	-	9,841	-	9,841
2	Sabina Ahmed	House No.523-Amallah Ghulam Mullahabad Faisalabad	6110189010168	Muhammad Fausal Anwar	506	13	12	531	448	39	28	515
3	Muhammad Iqbal Khakh	HB 14/614 Moh Bakhtshu Pura Gujrat	3420103194269	Hakeem Muhammad Azam Khokhar	474	-	5	479	421	38	45	504
4	Nasreen Naeem	House# 291A-7 Badala Colony Faisalabad	3310057595952	Nemat Naeem Rao	525	-	19	544	468	42	28	538
5	Muhammad Azeem Mujahid	House #5 S# 1 Main Bazar Qilalickhman Singh Road R54000	3520014152981	Mujahid Hussain	162	-	-	162	418	82	32	532
6	Muhammad Aslam Butt	House # 147 Askari Colony # 1 Sialkot Cantt Sialkot	3460328244885	Rehmat Ali	138	15	21	174	433	73	58	564
7	Muhammad Husain Sha Wali Muhammad	128 E 1 Main Boulevard Gulberg li Lahore	3520284684593	Syed Ali Ahmed Shah	477	58	30	565	443	110	64	617
8	Khuram Niaz	H # 2/6 Sharif Park Begum Pur Noble Grammar School Near GI Road Uet Lahore	3520236142037	Khushi Muhammad	327	11	18	356	450	84	69	603
9	Azeem Waris Khan	H # 33 G Ems Housing Society Mullan Road Lahore	3520222600365	Niaz Ahmed Akhtar	77	20	79	176	459	102	69	630
10	Chaudhry Ghulam Qama Muihd Islam Munawar	H No 67 Q Bk 06 P E C H S Nr Ambala Sweets Karachi	4220186335575	Khan Kamal Waris	170	14	5	189	387	81	36	504
11	Muhtd Shahzad Khalid	House # 731 Street #74 G-10/4 Islamabad P02Tupu Street Khatayaban # 02Madina Town Faisalabad	6110132165955	Chaudhry Nizam-Uddin	264	-	-	264	475	106	41	622
12	Zeeshan Ashad	H# 194 Xis#128 Hasan Abad Townnear Gal Masjid Mullan	3310048980793	Chaudhary Ghulam Nabi	467	24	9	500	421	90	64	575
13	Tariq Mehmood	H#33 St #21 Bilal Park Sarnabad Lahore	3630202777615	Shah Muhammad Saqib	465	10	-	475	490	90	14	594
14	Alfak Khan	H# 97 S# 12 F-11/1 Islamabad GT Rd Lahore	3740197275891	Ashad Jamal	450	12	2	464	450	96	18	564
15	Sheikh Mushtaq Ahmed	H No. 12-G, Gulberg li, Lahore	3520225491731	Haji Mohammed Razaq	404	11	4	419	480	98	25	603
16	Mirza Muhammad Iqbal	H# 68A,Shafat Colony Gujjar Khuda Mullan Camir Mullan	3520212652289	Nawab Khan	241	4	2	247	406	79	24	509
17	Nargis Zahara	H No # 1 S # 2 Peer Rd New Mozang Lahore	3520225608603	Sheikh Ferozdin	8,931	2,472	-	11,403	1,340	-	-	1,340
18	Syed Muhammad Rizwan	102-C Rehman Pura Colony Nr. Residence Of Member Of Pp Rang Aesh Bahadur Nr Wahdat Rd Rehman Pur Chowk	3630227249200	Mirza Nawab Baig	546	16	16	578	509	49	31	589
19	Muhammad Junaid Arsh	3877 D Jhar town Near Shukar Kahnam Cancer Hospital Lahore	3520226395039	Muhammad Kamran Saeed Khan	956	-	10	966	925	90	39	1,054
20	Iqam Sheikh	House#32 Bahadurabad#2 Blk 7/8 Karachi P # 440 S# 2 Gohind Pura Opp Shaukat Khanam Laboratory Gulberg Road Faisalabad	3520223849459	Syed Anayat Hussain	266	7	43	316	364	84	80	528
21	Muhammad Shoab Ahma	House # P-132 St # 4-5 Sohailabad Badala Colony Faisalabad	4220140665711	Mian Muhammad Arshad	266	9	46	321	414	67	110	591
22	Hafiz Aftab Hussain	P21 St # 6 Gulshar Colony Salaria Road Near Umar Masjid Faisalabad	3310044343817	Fayaz Ullah Shaikh	119	25	28	172	450	77	59	586
23	Muhammad Tariq	House # -66Z, 103 Road Khawaja Chowk Madina town Faisalabad	3310045387223	Sheikh Muhammad Ashraf	444	-	-	444	450	99	25	574
24	Muhtd Naeem Akhter	H #301-A-1 R A Bazar Near F.G Boys High School Rawalpindi	3310056441931	Chaudry Ejaz Hussain	8	6	-	14	491	97	27	615
25	Faraz Saadiq	P440 St # 2 Gohind Pura Opp Shaukat Khanam laboratory Gulberg Rd Faisalabad	3310010163239	Muhammad Shafi	454	36	37	527	409	87	96	592
26	Muhammad Shoab Ahma		3740504936055	Rasheed Ahmad Toor	497	10	-	507	499	103	18	620
27				Muhammad Saadiq	498	13	2	513	488	103	18	609
28				Sheikh Muhammad Ashraf	488	7	-	495	499	99	16	614
					33,798	12,634	388	46,820	13,487	12,006	1,134	26,627

Annexure III to the Financial Statements

Statement of Financial Position - Islamic Banking

As at December 31, 2010

The Bank is Operating 13 Islamic banking branches (2009: 6).

	2010 Rs ,000	2009 Rs ,000
ASSETS		
Cash and balances with treasury banks	404,534	27,270
Balances with and due from financial Institutions	47,588	20,159
Investments	2,666,067	535,877
Financing and receivables		
- Murabaha	1,614,237	-
- Ijara	21,091	-
- Musharaka	-	-
- Diminishing Musharaka	1,809,843	-
- Salam	-	-
- Other Islamic Modes	-	-
Other assets	471,827	38,665
	7,035,187	621,971
LIABILITIES		
Bills payable	9,623	6,601
Due to financial institutions	-	-
Deposits and other accounts		
- Current Accounts	1,331,527	-
- Saving Accounts	1,011,063	32,482
- Term Deposits	1,413,258	81,575
- Others	12,288	-
- Deposits from financial institutions - remunerative	1,492,313	-
- Deposits from financial institutions - non-remunerative	-	-
Due to head office	1,080,500	-
Other liabilities	24,919	5,108
	6,375,491	125,766
NET ASSETS	659,696	496,205
REPRESENTED BY		
Islamic Banking Fund	880,000	500,000
Reserves	-	-
Unappropriated profit / (loss)	(225,003)	(943)
	654,997	499,057
Surplus / (Deficit) on revaluation of assets - net of tax	4,699	(2,852)
	659,696	496,205
Remuneration to shariah advisor	3,503	1,750
CHARITY FUND		
Opening balance	-	-
Charity fund transferred from amalgamated entity	(304)	-
Additions during the period	371	-
Payments / utilization during the period	-	-
Closing balance	67	-

Faysal Bank Limited

Annexure III to the Financial Statements

Profit and Loss Account - Islamic Banking

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
Profit / return earned on financing and investments	419,546	16,423
Profit / return expensed	225,972	777
Net spread earned	193,574	15,646
Provision against non-performing financings	6,493	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	(1)	-
	6,492	-
Income after provisions	187,082	15,646
Other Income		
Fee, commission and brokerage income	3,011	40
Dividend income	-	-
Income from dealing in foreign currencies	60	-
Capital gain on sale of securities	563	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	(1,249)	-
Total other income	2,385	40
	189,467	15,686
Other expenses		
Administrative expenses	139,836	16,629
Other provision / write-offs	-	-
Other charges*	273,691	-
Total other expenses	413,527	16,629
	(224,060)	(943)
Extraordinary items / unusual items	-	-
Profit / (Loss) for the year	(224,060)	(943)

* Includes loss amounting to Rs 266.862 million arising on amalgamation.

Shariah Advisor's Report 2010

Alhamdulillah Faysal Bank Ltd operated with ten Stand-Alone Islamic Banking Branches (IBBs) during the year 2010. Further during last quarter three more branches along with eight windows were added with amalgamation of Royal Bank of Scotland (RBS) with Faysal Bank Limited (FBL).

After examining on test check basis, each class of transaction, the relevant documentation and procedures adopted by Islamic Banking Branches/Division of Faysal Bank Ltd. (IBB-FBL) for the year ended December 31, 2010. I opine that:

1. as per Shariah requirements, special care has been taken to ensure that the affairs of IBBs of FBL are managed separately from the conventional Bank and have been carried out in accordance with rules and principles of Shariah SBP regulations and guidelines related to Shariah compliance and other rules as well as specific fatawas and rulings issued by me.
2. the allocation of funds, weightages, profit sharing ratios, profits and charging of losses (if any) relating to PLS accounts conform to the basis vetted by me in accordance with Shariah rules and principles.
3. there were no earnings that have been realized from any source prohibited in Shariah and therefore there is no amount to be spent in charity.
4. for Ex RBS branches & windows Mufti Mohib ul Haq Siddiqui Ex RBS Shariah Advisor had Issued a clean report without any concerns stating that all affairs of the Islamic Banking Division of Ex RBS were in accordance of Shariah principles, SBP regulations and guidelines related to Shariah compliance.

May Allah bless and guide us to practice in Islamic Banking in the right earnest and pardon our mistakes. (Amen)

Mufti Abu Baker Siddiq
Shariah Advisor

Karachi: March 29, 2011



The will to go beyond
bridging all the gaps in between

Consolidated Directors' Report for the year ended December 31, 2010

On behalf of the Board of Directors, I am pleased to present audited consolidated Annual Financial Statements of Faysal Bank Limited for the year ended December 31, 2010.

The Group consists of Faysal Bank Limited as the holding company and its subsidiary Faysal Management Services

(Private) Limited (FMSL). During the year the board of directors of FMSL has resolved to initiate voluntary winding up proceedings under the Companies Ordinance, 1984.

Financial highlights of the Group for the year under review are given below:-

Financial Highlights

	2010	2009
	Rs. in million	
Operating profit	3,032	3,513
Provision for non performing advances	(1,915)	(1,940)
Provision for diminution in value of investments	(287)	(252)
	<u>(2,202)</u>	<u>(2,192)</u>
Profit before tax	830	1,321
Reversal / (Charge) of Provision for taxation	363	(108)
Profit after tax	1,193	1,213
Net profit after tax from discontinued operation	6	-
	<u>1,199</u>	<u>1,213</u>
Minority Interest	4	6
Profit after tax attributable to equity holders	1,195	1,207
Un-appropriated profit brought forward	1,252	1,079
	<u>2,447</u>	<u>2,286</u>
Amounts recognized directly in equity:		
Reversal of deferred tax liability	765	-
	<u>3,212</u>	<u>2,286</u>
Appropriations:		
Transfer of capital market reserve to un-appropriated profit	390	-
Issue of bonus shares - September '10 @ 20%	(1,218)	-
Transfer to statutory reserve	(391)	(240)
Issue of bonus shares - December '08 @ 15%	-	(794)
	<u>(1,219)</u>	<u>(1,034)</u>
Un-appropriated Profit carried forward	1,993	1,252
Earning per share - Rupees	<u>1.64</u>	<u>1.66</u>

The operations of The Royal Bank of Scotland Limited (RBS Pakistan) were merged with Faysal Bank Limited w .e.f. December 31, 2010. As such the balance sheet figures include assets and liabilities transferred from RBS Pakistan amounting to Rs. 88.1 billion and Rs. 79.8 billion respectively Further profit and loss statement includes FBL's share of post acquisition loss of RBS from October 16, to December 31, 2010 amounting to Rs. 8 million.

Equity of the merged entity at year end was Rs. 16.6 billion as compared to Rs. 11.4 billion last year. The increase in mainly attributable to recognition of bargain purchase gain

on acquisition of RBS Pakistan amounting to Rs. 3.3 billion.

Despite difficult economic environment, the bank was able to maintain its profitability level. Net markup income showed a growth of Rs. 784 million i.e. 15.7%, whereas non markup income grew by Rs. 1.2 billion or 42.8%.

Operational expenses showed a growth of Rs. 2.4 billion mainly in the areas of HR and branch operations. Provisions for non performing loans remained at the last year's level however 2010 provision figures include provision of Rs. 546 million on subjective basis.

Profit after tax at Rs. 1,198 million was very close to the last year's figure of Rs. 1,212 million.

In addition to the above the following items were taken directly to equity:

- Rs. 765 million being reversal of deferred tax liability relating to lease financing
- Gain on bargain purchase amounting to Rs. 3.3 billion which included intangibles of Rs. 1.66 billion and negative goodwill of Rs. 1.64 billion.

Credit Rating of the Holding Company:

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

Long-Term	AA
Short-Term	A1+

During 2010, negative outlook previously assigned to the ratings was removed by both the agencies. However, the ratings were placed on 'Ratings Watch - Developing' status and 'Rating Watch' by JCR and PACRA respectively in view of the acquisition of The Royal Bank of Scotland Limited.

Subsequent to the year end, in view of the successful acquisition and merger of the Royal Bank of Scotland, the 'Ratings Watch - Developing' status has been removed and 'Stable' outlook is assigned to the ratings.

Definitions of JCR-VIS for the assigned ratings are reproduced below:

‡AA: High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A1+: High certainty of timely payment. Short term liquidity including internal operating factors and/or access to alternative sources of funds; is outstanding and safety is just below risk free Government of Pakistan short-term obligations.

Definitions of PACRA for the assigned rating are reproduced below:

‡AA: Very high credit quality. ‡AA- rating denotes a very low expectation of credit risk. It indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A1+: Obligations supported by the highest capacity for timely repayment.

Corporate Governance:

- The Group has implemented the requirements of the Code of Corporate Governance (the Code) relevant to the year ended December 31, 2010. A prescribed statement by the management along with the auditor's review report thereon forms part of this Annual Report.
- Statement under clause xix of the code:
 - The financial statements prepared by the management of the Group present fairly the state of affairs and the results of its operations;
 - Proper books of account of the Group have been maintained;
 - Appropriate accounting policies have consistently been applied in preparation of the financial statements except for the change as mentioned in note 3.5 to the financial statements and accounting estimates are based on reasonable and prudent judgment;
 - Approved accounting standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
 - The system of internal control is sound in design and has been appropriately implemented and monitored. Measures are being considered to further strengthen it;
 - There are no doubts about the holding company continuing as a going concern;
 - There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
 - Summarized key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report;
 - The value of investment of provident and gratuity funds are Rs. 539 million and Rs. 228 million respectively as per the unaudited financial statements;
 - Details of Board Meetings held and attended by the directors' form part of this Annual Report;
 - The prescribed pattern of shareholding is given as part of this Annual Report. Movement in the directors' shareholding, if any, is disclosed in the footnote to the pattern of shareholding.

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 Group. I am also grateful to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance and the customers for their patronage. I would also like to express sincere appreciation for the employees of the Group for their dedication and hard work.

On behalf of the Board of Directors



President & CEO
Naved A. Khan

Karachi
Dated: March 29, 2011

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Faysal Bank Limited (the Holding Company) and its subsidiary company, Faysal Management Services (Private) Limited, as at December 31, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'consolidated financial statements'), for the year then ended. These consolidated financial statements include un-audited certified returns from the branches of the Holding Company, except for twenty one branches, which have been audited by us. We have also expressed a separate opinion on the separate financial statements of the Holding Company which incorporate the balances as at December 31, 2010 and results of operations for the period from October 15, 2010 (acquisition date) to December 31, 2010 of the Royal Bank of Scotland Limited (amalgamated with and into the bank with effect from close of business on December 31, 2010) which have been audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the Royal Bank of Scotland Limited is based solely on the report of such other auditors. The financial statements of Faysal Management Services (Private) Limited were audited by another firm of Chartered Accountants and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such auditors. The details of modification in the audit report on the financial statements of Faysal Management Services (Private) Limited is disclosed in note 48 to the financial statements. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of Faysal Bank Limited and its subsidiary company as at December 31, 2010 and the results of their operations, their comprehensive loss, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matter

The consolidated financial statements of Faysal Bank Limited and its subsidiary company for the year ended December 31, 2009 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 23, 2010.



Chartered Accountants
Engagement Partner: **Salman Hussain**

Dated: April 6, 2011
Karachi

Consolidated Statement of Financial Position

As at December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
ASSETS			
Cash and balances with treasury banks	9	17,428,924	8,427,202
Balances with other banks	10	5,727,909	508,795
Lendings to financial institutions	11	-	15,017,826
Investments	12	86,345,801	56,459,447
Advances	13	133,706,769	91,346,001
Fixed assets	14	8,726,406	2,787,617
Deferred tax assets - net	15	5,017,202	1,278,849
Other assets - net (including assets amounting to Rs 189,960 thousand classified as held for distribution to owners)	16	10,486,839	4,966,716
		267,439,850	180,792,453
LIABILITIES			
Bills payable	17	3,218,859	1,465,451
Borrowings	18	34,635,904	34,985,766
Deposits and other accounts	19	195,315,204	123,469,683
Sub-ordinated loans	20	4,595,395	999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities (including liabilities amounting to Rs 1,778 thousand classified as held for distribution to owners)	21	13,039,569	6,979,304
		250,804,931	167,899,404
		16,634,919	12,893,049
NET ASSETS			
REPRESENTED BY			
Share capital	22	7,309,094	6,090,911
Proposed shares to be issued on amalgamation		28,253	-
Reserves	23	7,354,688	4,030,056
Unappropriated profit		1,992,719	1,252,180
		16,684,754	11,373,147
Non-controlling interest		75,273	73,309
		16,760,027	11,446,456
(Deficit) / surplus on revaluation of assets	24	(125,108)	1,446,593
		16,634,919	12,893,049
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 51 and Annexures I to III form an integral part of these consolidated financial statements.


President & Ceo


Director


Director


Director

Faysal Bank Limited and its Subsidiary Company

Consolidated Profit and Loss Account

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
CONTINUING OPERATIONS			
Mark-up / return / interest earned	28	19,722,409	16,957,875
Mark-up / return / interest expensed	29	13,923,287	11,946,579
Net mark-up / interest income		5,799,122	5,011,296
Provision against non-performing loans and advances - net	13.4	1,906,379	1,966,414
Reversal of provision for consumer loans - general	13.5	(89,730)	(26,723)
Provision for diminution in the value of investments - net	12.3	287,255	252,192
Bad debts written off directly	13.7	97,920	-
		2,201,824	2,191,883
Net mark-up / interest income after provisions		3,597,298	2,819,413
Non mark-up / interest income			
Fee, commission and brokerage income		1,141,721	885,124
Dividend income		325,891	659,556
Income from dealing in foreign currencies		519,048	400,477
Gain on sale of securities	30	1,339,818	824,621
Unrealised gain / (loss) on revaluation of investments classified as held for trading		67,967	(45,674)
Other income	31	613,308	80,591
Total non mark-up / interest income		4,007,753	2,804,695
		7,605,051	5,624,108
Non mark-up / interest expenses			
Administrative expenses	32	6,653,046	4,285,459
Other provisions / (reversals) - net	16.3	61,777	(6,444)
Other charges	33	68,819	33,029
Total non mark-up / interest expenses		6,783,642	4,312,044
		821,409	1,312,064
Share of profit of associate	12.7	8,143	7,979
Extraordinary / unusual items		-	-
Profit before taxation from continuing operations		829,552	1,320,043
Taxation - Current	34	239,300	1,164,420
- Prior years	34	191,736	2,823,492
- Deferred	34	(794,262)	(3,880,396)
		(363,226)	107,516
Profit after taxation from continuing operations		1,192,778	1,212,527
Net profit after taxation from discontinued operations	26.2	6,057	-
		1,198,835	1,212,527
Profit after taxation attributable to:			
Equity holders of the parent		1,195,204	1,207,345
Non-controlling interest		3,631	5,182
		1,198,835	1,212,527
		Rupees	Rupees
Earnings per share from continuing operations	35	1.63	1.66
Earnings per share from discontinued operations	35	0.01	-
Earnings per share for the year	35	1.64	1.66

The annexed notes 1 to 51 and Annexures I to III form an integral part of these consolidated financial statements.

President & Ceo

Director

Director

Director

Faysal Bank Limited and its Subsidiary Company

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
Profit for the year	1,198,835	1,212,527
Components of comprehensive income not reflected in equity		
(Deficit) / Surplus on revaluation of available for sale securities	(1,737,877)	927,792
Deferred tax asset / (liability) on revaluation of available for sale securities	166,176	(117,320)
	(1,571,701)	810,472
Total comprehensive income for the year	(372,866)	2,022,999
Comprehensive income attributable to:		
Equity holders of the parent	(376,347)	2,017,817
Non-controlling interest	3,481	5,182
	(372,866)	2,022,999

The annexed notes 1 to 51 and Annexures I to III form an integral part of these consolidated financial statements.



President & Ceo



Director



Director



Director

Faysal Bank Limited and its Subsidiary Company

Consolidated Cash Flow Statement

For the year ended December 31, 2010

Note	2010 Rs ,000	2009 Rs ,000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	835,609	1,320,043
Less: dividend income	(325,891)	(659,556)
	509,718	660,487
Adjustments for:		
Depreciation	660,631	513,839
Amortisation	157,251	96,838
Workers Welfare Fund	16,879	-
Provision against non-performing loans and advances - net	1,906,379	1,966,414
Reversal of provision for consumer loans - general	(89,730)	(26,723)
Provision for diminution in value of investments	287,255	252,192
Other provisions / (reversals) - net	61,777	(6,444)
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(67,967)	45,674
Net profit on sale of property and equipment	(28,710)	(5,788)
Fixed assets written off	21,803	-
Bad debts written off directly	97,920	-
Finance charges on leased assets	-	22
	3,023,488	2,836,024
	3,533,206	3,496,511
(Increase) / decrease in operating assets		
Lendings to financial institutions	16,237,901	(11,856,425)
Held for trading securities	(2,087,123)	(1,410,590)
Advances	(6,910,195)	(9,773,624)
Other assets (excluding advance taxation)	(764,954)	(1,673,046)
	6,475,629	(24,713,685)
Increase / (decrease) in operating liabilities		
Bills payable	643,390	(71,066)
Borrowings	(4,567,400)	21,958,298
Deposits and other accounts	4,198,411	20,877,210
Other liabilities (excluding current taxation)	665,012	132,902
	939,413	42,897,344
	10,948,248	21,680,170
Income tax paid	(2,237,565)	(3,783,072)
Net cash generated from operating activities	8,710,683	17,897,098
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	483,686	(23,596,281)
Net investment in held to maturity securities	(935,365)	5,250,017
Net cash inflow on acquisition	2,743,998	-
Dividends received	301,089	636,831
Investment in operating fixed assets	(542,870)	(782,371)
Proceeds realised on disposal of operating fixed assets	175,841	36,843
Net cash generated from / (used in) investing activities	2,226,379	(18,454,961)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	2,999,600	(400)
Payments of lease obligations	-	(4,125)
Dividend paid to non-controlling interest	-	(5,579)
Dividends paid	(683)	(340)
Net cash generated from / (used in) financing activities	2,998,917	(10,444)
Increase / (decrease) in cash and cash equivalents	13,935,979	(568,307)
Cash and cash equivalents at beginning of the year	9,214,447	9,782,754
Cash and cash equivalents at end of the year	23,150,426	9,214,447

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The annexed notes 1 to 51 and Annexures I to III form an integral part of these consolidated financial statements.

President & Ceo

Director

Director

Director

Faysal Bank Limited and its Subsidiary Company

Consolidated Statement of Changes In Equity

For the year ended December 31, 2010

	Share capital	Proposed shares to be issued on amalgamation	Reserves					Unappropriated profit	Non-controlling interest	Total	
			Capital			Statutory reserve	Revenue				Total
			Reserve for issue of bonus shares	Non-Distributable Capital Reserve - gain on bargain purchase	Reserve arising on amalgamation		Capital market reserve				
Rupees '000											
Balance as at January 1, 2009	5,296,445	-	-	-	-	3,400,481	389,542	3,790,023	1,079,333	73,706	10,239,507
Transfer to reserve for issue of bonus shares	-	-	794,466	-	-	-	-	794,466	(794,466)	-	-
Bonus shares issued	794,466	-	(794,466)	-	-	-	-	(794,466)	-	-	-
Profit after tax for the year ended December 31, 2009	-	-	-	-	-	-	-	-	1,207,346	5,182	1,212,528
Transfer to statutory reserve	-	-	-	-	-	240,033	-	240,033	(240,033)	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(5,579)	(5,579)
Balance as at December 31, 2009	6,090,911	-	-	-	-	3,640,514	389,542	4,030,056	1,252,180	73,309	11,446,456
Reversal of deferred tax liability on leased assets relating to prior years - note 15.1	-	-	-	-	-	-	-	-	765,052	-	765,052
Balance as at January 1, 2010	6,090,911	-	-	-	-	3,640,514	389,542	4,030,056	2,017,232	73,309	12,211,508
Transfer to reserve for issue of bonus shares	-	-	1,218,183	-	-	-	-	1,218,183	(1,218,183)	-	-
Bonus shares issued	1,218,183	-	(1,218,183)	-	-	-	-	(1,218,183)	-	-	-
Transfer to unappropriated profit	-	-	-	-	-	-	(389,542)	(389,542)	389,542	-	-
Non-controlling interest acquired on acquisition of RBS (note 8)	-	-	-	-	-	-	-	-	-	52,561	52,561
Profit after tax for the year ended December 31, 2010	-	-	-	-	-	-	-	-	1,195,204	3,631	1,198,835
Gain on bargain purchase - notes 8.2 and 8.4	-	-	-	3,299,146	-	-	-	3,299,146	-	-	3,299,146
Share of deficit of revaluation of assets of non-controlling interest	-	-	-	-	-	-	-	-	-	(220)	(220)
Acquisition of non-controlling interest on amalgamation (note 8.5)	-	28,253	-	-	23,952	-	-	23,952	-	(52,205)	-
Transfer to statutory reserve (note 23.1)	-	-	-	-	-	391,076	-	391,076	(391,076)	-	-
Surplus on securities transferred to non-controlling interest	-	-	-	-	-	-	-	-	-	70	70
Dividend attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	(1,873)	(1,873)
Balance as at December 31, 2010	7,309,094	28,253	-	3,299,146	23,952	4,031,590	-	7,354,688	1,992,719	75,273	16,760,027

The annexed notes 1 to 51 and Annexures I to III form an integral part of these consolidated financial statements.


President & CEO


Director


Director


Director

Faysal Bank Limited and its Subsidiary Company

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS

1.1 The Group consists of following entities:

Holding Company

Faysal Bank Limited (FBL, the Holding Company)

The Holding Company was incorporated in Pakistan on October 3, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Holding Company is engaged in Corporate, Commercial and Consumer banking activities. The Holding Company has a network of 226 branches (2009: 133); including 13 Islamic banking branches (2009: 6); and operates 2 sub-branches (2009: Nil).

The Registered Office of the Holding Company is located at Faysal House, ST-02, Shahr-e-Faisal, Karachi.

Ithmaar Bank B.S.C., a Bahrain based retail bank, is the parent company of the Group, holding, directly and indirectly through subsidiaries 66.94% of the shareholding of the Holding Company. Dar Al-Maal Al-Islami Trust (DMI), (ultimate parent of the Holding Company) is the holding company of Ithmaar Bank B.S.C. The DMI group owns and operates an international network of islamic banks and investment and insurance companies.

Subsidiary

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

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

During the year, the Board of Directors of FMSL have decided to voluntary wind up the company and accordingly, they have resolved to initiate proceedings of voluntary wind up by the members of FMSL under the Companies Ordinance 1984 (the Ordinance). Therefore the assets and liabilities of FMSL have been classified as non-current assets held for distribution to owners as per the requirements of IFRS 5 as more fully explained in note 26 to these consolidated financial statements.

- 1.2 During the year the Holding Company had acquired the Pakistan operations of The Royal Bank of Scotland Limited. Consequent to this acquisition and under the scheme of amalgamation approved by the shareholders and the State Bank of Pakistan, the operations have been amalgamated and vested into the Holding Company with effect from the close of business on December 31, 2010. The detailed disclosure relating to this transaction is given in note 8 to these consolidated financial statements.
- 1.3 Based on the financial statements of the Holding Company for the year ended December 31, 2009, the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited have determined the Holding Company's long-term rating as 'AA' and the short term rating as 'A1+'.

2 BASIS OF PRESENTATION

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

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes only. Inter branch transactions and balances have been eliminated. In accordance with the directives issued by the SBP, the statement of financial position and profit and loss account of Islamic banking branches are disclosed in Annexure III to these consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of Faysal Bank Limited - the Holding Company and its subsidiary company - "the Group".

- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal.
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements.
- Non-controlling interests are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Holding Company.
- Material intra-group balances and transactions have been eliminated.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives issued by the SECP and SBP shall 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 deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. 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 Group's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Group believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by SBP.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

3.4 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, the Surplus / (Deficit) on Revaluation of Available for sale (AFS) Securities only, 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 these consolidated financial statements.

3.5 Changes in accounting policies and disclosures - Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

i That have an impact on the Group's consolidated financial statements

- (a)** IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are to be expensed as per the requirements of the revised IFRS 3.

The revised standard was applied to the acquisition of the controlling interest in Royal Bank of Scotland (RBS) on October 15, 2010. Acquisition-related costs of Rs 38.957 million have been recognised in the profit and loss account, which previously would have been included in the consideration for the business combination. The Group has chosen to recognise the non-controlling interest at the proportionate share of net assets of RBS of Rs 52 million rather than at its fair value. Detailed disclosures in respect of the business combination are presented in note 8 to these consolidated financial statements. The application of revised IFRS 3 would have had no impact on profit and loss account of the Group if the bargain purchase gain would have also been recognised in the profit and loss account as required under IFRS 3. However, consequent to the decision of the SBP, the bargain purchase gain has been credited to equity. As required under IFRS 3 the acquisition cost amounting to Rs. 38.957 million has been charged to the profit and loss account.

ii That do not have an impact on the Group's consolidated financial statements

The following new and amended standards and interpretations have been published and are mandatory for the first time for the financial year beginning January 1, 2010:

- (a)** IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- (b)** IAS 7 (amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.

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- (c) IAS 27 (revised), „Consolidated and Separate Financial Statements,, applicable for financial years beginning on or after July 1, 2009 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the profit and loss account. The standard also requires that the profit or loss and each component of other comprehensive income is attributable to the equity holders of the parent entity and to the minority interest (referred to as non-controlling interest) even if this results in the non-controlling interests having a deficit balance. At present, the management believes that the aforementioned revision does not have any impact on the Group's consolidated financial statements.
- (d) IAS 36 (amendment), „Impairment of assets,, effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, „Operating segments,, (that is, before the aggregation of segments with similar economic characteristics). The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- (e) IFRS 2 (amendments), „Group cash-settled share-based payment transactions,, effective from January 1, 2010. In addition to incorporating IFRIC 8, „Scope of IFRS 2,, and IFRIC 11, „IFRS 2 fi Group and treasury share transactions,, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- (f) IFRS 5 (amendment), „Measurement of non-current assets (or disposal groups) classified as held-for-sale,, (effective on or after January 1, 2010). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The management of the Group believes that presently this standard does not have any impact on the Group's consolidated financial statements.
- (g) IFRIC 17, „Distribution of non-cash assets to owners,, (effective on or after July 1, 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The management of the Group believes that presently this interpretation does not have any impact on the Group's consolidated financial statements.
- (h) IFRIC 18, „Transfers of assets from customers,, effective for transfer of assets received on or after July 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The management of the Group believes that presently this interpretation does not have any impact on the Group's consolidated financial statements.
- (i) The Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006. During the current year the Bank has adopted the IFAS 1. In accordance with IFAS 1, murabaha transactions entered into by the Bank are accounted as follows:

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For the year ended December 31, 2010

- Murahaba receivable shall be recorded at the invoiced amount.
 - Inventories remaining unsold with the Bank on the reporting date shall constitute Bank's inventory and shall be valued in accordance with the IAS 2: 'Inventories', and shown under 'Other Assets'.
 - In case the inventories were acquired by the Bank for a customer who has eventually defaulted on his promise to purchase the inventories, it shall be valued in accordance with the IAS 2.
 - Purchases and sales under Murahaba and the resultant profit should be accounted for on the culmination of Murahaba transaction. However, the profit on that portion of sales revenue not due for payment should be deferred by accounting for by a debit to 'Unearned Murahaba Income', account with the corresponding impact to 'Deferred Murahaba Income', account and is shown as a liability.
- (j) There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements.

3.6 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the Group's accounting period beginning on or after January 1, 2011.

- (a) IAS 1, 'Presentation of financial statements' (effective from January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is not likely to have any impact on the Group's consolidated financial statements.
- (b) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently in process of assessing the impact, if any, of the revised standard on the related party disclosures.
- (c) IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 fi The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The management of the Group is currently in the process of assessing the impact, if any, of the amendment on the financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

4 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain investments and derivative financial instruments have been marked to market and are carried at fair value.

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5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgments in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 42 to these consolidated financial statements.

6 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise specified.

7.1 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account. However, as more fully described in note 8.4 to these consolidated financial statements, the gain on bargain purchase arising on acquisition made in the current period has been recognised directly in equity as per the directive of the SBP.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account.

Acquisition of non-controlling interests (NCI) is measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Group. The excess of fair value of consideration transferred over the proportionate share of the NCI in the fair value of the net assets acquired is recognised in equity.

7.2 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, if any, call money lendings and overdrawn nostro accounts.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

7.3 Lendings to / borrowings from financial institutions

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued over the period of the contract and recorded as an expense.

(b) Purchase of securities under repurchase agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in the consolidated financial statements as investments and the amount extended to the counter party is included in lendings. These transactions are accounted for on the settlement date. The difference between the purchase and contracted resale price is accrued over the period of the contract and recorded as income.

7.4 Investments

The Group classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements, or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

(b) Held to maturity

These are securities with fixed or determinable payments and maturity that the Group has a positive intent and ability to hold to maturity.

(c) Available for sale

These are investments, other than those, in subsidiaries and associates, that do not fall under either held for trading or held to maturity categories.

(d) Associates

Associates are all entities over which the Group has a significant influence but not control. Investments in associates where the Group has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves is recognised in reserves. Increase / decrease in share of profits and losses of associates is accounted for in the consolidated profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment. Investments other than those recognised as held for trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs associated with the transactions are expensed in the profit and loss account.

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In accordance with the requirements of the State Bank of Pakistan (SBP), quoted securities, other than those classified as held to maturity and investments in subsidiaries and associates, are subsequently stated at market values. Investments classified as held to maturity are carried at cost whereas investments in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Surplus / deficit arising on revaluation of quoted securities classified as 'available for sale' is included in the Statement of Comprehensive Income but is kept in a separate account shown in the statement of financial position below equity. The surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading' is taken to the profit and loss account.

Impairment loss in respect of investments classified as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of term finance certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the statement of financial position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Gain or loss on sale of investments is included in the profit and loss account currently.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using the effective interest method.

7.5 Advances

Loans and advances

Advances are stated net of specific and general provisions. Specific and general provisions for advances are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Group determines write-offs in accordance with the criteria prescribed by SBP vide BPRD Circular No. 06 of 2007 dated June 05, 2007.

Net investment in finance lease

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

Murabaha

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Group) sell to the client / customer a shariah compliant asset / goods for cost plus a pre-agreed profit. In principle on the basis of an undertaking (promise to purchase) from the client, the Group purchases the goods / assets subject of the Murabaha from a third party and takes the possession thereof. However, the Group can appoint the client as its agent to purchase the goods / assets on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

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Murabaha transactions are accounted for at gross receivable net of specific and general provisions. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time.

7.6 Fixed assets and depreciation

(a) Tangible assets - owned

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold and leasehold land which are stated at cost.

Depreciation on operating fixed assets (excluding land which is not depreciated) is charged using the straight line method in accordance with the rates specified in note 14.2 to these consolidated financial statements after taking into account residual value, if significant. The asset's residual values and useful lives are reviewed and adjusted, if required, at each balance sheet date. Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the profit and loss account in the period in which they arise.

(b) Tangible assets - leased

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments, if any, under operating leases are charged to income on a straight line basis over the lease term.

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to the future periods.

The finance charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

(c) Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

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(d) Intangibles

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged applying the straight-line method over the useful life of the assets. Amortisation is calculated so as to write-off the assets over their expected economic lives at rates specific in note 14.3 to these consolidated financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed off. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any. Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which they arise.

7.7 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. Such reversals are only made to the extent that the asset's amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

7.8 Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held-for-sale.

7.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or below equity / other comprehensive income, in which case it is recognised in equity or below equity / other comprehensive income.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. The charge for current tax also includes adjustments relating to prior years, if necessary, arising from assessments finalised during the year.

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Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Group also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS-12) dealing with income taxes.

7.10 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

7.11 Staff retirement benefits

a) Defined contribution plan

The Group operates a contributory provident fund for all its permanent employees to which equal monthly contributions at the rate of 10 percent of basic salary are made by both the Group and the employees.

b) Defined benefit scheme

The Group operates an approved funded gratuity scheme for all its permanent employees and employees who are on contractual service and are employed under non-management cadre who complete the prescribed eligibility period of service. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Cumulative net unrecognized actuarial gains and losses at the end of the last reporting year are recognised over the expected average remaining working lives of the employees.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

7.12 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method, to the extent that they are not directly attributable to the acquisition or construction of qualifying assets. Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of the asset.

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7.13 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the consolidated financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the year in which they are approved / transfers are made.

7.14 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis, except that mark-up income / interest / return on non-performing advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the State Bank of Pakistan, except where, in the opinion of the management, it would not be prudent to do so.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned finance income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in lease.
- Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income is recognised as income when they are realised.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Dividend income from investments is recognised when the Group's right to receive the dividend is established.
- Fee, brokerage and commission on letters of credit / guarantee and others is recognised on time proportion basis.
- Financial advisory fee is recognised when the right to receive the fee is established.
- Other income is recognised on accrual basis.

7.15 Foreign currencies

(a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevailing at the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts are valued at rates determined with reference to their respective maturities. Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on contracts with the SBP is amortised over the term of the contract.

(b) Translation gains and losses

Translation gains and losses are included in the profit and loss account.

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7.16 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the reporting date.

7.17 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

7.18 Financial instruments

Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits, liabilities against assets subject to finance lease and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. All derivative financial instruments are carried as assets when fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements only when the Group has a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the consolidated financial statements.

7.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

7.20 Segment reporting

Segment reporting is based on operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the President / Chief Executive Officer, which have been presented according to the functional basis and the guidance of SBP, to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available. These have been presented as per the Group's functional structure and guidance of SBP. The segments of the Group are as follows:

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(a) Business Segments

Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatisation, securitisation, Initial Public Offers (IPOs) and secondary private placements.

Trading and Sales

It includes fixed income, equity, foreign exchanges, funding, own position securities, lending and repos.

Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and agriculture sector. It includes loans, deposits, other transactions and balances with retail customers.

Commercial banking

This includes strategic partnership with corporate and SME sector entities to provide working capital financing, trade financing and cash management services, project finance, export finance, leasing, lending, guarantees, bills of exchange and deposits.

(b) Geographical segment

The operations of the Group are currently based only in Pakistan.

8 BUSINESS COMBINATION

- 8.1 During the year the Holding Company has acquired the Pakistan Operations of The Royal Bank of Scotland Limited [a listed commercial Bank engaged in commercial, consumer and corporate banking activities] (the RBS). The Holding Company had acquired the majority shareholding of 99.37% of the RBS for cash consideration of approximately Euro 41 million on the acquisition date of October 15, 2010 and the RBS became a subsidiary of the Holding Company as at the aforementioned date.

The Holding Company has acquired the operations of the RBS to capture the returns skewed towards larger banks. The management believes that the acquisition of the RBS is a materialization of the Holding Company's strategy for larger customer base and profit growth (both organically and through acquisition). The management further believes that the acquisition will translate synergies in the areas of customer franchise, cost saving, people and technology.

Subsequent to the above acquisition, the Pakistan operations of the RBS have been amalgamated and vested into the Holding Company with effect from the close of business on December 31, 2010. The proposal for the amalgamation and the scheme of amalgamation has been approved by the Board of Directors and the shareholders of the Holding Company in their meetings held on October 15, 2010 and November 10, 2010 respectively. The State Bank of Pakistan through its letter BPRD (R&P-02)/625-99/2010/10601 dated December 29, 2010 had also approved the scheme of amalgamation and granted sanction order for the amalgamation of the RBS with and into the Holding Company.

Pursuant to the aforementioned approvals and scheme of amalgamation duly approved by the State Bank of Pakistan, the entire undertaking of the RBS including all the properties, assets and liabilities and the rights and obligations stand amalgamated with and vested into the Holding Company as at December 31, 2010 (closing of business). Accordingly the assets and liabilities included in the statement of financial position also include balances of the RBS.

In consideration for the amalgamation and as per the scheme of amalgamation, the Holding Company intends to allot 1,812,250 fully paid ordinary shares subsequent to the year ended December 31, 2010 to the shareholders of the RBS for the acquisition of non-controlling interest, which will rank pari passu with the existing shares of the Holding Company. The shares proposed to be issued by the Holding Company are as under:

	Note	Rupees '000
Proposed shares to be issued on amalgamation	8.5.1	<u>28,253</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

8.2 Acquisition of controlling interest

The acquisition has been accounted for by applying the purchase method in accordance with the requirements of IFRS 3 (Revised) 'Business Combinations'. The cost of the acquisition has been measured at the fair value of the consideration given. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date. The excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition has been recorded as gain on bargain purchase in the consolidated financial statements of the Group.

Details of the purchase consideration given, fair values of the net assets acquired and gain on bargain purchase are as follows:

	Note	Rupees '000
Fair value of identifiable net assets of RBS as on October 15, 2010	8.3	8,343,022
Percentage of identifiable net assets acquired		99.37%
Fair value of identifiable net assets of RBS acquired as on October 15, 2010		<u>8,290,461</u>
Less: purchase consideration paid in cash		<u>(4,991,315)</u>
Gain on bargain purchase	8.4	<u>3,299,146</u>
Acquisition-related costs (included in administrative expenses in the profit and loss account for the year ended December 31, 2010)		<u>38,957</u>

8.3 The fair values and carrying amounts of identifiable assets and liabilities of RBS at the date of acquisition are as follows:

	Note	Acquiree's carrying amounts as on October 15, 2010	Fair value adjustments / intangible acquired	Fair values as on October 15, 2010
Rupees '000				
Cash and balances with treasury banks		5,847,882	-	5,847,882
Balances with other banks		1,897,428	-	1,897,428
Lendings to financial institutions		1,510,499	-	1,510,499
Investments		29,372,673	-	29,372,673
Advances		38,415,096	(1,415,701)	36,999,395
Operating fixed assets (includes intangibles held in the books of RBS)		3,681,947	143,501	3,825,448
Intangible assets recognised on acquisition	8.3.1	-	2,557,167	2,557,167
Deferred tax assets - net		2,873,463	(860,685)	2,012,778
Other assets - net		2,259,740	1,237,459	3,497,199
Total assets		<u>85,858,728</u>	<u>1,661,741</u>	<u>87,520,469</u>
Bills payable		1,103,025	-	1,103,025
Borrowings		4,194,598	-	4,194,598
Deposits and other accounts		67,204,987	16,047	67,221,034
Sub-ordinated loans		598,880	(2,285)	596,595
Other liabilities		6,062,195	-	6,062,195
Total liabilities		<u>79,163,685</u>	<u>13,762</u>	<u>79,177,447</u>
		<u>6,695,043</u>	<u>1,647,979</u>	<u>8,343,022</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

8.3.1 Intangibles acquired in business combination

Consequent to the amalgamation of the RBS with and into the Holding Company, the Group has recognised the following intangible asset as at the acquisition date of October 15, 2010.

October 15, 2010
Rupees '000

Customer relationship

2,557,167

This intangible asset comprises of core deposits of the RBS and represents the funding benefit that would be available to the Group on account of availability of funding through deposit customers rather than from the wholesale or inter-bank markets. This benefit also considers the fact that the economic lifetime of these deposits is longer than their contractual life. Based on this assumption, this intangible asset has been valued using certain valuation techniques and is being amortised keeping in view the life expectancy of the core deposits.

The fair value of this identifiable intangible asset has been determined using an income approach, by an independent valuer. The income approach begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the fair value of the specific asset.

In applying the income approach, the Group used the Multiple-period Excess Earnings Method ("MEEM") to determine the value of the above intangibles. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings.

The valuations are based on information at the time of acquisition and the expectations and assumptions that have been deemed reasonable by the Group's management. It has been assumed that the underlying assumptions or events associated with such assets will occur as projected.

8.4 As more fully discussed in note 8.2 to these consolidated financial statements, the acquisition of the RBS is a bargain purchase as the fair value of the net assets acquired exceeds the fair value of the consideration paid by the Group as at the acquisition date. The total gain on bargain purchase arising on the acquisition of the RBS is Rs 3,299.146 million.

Under IFRS 3 (revised) a bargain purchase represents an economic gain, which should be immediately recognised by the acquirer in the profit and loss account. However, IFRS 3 requires the acquirer to ensure that it really does have a gain on bargain purchase and it has used all of the available evidences at the date of acquisition and re-assessed the business combination accounting. In this connection the management has reassessed the business combination accounting and believes that the gain on bargain purchase is primarily arising as a result of special circumstances under which RBS decided to sell international operations particularly Pakistan. However, the amount of bargain purchase gain has not been taken to the profit and loss account as the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011 has advised the Holding Company to recognise the amount of gain through the statement of changes in equity as 'Non-Distributable Capital Reserve', instead of recognising it in the profit and loss account. The SBP has further advised the Holding Company that this gain may become available for distribution as stock dividend to shareholders of the Group after incorporating the adjustment, if any, recommended by the BID of the SBP in the acquired portfolio of the RBS (which will be adjusted against this reserve) and with the prior approval of the SBP. The SBP letter also specifies that the requirement of creating statutory under section 21 of the Banking Companies Ordinance, may not be applicable on this amount.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

8.5 Acquisition of non-controlling interest

As at the date of acquisition the purchase of non-controlling interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Group, as allowed under the requirements of IFRS 3. The management, at the date of amalgamation, has incorporated the share of NCI's post acquisition results of the RBS in the proportionate share of the NCI determined as at the acquisition of the RBS (the adjusted balance). The excess of the fair value of equity shares proposed to be issued and the adjusted balances of the NCI amounting to Rs. 23.952 million has been recognised as part of equity (shown separately as 'Reserve arising on amalgamation').

8.5.1 The fair value of the shares proposed to be issued to the shareholders of the RBS is based on the published quoted price of the shares of the Holding Company as at December 31, 2010.

8.6 The fair value of the gross contractual receivables representing advances, lendings and investments that include Market Treasury Bills, Pakistan Investment Bonds, Sukuks and Term Finance Certificates as at the acquisition date amounts to Rs 67,853 million. Gross contractual amounts for the aforementioned receivables due is Rs 77,500 million. The management believes that out of the total gross contractual receivables, a gross contractual amount of Rs 11,896 million is expected to be uncollectable.

	Note	2010 Rs ,000	2009 Rs ,000
9 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		3,202,543	1,784,440
- foreign currencies		479,829	324,187
With the State Bank of Pakistan in			
- local currency current account	9.1	8,572,050	4,367,938
- foreign currency current account	9.2	1,041,817	365,765
- foreign currency deposit account	9.3	3,084,020	1,145,480
With the National Bank of Pakistan in			
- local currency current account		1,044,505	431,642
National Prize Bonds		4,160	7,750
		17,428,924	8,427,202

9.1 This represents local currency current account maintained with the SBP as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in a current account with SBP at a sum not less than such percentage of the Group's time and demand liabilities in Pakistan as may be prescribed.

9.2 This represents cash reserve of 5% maintained with State Bank of Pakistan in US dollars current account on deposits held under the New Foreign Currency Accounts Schedule (FE- 25 deposits) as per BSD Circular No. 9 dated December 03, 2007.

9.3 This represents special cash reserve maintained with SBP in US dollars under the requirements of BSD Circular No. 14 of 2008 dated June 21, 2008 and local USD clearing account maintained with SBP to facilitate USD clearing and 6% special cash reserve requirement on FE 25 deposits maintained by Islamic Banking branches. Profit rates on these balances are fixed on monthly basis by SBP. The SBP has not remunerated any return on these deposits during the current and the last year.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
10 BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		558,987	120,292
Outside Pakistan			
- Current accounts		2,676,894	388,503
- Deposit accounts	10.1	2,492,028	-
		<u>5,727,909</u>	<u>508,795</u>

10.1 This represents deposit of USD 29.1 million placed with The Royal Bank of Scotland, UK (RBS PLC.) London as margin against interest rate and cross currency derivative contracts entered with RBS PLC. It carries markup rate of 0.18% (2009 : Nil) per annum. The deposit balance will vary according to the outstanding balance of contracts and will be released completely on maturity of last derivative contract in September 2014.

	Note	2010 Rs ,000	2009 Rs ,000
11 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	300,000
Repurchase agreement lendings (Reverse Repo)	11.2	-	14,717,826
		-	<u>15,017,826</u>
11.1 Particulars of lendings to financial institutions			
In local currency		-	<u>15,017,826</u>

11.2 Securities held as collateral against lendings to financial institutions

	2010			2009		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
	Rupees '000					
Market Treasury Bills	-	-	-	14,717,826	-	14,717,826

12 INVESTMENTS

Investments by type and segment are given below while the detailed break down is contained in Annexure I to these financial statements.

Faysal Bank Limited and its Subsidiary Company

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

12.1 Investments by type	Note	2010			2009		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
							Rupees '000
Held for trading securities							
Market Treasury Bills	12.2.1	2,497,865	-	2,497,865	618,471	-	618,471
Fully paid up ordinary shares / certificates of closed end mutual funds	12.2.3	718,952	-	718,952	811,223	-	811,223
Ijara Sukuk Bonds	12.2.3	300,000	-	300,000	-	-	-
		3,516,817	-	3,516,817	1,429,694	-	1,429,694
Available for sale securities							
Market Treasury Bills	12.2.1	44,273,115	10,724,483	54,997,598	14,192,378	17,165,757	31,358,135
Pakistan Investment Bonds	12.2.2	8,587,713	-	8,587,713	5,748,485	97,570	5,846,055
Ijara Sukuk Bonds	12.2.3	1,461,287	-	1,461,287	462,000	-	462,000
Units of open ended mutual funds							
- National Investment (Unit) Trust	12.2.4	420,009	-	420,009	2,671,422	-	2,671,422
- NIT Government Bond Fund		-	-	-	50,000	-	50,000
- NIT Income Fund		50,000	-	50,000	-	-	-
- Faysal Balanced Growth Fund		80,374	-	80,374	80,374	-	80,374
- Faysal Income Growth Fund		200,000	-	200,000	200,000	-	200,000
- Faysal Savings Growth Fund		208,230	-	208,230	207,411	-	207,411
- Faysal Islamic Savings Growth Fund		100,000	-	100,000	-	-	-
- Faysal Money Market Fund		100,000	-	100,000	-	-	-
- PICIC Income Fund		100,000	-	100,000	-	-	-
- AKD Income Fund		826	-	826	-	-	-
- First Habib Income Fund		2,043	-	2,043	-	-	-
- HBL Income Fund		6,064	-	6,064	-	-	-
- IGI Income Fund		2,046	-	2,046	-	-	-
- JS Large Capital Fund		27,888	-	27,888	-	-	-
- JS KSE 30 Index Fund		3,709	-	3,709	-	-	-
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds		5,629,153	-	5,629,153	1,810,932	-	1,810,932
Fully paid up preference shares		415,969	-	415,969	492,677	-	492,677
Sukuk Bonds		-	-	-	85,000	-	85,000
Term finance certificates	12.3.3	1,589,537	-	1,589,537	1,828,288	-	1,828,288
		63,257,963	10,724,483	73,982,446	27,828,967	17,263,327	45,092,294
Held to maturity securities							
Term finance certificates	12.3.4	7,765,875	-	7,765,875	7,127,929	-	7,127,929
Sukuk Bonds	12.3.4	2,707,496	-	2,707,496	2,410,077	-	2,410,077
		10,473,371	-	10,473,371	9,538,006	-	9,538,006
Associate							
Fully paid up ordinary shares of - Faysal Asset Management Limited	12.6	80,252	-	80,252	81,109	-	81,109
Investments at cost		77,328,403	10,724,483	88,052,886	38,877,776	17,263,327	56,141,103
Less: Provision for diminution in the value of investments	12.3	(1,495,601)	-	(1,495,601)	(1,140,082)	-	(1,140,082)
Investments (net of provisions)		75,832,802	10,724,483	86,557,285	37,737,694	17,263,327	55,001,021
Surplus / (deficit) on revaluation of held for trading securities - net	12.5	18,883	-	18,883	(49,084)	-	(49,084)
(Deficit) / surplus on revaluation of available for sale securities - net	24	(193,500)	(36,867)	(230,367)	1,535,296	(27,786)	1,507,510
Total investments		75,658,185	10,687,616	86,345,801	39,223,906	17,235,541	56,459,447

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

12.1.1 Strategic Investments

	2010 Rs ,000	2009 Rs ,000
Available for sale securities - Listed		
Fully paid up ordinary shares / modarba certificates / units of closed end mutual funds	467,271	238,981
Units of open ended mutual funds	108,262	80,374
Available for sale securities - Unlisted		
Fully paid up ordinary shares	794,250	797,549
Associate	80,252	81,109
	1,450,035	1,198,013
Provision for diminution in the value of investments	(509,285)	(287,903)
	940,750	910,110
Surplus on revaluation of available for sale securities	96,873	106,114
	1,037,623	1,016,224

Strategic investments are those which the Group makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the fulfillment of the requirements prescribed by the SBP in the Prudential Regulations. Further, as per the SBP instructions in BPD Circular Letter No. 16 of 2006 dated August 01, 2006, investments marked as strategic have a minimum retention period of 5 years from the original purchase date. However, these can be sold before the stipulated period with the prior permission of the SBP.

12.2 Investments by segments

	Note	2010 Rs ,000	2009 Rs ,000
Federal Government Securities			
- Market Treasury Bills	12.2.1	57,495,463	31,976,606
- Pakistan Investment Bonds	12.2.2	8,587,713	5,846,055
- Ijara Sukuk Bonds	12.2.3	1,761,287	462,000
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units			
- Listed companies / modarabas / mutual funds		5,528,929	1,822,818
- Unlisted companies		899,428	880,446
Fully Paid up Preference Shares			
- Listed companies		315,969	266,427
- Unlisted companies		100,000	226,250
Term Finance Certificates			
- Listed	12.3.4	1,065,122	1,328,168
- Unlisted	12.3.3 & 12.3.4	8,290,290	7,628,049
Units of Open ended Mutual Funds		1,301,189	3,209,207
Sukuk Bonds	12.3.4	2,707,496	2,495,077
Total investments at cost		88,052,886	56,141,103
Less: Provision for diminution in the value of investments	12.3	(1,495,601)	(1,140,082)
Investments (net of provisions)		86,557,285	55,001,021
Surplus / (deficit) on revaluation of investments classified as held for trading	12.5	18,883	(49,084)
(Deficit) / surplus on revaluation of investments classified as available for sale	24	(230,367)	1,507,510
Total investments		86,345,801	56,459,447

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

- 12.2.1** Market Treasury Bills have tenures of three months to one year. The Group's yield on these instruments ranges from 12.2% to 13.3% per annum (2009: 11.4% to 13.4% per annum) with maturities up to June 2011.
- 12.2.2** Pakistan Investment Bonds have tenures of 3 to 10 years. The Group's return on these investments ranges from 4.6% to 14.3% per annum (2009: 4.6% to 13.1% per annum) with maturities from February 2011 to September 2019.
- 12.2.3** Ijara sukuk bonds have tenures of three years with maturities upto November 2013.
- 12.2.4** This represents the investment of the Group in the units of National Investment (Unit) Trust LOC Holder's Fund (NIUTL). NIUTL is an open end mutual fund managed by the National Investment Trust Limited (NITL). In prior years, the Government of Pakistan (the Government) had issued Letter of Comfort (LOC) to four of its unit holders (including the Holding Company), guaranteeing a minimum redemption price of Rs. 13.70 per unit. The LOC dated June 30, 2009 issued by the Government had expired on December 31, 2009 and was not extended. Subsequent to the expiry, the Government had communicated a methodology to settle this investment to all investors including the Group. In accordance with the methodology, all the underlying assets, except for 'Strategic Assets' representing shares of Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL), have been transferred in specie (after charging agreed premium of 2.5%) to the LOC Holder's according to their respective unit holding. Accordingly, during the year, NITL settled 87.61% of NIUTL's units (excluding Strategic Assets representing shares of PSO and SNGPL) by transferring investments in specie. The Group had recognised a gain of Rs 1,530.607 million upon settlement of these assets which has been included in the profit and loss account of the current year.

It was also agreed that the Strategic Assets representing shares of PSO and SNGPL will be transferred to the NBP at a rate to be determined and agreed by the respective LOC holders' and the cash received from the NBP by the Fund will be paid to the LOC holders'. In this connection, an agreement has been signed between NITL, the Group and the NBP to facilitate the settlement. The negotiation over the rate at which these Strategic Assets are to be transferred by the Fund to the NBP and consequently to the Group has been finalized. However, the aforementioned Strategic Assets have not been transferred to the NBP as these were frozen by the Government of Pakistan (Privatization Commission) for sale due to their proposed Privatization. In this connection, the Privatization Commission had arranged a meeting on December 28, 2010 to discuss the matter of transferring the Strategic Assets to the NBP. However, the Privatization Commission has not provided final directions in this context to date.

The Group had agreed the market value of †Strategic Assets· as of October 13, 2010 for redeeming its existing units. The management is of the view that since the permission of transfer to NBP of the said †Strategic Assets· has not yet been granted by the Privatization Commission of Pakistan therefore the value of the Group's investment representing the †Strategic Assets· should be classified as investments in the books of the Group and should be marked to market on the basis of net assets value as on October 13, 2010 as the Group will receive this amount subsequent to the permission of the Privatization Commission of Pakistan.

	Note	2010 Rs ,000	2009 Rs ,000
12.3 Particulars of provision for diminution in the value of investments			
Opening balance		1,140,082	887,890
Charge for the year	12.3.1	531,941	528,403
Reversals		(244,686)	(276,211)
		287,255	252,192
Provision against investments transferred from amalgamated entity		68,264	-
Closing balance		1,495,601	1,140,082

- 12.3.1** This includes provision of Rs. 162.336 million recognised on account of difference in carrying value and breakup value of DHA Cogen Limited, an investment marked as strategic.

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12.3.2 Particulars of provision for diminution in the value of investments by type and segment	2010 Rs ,000	2009 Rs ,000
Available for sale securities		
Fully Paid up Ordinary Shares / Modaraba Certificates / Certificates of Closed end Mutual Funds		
- Listed companies / modarabas / mutual funds	324,779	196,436
- Unlisted companies	469,094	242,588
Fully Paid up Preference Shares		
- Listed companies	180,562	132,564
Units of Open ended Mutual Funds		
	19,140	156,425
Term Finance Certificates		
- Listed	4,204	5,919
- Unlisted	342,495	300,000
Held to maturity securities		
Term Finance Certificates		
- Unlisted	80,327	31,150
Sukuk Bonds		
	75,000	75,000
	<u>1,495,601</u>	<u>1,140,082</u>

12.3.3 This includes Pre IPO investment of 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 has advised the Group to maintain provision at least at the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. Prior to the issuance of this directive, the Group had maintained a provision of Rs 300 million as per the earlier relaxation provided by the SBP. The Group as per the above recent directive has availed the relaxation and maintained a provision of Rs 330 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 year ended December 31, 2010 would have been higher by Rs 170 million and the profit before taxation for the year ended December 31, 2010 would have been lower by Rs 170 million.

12.3.4 The investment portfolio includes the term finance certificates and Sukuk Bonds of Rs 1,117.689 million and Rs 500 million respectively made in the Agritech Limited and Azgard Nine Limited. The impact of relaxation availed by the Group for maintaining the provision against these investments is disclosed in note 13.4.2 to these financial statements.

12.4 Quality of available for sale securities

The details regarding the quality of available for sale securities and their mark-up / interest and other terms are contained in Annexure I, which forms an integral part of these financial statements.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

12.5 Surplus/ (deficit) on revaluation of investments classified as held for trading	Note	2010	2009
		Rs ,000	Rs ,000
Market Treasury Bills		(223)	(92)
Fully paid up ordinary shares / certificates of closed end mutual fund		18,356	(48,992)
Ijara Sukuk Bonds		750	-
		<u>18,883</u>	<u>(49,084)</u>

12.6 Key financial information of subsidiary and associate company as at December 31, 2010 is as follows :

	2010				
	Assets	Liabilities	Revenues	Profit/ Loss	Holding %
	Rupees '000				
Subsidiary					
Faysal Management Services (Private) Limited	189,960	1,778	-	9,417	60%
Associate					
Faysal Asset Management Limited	334,892	67,072	158,958	26,925	30%

	2009				
	Assets	Liabilities	Revenues	Profit/ Loss	Holding %
	Rupees '000				
Subsidiary					
Faysal Management Services (Private) Limited	185,776	2,506	-	12,957	60%
Associate					
Faysal Asset Management Limited	301,944	28,813	136,834	26,559	30%

12.7 Investment in associate

Investment in Faysal Asset Management Limited (FAML) is accounted for using equity method of accounting. The Group's share of the profit and loss of the entity and its carrying amount as at December 31, 2010 is as follows:

	2010	2009
	Rs ,000	Rs ,000
Balance at the beginning of the year	81,109	73,130
Investment made during the year	-	-
Share of profit	8,143	7,979
Dividends paid	(9,000)	-
Exchange differences	-	-
	<u>80,252</u>	<u>81,109</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

13 ADVANCES		2010	2009						
		Rs ,000	Rs ,000						
Loans, cash credits, running finances, etc. fi in Pakistan		140,249,441	85,056,738						
Net investment in finance lease fi in Pakistan	13.2	8,689,093	11,112,580						
		<u>148,938,534</u>	<u>96,169,318</u>						
Bills discounted and purchased (excluding government treasury bills)									
Payable in Pakistan		645,235	438,472						
Payable outside Pakistan		1,284,440	1,438,480						
		<u>1,929,675</u>	<u>1,876,952</u>						
Margin financing / reverse repo transactions		338,200	338,200						
Gross advances		<u>151,206,409</u>	<u>98,384,470</u>						
Provision against non-performing advances	13.4	(17,163,067)	(6,848,394)						
Provision against consumer loans - general	13.5	(336,573)	(190,075)						
Advances - net of provision		<u>133,706,769</u>	<u>91,346,001</u>						
13.1 Particulars of advances (Gross)									
13.1.1 In local currency									
In local currency		146,029,423	94,585,866						
In foreign currencies		5,176,986	3,798,604						
		<u>151,206,409</u>	<u>98,384,470</u>						
13.1.2 Short term (upto one year)									
Short term (upto one year)		82,364,588	61,236,117						
Long term (over one year)		68,841,821	37,148,353						
		<u>151,206,409</u>	<u>98,384,470</u>						
13.2 Net investment in finance lease									
		2010		2009					
		Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
		Rupees '000							
Lease rentals receivable		4,197,618	2,611,384	-	6,809,002	4,507,793	4,947,192	-	9,454,985
Residual value		988,893	1,939,721	-	2,928,614	938,017	2,337,952	-	3,275,969
Minimum lease payment		5,186,511	4,551,105	-	9,737,616	5,445,810	7,285,144	-	12,730,954
Finance charge for future period		(481,168)	(567,355)	-	(1,048,523)	(820,439)	(797,935)	-	(1,618,374)
Present value of minimum lease payment		<u>4,705,343</u>	<u>3,983,750</u>	-	<u>8,689,093</u>	<u>4,625,371</u>	<u>6,487,209</u>	-	<u>11,112,580</u>

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- 13.3 Advances includes Rs. 24.708 billion (2009: Rs. 10.671 billion) which have been placed under non-performing status as detailed below:

Category of classification	2010								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned (Agri financing)	307,671	-	307,671	-	-	-	-	-	-
Substandard	2,684,583	-	2,684,583	646,290	-	646,290	646,290	-	646,290
Doubtful	2,230,321	-	2,230,321	673,490	-	673,490	673,490	-	673,490
Loss	19,485,183	-	19,485,183	15,843,287	-	15,843,287	15,843,287	-	15,843,287
	<u>24,707,758</u>	<u>-</u>	<u>24,707,758</u>	<u>17,163,067</u>	<u>-</u>	<u>17,163,067</u>	<u>17,163,067</u>	<u>-</u>	<u>17,163,067</u>

Category of classification	2009								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned (Agri financing)	277,202	-	277,202	-	-	-	-	-	-
Substandard	1,756,150	-	1,756,150	334,776	-	334,776	334,776	-	334,776
Doubtful	2,112,776	-	2,112,776	800,237	-	800,237	800,237	-	800,237
Loss	6,524,902	-	6,524,902	5,529,323	-	5,529,323	5,529,323	-	5,529,323
	<u>10,671,030</u>	<u>-</u>	<u>10,671,030</u>	<u>6,664,336</u>	<u>-</u>	<u>6,664,336</u>	<u>6,664,336</u>	<u>-</u>	<u>6,664,336</u>

- 13.4 Particulars of provision against non-performing advances

	2010			2009		
	Specific	General (excluding consumer loan)	Total	Specific	General (excluding consumer loan)	Total
Opening balance	6,664,336	184,058	6,848,394	4,833,099	58,676	4,891,775
Charge for the year	2,506,791	-	2,506,791	2,570,287	183,382	2,753,669
Transfer from / to general provision	184,058	(184,058)	-	-	-	-
Reversals during the year	(600,412)	-	(600,412)	(729,255)	(58,000)	(787,255)
Net charge	2,090,437	(184,058)	1,906,379	1,841,032	125,382	1,966,414
Amounts written off - note 13.7.1	(829)	-	(829)	(9,795)	-	(9,795)
Provision against advances transferred from amalgamated entity	8,409,123	-	8,409,123	-	-	-
Closing balance	<u>17,163,067</u>	<u>-</u>	<u>17,163,067</u>	<u>6,664,336</u>	<u>184,058</u>	<u>6,848,394</u>

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

- 13.4.2 During the year, financing facility disbursed to Agritech Limited and Azgard Nine Limited has been restructured / agreed to be restructured as a result of financial difficulties / repayment problems faced by these companies. The State Bank of Pakistan vide its letter no. BSD/BRP-5/X/000197/2011 dated January 6, 2011 has allowed extension for withholding provisioning against the exposure till March 31, 2011, to all those banks who have agreed to reschedule / restructure their exposures against these companies. Had the exemption not been provided by the State Bank of Pakistan, the provision against loans and advances and investments would have been higher by Rs 570.194 million and the profit before taxation for the current year would have been lower by the same amount.

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13.4.3 Under the revised guidelines issued by the SBP, banks have been allowed to avail the benefit of 40% of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against all non-performing loans for 4 years from the date of classification for calculating provisioning requirement. However, as per the Circular, the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential, commercial and industrial properties would not be available for payment of cash or stock dividend. Under the previous guidelines issued by the SBP which were effective from September 30, 2009, banks were allowed to avail the benefit of 40% of forced sales value of pledged stocks and only mortgaged residential and commercial properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of the SBP, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2010 would have been lower by approximately Rs 227.973 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2010 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs 1,466.175 million (2009: 502.835 million).

13.4.4 Particulars of provision against non-performing advances:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees '000					
In local currency	17,163,067	-	17,163,067	6,664,336	184,058	6,848,394
In foreign currencies	-	-	-	-	-	-
Total	17,163,067	-	17,163,067	6,664,336	184,058	6,848,394

13.5 Particulars of provision against consumer loans - general

	2010 Rs ,000	2009 Rs ,000
Opening balance	190,075	216,798
Charge for the year	-	-
Reversals during the year	(89,730)	(26,723)
General provision against consumer loans transferred from amalgamated entity	236,228	-
Closing balance	336,573	190,075

13.5.1 General provision against consumer loans represents provision maintained at an amount equal to 1.5 percent of the fully secured regular portfolio of consumer loans and 5 percent of the unsecured regular portfolio of consumer loans as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

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

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13.7 Particulars of write-offs	2010 Rs ,000	2009 Rs ,000
13.7.1 Against provisions Directly charged to profit and loss account	829 97,920 <u>98,749</u>	9,795 - <u>9,795</u>
13.7.2 Write-offs of Rs. 500,000 and above Write-offs below Rs. 500,000	13,400 85,349 <u>98,749</u>	9,795 - <u>9,795</u>

13.8 Details of loan write-offs of Rs 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2010 is given in Annexure - II to these consolidated financial statements. However, the write-off of loans does not affect the Group's right to recover the outstanding loans from these customers.

13.9 Particulars of loans and advances to directors, associated companies, etc.

Debits due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons *	2010 Rs ,000	2009 Rs ,000
Balance at beginning of the year	619,457	504,926
Loans granted during the year	640,251	297,198
Repayments during the year	(248,354)	(182,667)
Balance at end of the year	1,011,354	619,457
Loans transferred from amalgamated entity	2,328,141	-
	<u>3,339,495</u>	<u>619,457</u>
Debits due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members		
Balance at beginning of the year	-	-
Loans granted during the year	1,761,372	-
Repayments during the year	-	-
Balance at end of year	1,761,372	-
Loans transferred from amalgamated entity	252,796	-
	<u>2,014,168</u>	<u>-</u>
Debits due by controlled firms, managed modarabas and other related parties		
Balance at beginning of the year	802,558	731,564
Loans granted during the year	1,750	72,735
Repayments during the year	(2,113)	(1,741)
Balance at end of the year	802,195	802,558

* These include loans given by the Group to its employees as per the terms of their employment.

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13.9.1 Maximum total amount of advances (including temporary advances) outstanding at the end of any month during the year

	Note	2010 Rs ,000	2009 Rs ,000
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons		3,339,495	619,457
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members		2,014,168	-
Debts due by subsidiaries, controlled firms, managed modarabas and other related parties		802,195	802,558
14	FIXED ASSETS		
Capital work-in-progress	14.1	187,234	65,033
Tangible fixed assets	14.2	5,867,444	2,495,798
Intangible assets	14.3	2,671,728	226,786
		<u>8,726,406</u>	<u>2,787,617</u>
14.1	Capital work-in-progress		
Civil works		75,627	18,578
Equipments		81,515	20,705
Advances to suppliers and contractors		30,092	25,750
		<u>187,234</u>	<u>65,033</u>

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14.2 Tangible fixed assets

	2010									
	COST				ACCUMULATED DEPRECIATION				Book value at December 31, 2010	Rate of Depreciation (%)
	As at January 1, 2010	Additions / assets transferred from amalgamated entity *	Deletions / Writeoffs **	As at December 31, 2010	As at January 1, 2010	Charge / on assets transferred from amalgamated entity *	Charge on deletions / writeoffs **	As at December 31, 2010		
	(Rupees ,000)									
Freehold land	40,184	-	-	889,173	-	-	-	-	889,173	-
		848,989*	-							
Leasehold land	467,764	-	-	1,680,540	19,206	-	-	19,206	1,661,334	-
		1,212,776*	-							
Building on freehold land	41,648	-	-	485,424	16,009	29,294	-	83,712	401,712	5
		443,776*	-			38,409*	-			
Leasehold property and improvement	1,449,819	72,900	(72)	2,934,377	420,824	169,248	(72)	1,232,414	1,701,963	5 to 20
		1,411,730*	-			642,414*	-			
Office furniture, fixtures, equipments and computers	1,873,234	302,277	(26,833)	4,059,982	1,195,151	426,320	(24,725)	2,977,255	1,082,727	20 to 33.33
		2,286,624*	(375,320)**			1,744,918*	(364,409)**			
Vehicles	405,410	21,896	(202,874)	284,441	131,071	35,769	(57,851)	153,906	130,535	20
		60,009*	-			44,917*	-			
Total Owned	4,278,059	397,073	(229,779)	10,333,937	1,782,261	660,631	(82,648)	4,466,493	5,867,444	
		6,263,904*	(375,320)**			2,470,658*	(364,409)**			

	2009									
	COST				ACCUMULATED DEPRECIATION				Book value at December 31, 2009	Rate of Depreciation (%)
	As at January 1, 2009	Additions	Deletions / Writeoffs	As at December 31, 2009	As at January 1, 2009	Charge	Charge on deletions / writeoffs	As at December 31, 2009		
	(Rupees ,000)									
Freehold land	40,184	-	-	40,184	-	-	-	-	40,184	-
Leasehold land	417,008	50,756	-	467,764	19,206	-	-	19,206	448,558	-
Building on freehold land	41,648	-	-	41,648	15,431	578	-	16,009	25,639	5
Leasehold property and improvement	1,304,998	144,821	-	1,449,819	292,374	128,450	-	420,824	1,028,995	5 to 20
Office furniture, fixtures, equipments and computers	1,414,953	481,269	(22,988)	1,873,234	882,421	332,139	(19,409)	1,195,151	678,083	20 to 33.33
Vehicles	344,984	113,252	(52,826)	405,410	107,593	52,672	(29,194)	131,071	274,339	20
Total Owned	3,563,775	790,098	(75,814)	4,278,059	1,317,025	513,839	(48,603)	1,782,261	2,495,798	
Assets held under finance lease										
Vehicles	14,830	-	(14,830)	-	10,986	-	(10,986)	-	-	20
Total	3,578,605	790,098	(90,644)	4,278,059	1,328,011	513,839	(59,589)	1,782,261	2,495,798	

14.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 1,416.693 million (2009: Rs. 683.744 million).

14.2.2 One of these properties is encumbered to the extent of Rs. 34 million on account of a claim by a local bank in settlement of its second charge.

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14.3 Intangible assets

	2010				2010				Book value at December 31, 2010	Rate of amortisation % per annum
	COST			As at January 1, 2010	ACCUMULATED AMORTISATION					
	As at January 1, 2010	Additions / assets transferred from amalgamated entity *	Deletions / Writeoffs **		As at December 31, 2010	Charge / on assets transferred from amalgamated entity *	Charge on deletions / writeoffs **	As at December 31, 2010		
(Rupees ,000)										
Computer software	401,784	23,596 306,707	- [31,119]**	700,968	174,998	116,733 274,385	- [20,227]**	545,889	155,079	20 to 33.33
Customer Relationship (note 8.3.1)	-	2,557,167	-	2,557,167	-	40,518	-	40,518	2,516,649	Note 8.3.1
	401,784	23,596	-	3,258,135	174,998	157,251	-	586,407	2,671,728	
		2,863,874	[31,119]**			274,385	[20,227]**			
2009										
	COST			As at December 31, 2009	ACCUMULATED AMORTISATION			Book value at December 31, 2009	Rate of amortisation % per annum	
	As at January 1, 2009	Additions	Deletions / Writeoffs		As at January 1, 2009	Charge	Charge on deletions			As at December 31, 2009
(Rupees ,000)										
Computer software	233,291	168,493	-	401,784	78,160	96,838	-	174,998	226,786	20 to 33.33
	233,291	168,493	-	401,784	78,160	96,838	-	174,998	226,786	

14.3.1 Intangible assets include fully amortised items still in use having cost of Rs. 293.846 million (2009: Rs. 10.336 million).

14.4 Details of disposal of fixed assets to executives, and other persons having cost of more than Rs. 1 million or net book value of Rs. 250,000 or above are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
(Rupees ,000)						
Owned - Vehicles						
Mercedes Benz	3,627	2,466	1,161	1,306	As per Holding Company's policy	Mr. Ahmed Kamran - Executive
Toyota Parado	2,591	1,693	898	933	As per Holding Company's policy	Mr. Arif Hassan Khan - Ex-executive
Honda Civic VTEC	1,754	281	1,473	1,550	As per Holding Company's policy	Mr. Muhammad Asghar Qureshi - Executive
Honda Civic VTEC	1,754	304	1,450	1,450	As per Holding Company's policy	Mr. Raza Mohsin Qizilbash - Ex-executive
Honda Civic VTEC	1,754	327	1,427	1,450	As per Holding Company's policy	Mr. Amir Nasib - Executive
Honda Civic VTEC	1,754	327	1,427	1,450	As per Holding Company's policy	Mr. Syed Nadeem Ahmed - Executive
Honda Civic VTEC	1,752	304	1,448	1,450	As per Holding Company's policy	Mr. Ali Waqar - Executive
Honda Civic VTEC	1,746	279	1,467	1,550	As per Holding Company's policy	Mr. Zafar Bashir - Executive
Honda Civic VTEC	1,744	209	1,535	1,550	As per Holding Company's policy	Mr. Shuja Haider - Executive
Honda Civic VTEC	1,744	233	1,511	1,550	As per Holding Company's policy	Mr. Ahmad Kamal Uddin - Executive
Honda Civic VTEC	1,744	279	1,465	1,550	As per Holding Company's policy	Mr. Asad Kerai - Executive
Honda Civic VTEC	1,686	90	1,596	1,676	As per Holding Company's policy	Mr. Ahmed Anwar Hemani - Executive
Honda Civic VTEC	1,669	134	1,535	1,550	As per Holding Company's policy	Mr. Shabbir Ahmed - Executive
Honda Civic VTEC	1,669	134	1,535	1,550	As per Holding Company's policy	Mr. Muhammad Asim - Non-executive
Honda Civic VTEC	1,651	132	1,518	1,550	As per Holding Company's policy	Mr. Syed M. Haider Ali Jafri - Ex-executive
Honda Civic VTEC	1,651	132	1,518	1,550	As per Holding Company's policy	Mr. Khalil Ghori - Executive
Honda Civic VTEC	1,610	322	1,288	1,450	As per Holding Company's policy	Mr. Siraj Ali Mithani - Executive
Honda Civic VTEC	1,570	335	1,235	1,450	As per Holding Company's policy	Mr. Akbar A. Ladak - Executive
Honda Civic VTEC	1,570	356	1,214	1,450	As per Holding Company's policy	Mr. Omar Quraishi - Ex-executive
Honda Civic VTEC	1,570	356	1,214	1,450	As per Holding Company's policy	Mr. Shahid Salim - Executive
Honda Civic VTEC	1,560	374	1,186	1,450	As per Holding Company's policy	Mr. Syed Mehdi Haider - Executive
Honda City	1,439	173	1,266	1,266	As per Holding Company's policy	Ms. Uzma Hashim - Executive
Honda City	1,432	153	1,279	1,279	As per Holding Company's policy	Mr. Mukhtar Hussain - Ex-executive
Honda City	1,429	133	1,296	1,296	As per Holding Company's policy	Mr. Akber Amir Ali - Executive
Honda City	1,429	152	1,277	1,277	As per Holding Company's policy	Mr. Mustapha Lalia - Executive
Honda Civic VTEC	1,413	358	1,055	1,413	As per Holding Company's policy	Mr. Adnan Riaz - Executive
Toyota Corolla	1,389	148	1,241	1,325	As per Holding Company's policy	Mr. Muhammad Tahir Bhatti - Executive
Toyota Corolla	1,389	167	1,222	1,325	As per Holding Company's policy	Ms. Sarah Irfan - Non-executive
Toyota Corolla	1,389	167	1,222	1,325	As per Holding Company's policy	Ms. Amna Alam - Executive
Honda Civic VTEC	1,380	368	1,012	1,380	As per Holding Company's policy	Mr. Masoodul Islam Jaffri - Executive

Faysal Bank Limited and its Subsidiary Company

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Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
 (Rupees ,000)					
Honda Civic VTEC	1,380	368	1,012	1,380	As per Holding Company's policy	Mr. Syed Javed Akhtar - Ex-executive
Honda Civic VII	1,380	386	994	1,380	As per Holding Company's policy	Mr. Sajjad M. Burney - Executive
Toyota Corolla	1,329	53	1,276	1,329	As per Holding Company's policy	Mr. Muhammad Abid Rasheed Abbasi - Executive
Toyota Corolla	1,329	71	1,258	1,325	As per Holding Company's policy	Mr. Irfan Merchant - Executive
Toyota Corolla	1,329	71	1,258	1,325	As per Holding Company's policy	Mr. Faysal Azim Lehrri - Executive
Toyota Corolla	1,329	71	1,258	1,325	As per Holding Company's policy	Mr. Shakil Ahmed - Executive
Honda City	1,329	124	1,205	1,250	As per Holding Company's policy	Mr. Aneeq Malik - Executive
Honda City	1,327	88	1,238	1,327	As per Holding Company's policy	Mr. Barney Sarfraz - Executive
Honda City	1,325	71	1,254	1,325	As per Holding Company's policy	Mr. Mustafa Kamal - Executive
Honda City	1,325	71	1,254	1,325	As per Holding Company's policy	Mr. Anjum Siddiqui - Ex-executive
Honda City	1,322	88	1,234	1,300	As per Holding Company's policy	Mr. Muhammad Ozair Baig - Executive
Toyota Corolla	1,322	53	1,269	1,322	As per Holding Company's policy	Mr. Imran Ali Malik - Executive
Honda City	1,319	123	1,196	1,200	As per Holding Company's policy	Mr. Sattar Qureshi - Executive
Honda City	1,314	105	1,208	1,250	As per Holding Company's policy	Ms. Tayyaba Rasheed - Executive
Honda City	1,314	105	1,208	1,250	As per Holding Company's policy	Mr. Shamoos Rasheed - Executive
Honda City	1,314	105	1,208	1,250	As per Holding Company's policy	Mr. Imran Siraj Khan - Executive
Honda Civic	1,300	641	659	659	As per Holding Company's policy	Mr. Ali Raza - Executive
Toyota Corolla	1,239	66	1,173	1,239	As per Holding Company's policy	Ms. Sara Irfan - Executive
Honda Civic	1,238	792	446	446	As per Holding Company's policy	Mr. Jamil Irshad - Ex-executive
Honda Civic	1,235	807	428	445	As per Holding Company's policy	Mr. Mirza Shauq Hussain - Executive
Honda Civic	1,233	789	444	444	As per Holding Company's policy	Mr. Afzal Haq - Executive
Honda Civic	1,208	773	435	1,053	Bid	M/s. Car Advisor, 608, Showroom No. 2, Fatima Jinnah Road, Karachi.
Honda Civic	1,208	773	435	435	As per Holding Company's policy	Mr. Irfan A. Khan - Ex-executive
Honda City	1,076	215	861	925	As per Holding Company's policy	Mr. Muhammad Salman Zaffar - Ex-executive
Honda City	1,071	214	857	925	As per Holding Company's policy	Mr. Nadeem Shaukat Rathore - Executive
Honda City	1,055	225	830	925	As per Holding Company's policy	Ms. Rabia Salahuddin - Executive
Toyota Corolla	1,050	252	798	975	As per Holding Company's policy	Mr. Mohammad Saleem Shafi - Executive
Honda City	936	599	337	337	As per Holding Company's policy	Mr. Aamir Ahmed - Executive
Honda City	934	598	336	336	As per Holding Company's policy	Mr. Abrar A. Cheema - Executive
Honda City	932	597	336	336	As per Holding Company's policy	Mr. Qamar Uz Zaman - Executive
Honda City	931	596	335	335	As per Holding Company's policy	Mr. Zahid Hameed - Executive
Toyota Corolla	925	234	691	925	As per Holding Company's policy	Mr. Imran Ahmed - Executive
Toyota Corolla	925	247	678	925	As per Holding Company's policy	Mr. Shahid Rizwan - Executive
Toyota Corolla	910	255	655	910	As per Holding Company's policy	Mr. Hasan Jamal - Executive
Toyota Corolla	910	255	655	910	As per Holding Company's policy	Mr. Mateen Wahid - Executive
Toyota Corolla	910	255	655	910	As per Holding Company's policy	Mr. Muhammad Sabih Qazi - Executive
Toyota Corolla	910	267	643	910	As per Holding Company's policy	Mr. Muhammad Asim Brar - Executive
Toyota Corolla	910	267	643	910	As per Holding Company's policy	Mr. Azeem Ahmad - Executive
Honda City	907	580	326	326	As per Holding Company's policy	Mr. Shahzad Ahsan - Executive
Honda City	905	241	664	905	As per Holding Company's policy	Mr. Ahsan Noor - Ex-executive
Honda City	905	229	676	905	As per Holding Company's policy	Mr. Saqib Imam Zaidi - Executive
Honda City	905	229	676	905	As per Holding Company's policy	Mr. Muhammad Akhtar - Executive
Honda City	905	229	676	905	As per Holding Company's policy	Mr. Naved Inayat - Executive
Honda City	905	229	676	905	As per Holding Company's policy	Mr. Rooh Ul Amin - Executive
Honda City	905	229	676	905	As per Holding Company's policy	Mr. Raja Imran Naseeb - Executive
Honda City	905	241	664	905	As per Holding Company's policy	Mr. Fahd Jafri - Executive
Toyota Corolla	900	420	480	900	As per Holding Company's policy	Mr. Pervez I. Khan - Executive
Toyota Corolla	893	262	631	893	As per Holding Company's policy	Mr. Syed Fuad Ali - Executive
Toyota Corolla	893	312	580	893	As per Holding Company's policy	Mr. Yameen Ghani - Executive
Toyota Corolla	893	324	568	893	As per Holding Company's policy	Mr. M. Amjad Idris - Executive
Honda City	885	566	318	318	As per Holding Company's policy	Mr. M. Zaher - Executive
Honda City	884	566	318	318	As per Holding Company's policy	Mr. Faiz Ahmed Mirza - Executive
Honda City	884	625	259	318	As per Holding Company's policy	Mr. M. Rafiq - Executive
Honda City	884	625	259	834	As per Holding Company's policy	Mr. M. Faisal Saleem - Non-executive
Suzuki Cultus	884	118	766	766	As per Holding Company's policy	Mr. Syed Khuram Shehzad Gillani - Executive
Suzuki Cultus	884	118	766	766	As per Holding Company's policy	Mr. Jamil Ahmad - Non-executive
Suzuki Cultus	884	118	766	766	As per Holding Company's policy	Mr. Bashir Ahmed Wasan - Executive
Suzuki Cultus	884	141	743	743	As per Holding Company's policy	Mr. Shahzad Anwer Mian - Executive
Honda Civic	879	387	492	879	As per Holding Company's policy	Mr. Asim Seth - Ex-executive
Toyota Corolla	879	398	481	879	As per Holding Company's policy	Mr. Najeeb Ahmed - Executive
Toyota Corolla	879	398	481	879	As per Holding Company's policy	Mr. Adnan Rashid - Executive
Toyota Corolla	879	422	457	879	As per Holding Company's policy	Mr. Muhammad Saeed - Ex-executive
Toyota Corolla	879	527	352	966	Bid	Mr. Manzar Nadeem (Individual) House No. B-88, Block No. 11, FB Area, Karachi.
Toyota Corolla	879	574	305	316	As per Holding Company's policy	Mr. Abid Ali - Executive
Honda City	846	496	350	868	Bid	M/s. Car Advisor, 608, Showroom No. 2, Fatima Jinnah Road, Karachi.
Suzuki Cultus	814	141	673	675	As per Holding Company's policy	Mr. Saddam Haider - Non-executive
Suzuki Cultus	814	141	673	675	As per Holding Company's policy	Mr. Muhammad Zafar Abbas - Executive
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Khawaja M. Siddik - Non-executive
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Asifullah Siddiqui - Executive
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Syed Sohail Akhtar - Executive
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Adnan Aqeel - Executive
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Shakeel Raza Shah - Executive
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Syed Fida Hussain Shah - Executive
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Mohammad Younis Khan - Ex-executive

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For the year ended December 31, 2010

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
 (Rupees ,000)					
Suzuki Cultus	814	152	662	675	As per Holding Company's policy	Mr. Mohammad Javed - Executive
Suzuki Cultus	795	64	731	790	As per Holding Company's policy	Mr. Shoaib Siddiqui - Executive
Suzuki Cultus	790	42	748	790	As per Holding Company's policy	Mr. Syed Mohammad Ali Zaidi - Exnonexecutive
Suzuki Cultus	790	42	748	790	As per Holding Company's policy	Mr. Syed Mohsin Ali Shah - Executive
Suzuki Cultus	790	42	748	790	As per Holding Company's policy	Mr. Rashid Saleem Choudhry - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Ms. Sarwat Moieez - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Mr. Muhammad Moinuddin Khan - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Mr. Wajahat Naeem - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Mr. Muhammad Tausif Ul Haq - Nonexecutive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Ms. Arooj Waheed - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Mr. Rehan Aslam - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Mr. Zahir Ali Quettawalla - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Mr. Faisal Shahzada - Executive
Suzuki Cultus	790	53	737	790	As per Holding Company's policy	Mr. Behram Keki Irani - Executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Mr. Ahmad Amin - Non-executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Mr. Naveed Zia Tarar - Non-Executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Mr. Muhammad Naeem Akhtar - Non-Executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Mr. Mubashir Mustafa - Executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Mr. Omer Farouq Mukaty - Executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Mr. Muhammad Usman Bajwa - Executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Mr. Syed Asim Imtiaz - Executive
Suzuki Cultus	790	63	727	790	As per Holding Company's policy	Ms. Naz Saleem - Executive
Suzuki Cultus	785	52	733	785	As per Holding Company's policy	Mr. Amer Rafique - Executive
Suzuki Cultus	785	52	733	785	As per Holding Company's policy	Mr. Naveed M. Asad - Executive
Suzuki Cultus	785	52	733	785	As per Holding Company's policy	Mr. Javed Iqbal - Executive
Suzuki Cultus	754	151	603	675	As per Holding Company's policy	Mr. Atif Asad Mirza - Executive
Suzuki Cultus	754	151	603	675	As per Holding Company's policy	Mr. Shoukat Mehboob Malik - Executive
Suzuki Cultus	754	151	603	675	As per Holding Company's policy	Mr. Amjad Ashraf - Executive
Suzuki Cultus	754	151	603	650	As per Holding Company's policy	Mr. Hassan Ashraf Cheema - Non-Executive
Suzuki Cultus	754	161	593	675	As per Holding Company's policy	Mr. Muhammad Khalid Israr - Non-Executive
Suzuki Cultus	704	150	554	675	As per Holding Company's policy	Mr. Nadeem Ghani - Non-Executive
Suzuki Cultus	704	160	544	675	As per Holding Company's policy	Mr. Abdul Khalil - Executive
Suzuki Cultus	704	169	535	675	As per Holding Company's policy	Ms. Sunila Zaidi - Executive
Suzuki Cultus	704	169	535	675	As per Holding Company's policy	Mr. Shahzad Ghouri - Executive
Suzuki Cultus	682	164	518	650	As per Holding Company's policy	Mr. Saleem Shoukat Ali - Executive
Suzuki Cultus	682	164	518	650	As per Holding Company's policy	Ms. Fatima Mustafa - Executive
Suzuki Cultus	682	164	518	650	As per Holding Company's policy	Ms. Saima Adnan - Executive
Suzuki Cultus	652	165	487	650	As per Holding Company's policy	Mr. Ahsan Jamal - Executive
Suzuki Cultus	652	165	487	650	As per Holding Company's policy	Mr. Dharmendar Kumar - Executive
Suzuki Cultus	652	165	487	650	As per Holding Company's policy	Mr. Khalid Ali Khan Afridi - Executive
Suzuki Cultus	652	174	478	650	As per Holding Company's policy	Mr. Haroon Saleem - Ex-executive
Suzuki Cultus	652	174	478	650	As per Holding Company's policy	Mr. Abbas Ali Sahi - Ex-executive
Suzuki Cultus	652	174	478	650	As per Holding Company's policy	Mr. Ghulam Khalid Khan - Ex-executive
Suzuki Cultus	652	174	478	650	As per Holding Company's policy	Mr. Muhammad Qasim Sorathia - Executive
Suzuki Cultus	652	183	469	650	As per Holding Company's policy	Mr. Wasim Khalid - Non-Executive
Suzuki Cultus	650	199	450	650	As per Holding Company's policy	Mr. Syed Izzat Hussain - Executive
Suzuki Cultus	631	177	455	631	As per Holding Company's policy	Mr. Tariq Rasheed Siddiqui - Non-Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Imran Ahmed Minai - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Nauman Aftab - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Jamal Yousuf Khan - Ex-executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Taimoor Malik - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Aamir Aftab - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Saad Hassan Khan - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Faizan Shamsi - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Mirza Kamran Baig - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Muhammad Ahmed - Non-Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Ahsan Iqbal Sheikh - Non-Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Mohammad Arif Usman - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Aamir Salehjee - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Muhammad Yahya Hameed Waha - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Naveed Aziz - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Shafiq Ahmed Baig - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Syed Imran Hassan - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Nasir Mahmood - Executive
Suzuki Cultus	631	185	446	631	As per Holding Company's policy	Mr. Zahid Bashir - Executive
Suzuki Cultus	626	184	443	626	As per Holding Company's policy	Mr. Rashid B. Hanfee - Executive
Suzuki Cultus	617	197	419	617	As per Holding Company's policy	Mr. Junaid Ahmed Khan - Ex-executive
Suzuki Cultus	617	236	380	550	As per Holding Company's policy	Mr. Faiz Hassan - Non-Executive
Suzuki Cultus	617	263	354	362	As per Holding Company's policy	Mr. Muhammad Ishaq Mir - Executive
Suzuki Cultus	617	296	321	575	As per Holding Company's policy	Mr. Maqsood Ahmed - Executive
Suzuki Cultus	616	181	435	616	As per Holding Company's policy	Mr. Mian M. Amjad - Executive
Suzuki Cultus	616	197	419	616	As per Holding Company's policy	Mr. Shafiq Ahmed Tahir - Executive
Suzuki Cultus	612	220	391	550	As per Holding Company's policy	Mr. Talha Aziz - Executive
Suzuki Cultus	612	239	373	383	As per Holding Company's policy	Mr. Muhammad Ashraf Nadeem - Executive
Suzuki Cultus	600	264	336	525	As per Holding Company's policy	Mr. Muddasir Mazhar Ahmed - Executive
Suzuki Cultus	600	280	320	525	As per Holding Company's policy	Mr. M. Amjad Khan - Executive
Suzuki Cultus	600	272	328	525	As per Holding Company's policy	Mr. S. Kalim Jaffery - Executive
Suzuki Cultus	600	272	328	328	As per Holding Company's policy	Mr. Nasir Shabir - Non-Executive

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Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
..... (Rupees ,000)						
Suzuki Cultus	600	296	304	312	As per Holding Company's policy	Mr. Abdul Rauf - Executive
Suzuki Cultus	600	296	304	312	As per Holding Company's policy	Mr. Tahir Malik - Non-Executive
Suzuki Cultus	600	296	304	312	As per Holding Company's policy	Mr. Syed Abid - Executive
Suzuki Cultus	600	296	304	304	As per Holding Company's policy	Mr. Murtaza Arif Dar - Executive
Suzuki Cultus	595	286	309	309	As per Holding Company's policy	Mr. Hammad Sarwar - Executive
Suzuki Cultus	588	321	267	267	As per Holding Company's policy	Mr. Zafar Hussain Malik - Executive
Suzuki Cultus	600	296	304	304	As per Holding Company's policy	Ms. Ayesha Umer - Executive
Suzuki Cultus	595	286	309	309	As per Holding Company's policy	Mr. Moazzam - Executive
Suzuki Cultus	588	321	267	267	As per Holding Company's policy	Mr. Dilawar Khan - Executive
Suzuki Cultus	560	284	276	632	Bid	Mr. Adnan Shakeel Khan (Individual) House No. 402, Block-10-A, Gulshan-e-Iqbal, Karachi.
Suzuki Cultus	560	269	291	202	As per Holding Company's policy	Mr. Riaz Ahmed - Executive
Owned - Office furniture, fixtures, equipments and computers						
Generator	819	327	491	600	Bid	M/s. Dilawar & Brothers Safraz Town Korangi No. 3-1/2, Street-6, Sector 43/A, Karachi.

15	DEFERRED TAX ASSETS - NET	Note	2010	2009
			Rs ,000	Rs ,000
Deferred credits arising due to:				
-	Net investment in finance leases	15.1	-	(754,395)
-	Undistributed income of subsidiaries		-	(1,069)
-	Accelerated tax depreciation		(236,216)	(197,457)
-	Surplus on revaluation of securities		(73,019)	(154,888)
-	Fair value adjustments relating to net assets acquired upon amalgamation		(852,596)	-
Deferred debits arising due to:				
-	Net investment in finance leases	15.1	16,534	-
-	Provision against non-performing advances		4,672,350	1,923,825
-	Provision for diminution in the value of investments		534,664	368,862
-	Provision against other assets		20,887	-
-	Minimum tax		195,014	-
-	Unused tax losses (including unabsorbed depreciation)		561,306	-
-	Deficit on revaluation of government securities		178,278	93,971
			5,017,202	1,278,849

15.1 Reversal of deferred tax liability on leased assets relating to prior years

During the year, the management of the Holding Company has carried out an exercise to reconcile the deferred tax liability on leased assets appearing in the books of accounts with the related tax records. The results of the exercise highlighted that deferred tax liability in respect of leased assets was recorded in excess by Rs. 765.052 million as at December 31, 2009. In accordance with the requirements of International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the excess deferred tax liability has been reversed by adjusting the opening balance of deferred tax liability and unappropriated profit as at January 1, 2010 being the earliest period for which restatement was practicable. The comparative information for the year ended December 31, 2009 and for periods prior to that has not been adjusted as it was not considered practical on account of lack of availability of reliable data which can allow determination of these effects. There is no impact on cash flows because of this adjustment.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

The impact of this reversal on the deferred tax liability relating to net investment in finance leases is as follows:

	Note	2010 Rs '000	
Deferred tax liability on net investment in finance leases as at January 1, 2010		(754,395)	
Reversal of excess deferred tax liability on net investment in finance leases relating to prior years		765,052	
Adjusted deferred tax asset on net investment in finance leases as at January 1, 2010		10,657	
Deferred tax asset recognised in the profit and loss account during the current year		5,877	
Deferred tax asset on net investment in finance leases as at December 31, 2010		16,534	
16 OTHER ASSETS			
		2010 Rs ,000	2009 Rs ,000
Income / mark-up accrued in local currency		4,328,120	2,938,935
Income / mark-up accrued in foreign currencies		28,750	2,719
Advances, deposits, advance rent and other prepayments		820,369	254,774
Taxation (payments less provisions)		1,302,237	-
Non-banking assets acquired in satisfaction of claims	16.1	1,808,226	1,258,578
Credit cards and other products fee receivable		294,153	-
Suspense account		131	28,506
Unrealised gain on revaluation of forward foreign exchange contracts		-	10,004
Dividend receivable		86,879	62,995
Receivable from brokers against sale of shares		180,632	369,243
Prepaid employee benefits	16.2	1,192,575	-
Assets held for distribution	26	189,960	-
Others		476,734	142,551
		10,708,766	5,068,305
Less: Provision held against other assets	16.3	(221,927)	(101,589)
Other assets (net of provisions)		10,486,839	4,966,716
16.1 Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuer		2,259,615	1,400,965
16.2 The movement of prepaid staff benefits is as follows			2010 Rs '000
Prepaid employee benefits acquired on October 15, 2010			1,232,828
Employee benefits expensed during the period			(40,253)
Prepaid employee benefits on December 31, 2010			1,192,575

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
16.3			
Provision against other assets			
Opening balance		101,589	108,033
Charge for the year		62,621	12,648
Reversals		(844)	(19,092)
		61,777	(6,444)
Provision against other assets transferred from amalgamated entity		58,561	-
Closing balance		221,927	101,589
17			
BILLS PAYABLE			
In Pakistan		3,108,933	1,451,976
Outside Pakistan		109,926	13,475
		3,218,859	1,465,451
18			
BORROWINGS			
In Pakistan		34,633,828	34,964,216
Outside Pakistan		2,076	21,550
		34,635,904	34,985,766
18.1			
Particulars of borrowings with respect to currencies			
In local currency		34,633,828	34,753,612
In foreign currencies		2,076	232,154
		34,635,904	34,985,766
18.2			
Details of borrowings secured / unsecured			
Secured			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - Part I and II	18.3	14,248,560	8,671,912
- under scheme for long term financing for export oriented projects - (LTF-EOP)	18.4	1,602,302	1,968,740
- under long term financing facility (LTFF)	18.5	789,733	166,581
Repurchase agreement borrowings	18.6	10,681,859	17,206,379
		27,322,454	28,013,612
Unsecured			
Call borrowings	18.7	7,307,043	6,950,604
Overdrawn nostro accounts		6,407	21,550
		7,313,450	6,972,154
		34,635,904	34,985,766
18.3			
In accordance with the ERF scheme, the Group has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreement, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with the SBP. Borrowing from the SBP under the export refinance scheme is secured by the Group's cash and security balances held by the SBP. The mark-up rate on this facility ranges from 7.5% to 9% per annum (2009: 7% per annum) payable on quarterly basis with maturities upto June 30, 2011 from the date of borrowing.			

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

- 18.4** These represent borrowings from SBP under scheme for Long Term Financing for Export Oriented Projects at rates ranging from 4% to 5% per annum (2009: 4% to 5%) and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the Group has granted SBP a right to recover the outstanding amount from the Group at the respective date of maturity of finances by directly debiting the current account of the Group maintained with SBP.
- 18.5** These represent borrowings from SBP under scheme for Long Term Financing facility at rates ranging from 6.5% to 8.80% per annum (2009: 7.20% to 7.25% per annum), and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the Group has granted SBP a right to recover the outstanding amount from the Group at the respective date of maturity of finances by directly debiting the current account of the Group maintained with SBP.
- 18.6** This represents collateralized borrowings against market treasury bills at rates ranging from 12.75% to 13.75% per annum (2009: 11.00% to 12.15% per annum) against market treasury bills and Pakistan investment bonds maturing upto January 2011.
- 18.7** These borrowings are from various institutions in the interbank market, made at rates ranging from 12.50% to 13.50% per annum (2009: 11.25% to 12.40% per annum) maturing up to January 2011.

19 DEPOSITS AND OTHER ACCOUNTS

Customers

	2010 Rs ,000	2009 Rs ,000
Fixed deposits	86,153,050	52,917,024
Saving deposits	61,531,285	40,443,955
Current accounts fi Remunerative	29,471	-
Current accounts fi Non-remunerative	39,670,673	21,141,281
Margin accounts	2,405,061	1,733,746
	189,789,540	116,236,006

Financial Institutions

Remunerative deposits	5,208,242	7,223,895
Non-remunerative deposits	317,422	9,782
	5,525,664	7,233,677
	195,315,204	123,469,683

19.1 Particulars of deposits

In local currency	175,607,886	116,140,694
In foreign currencies	19,707,318	7,328,989
	195,315,204	123,469,683

20 SUB-ORDINATED LOANS

This represents rated and un-secured Term Finance Certificates (TFCs). The salient features of the issues are as follows:

	2010 Rs ,000	2009 Rs ,000
Outstanding amount	4,595,395	999,200
Total issue amount	4,800,000	1,000,000

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

Particulars	TFC - I	TFC - II	TFC-others-relating to amalgamated entity
Outstanding amount	Rs. 998.8 million	Rs. 3,000 million	Rs. 598.800 million (fair value Rs 596.595 million)
Issue amount	Rs. 1,000 million	Rs. 3,000 million	Rs. 800 million
Rating	‡AA- (Double A Minus) by JCR-VIS	‡AA- (Double A Minus) by JCR-VIS	‡Rated A- (Single A) by PACRA
Listing	Listed	Unlisted	Listed
Rate	Base Rate Plus 1.40%	Base Rate Plus 2.25%	Base Rate Plus 1.90%.
	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.
Subordination	The TFCs are subordinated to all other indebtedness of the Holding Company including deposits.	The TFCs are subordinated to all other indebtedness of the Holding Company including deposits.	The TFCs are subordinated to all other indebtedness of the Holding Company including deposits.
Date of issue	November 2007	October 2010	February 2005
Tenure and maturity	7 years from the date of issue.	7 years from the date of issue.	8 years from the date of issue.
Principal Repayment	Semi annually as follows; 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month	Semi annually as follows; 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month	In 4 equal annual installments starting from 60th month from the date of issue.
Profit Payment	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.

21 OTHER LIABILITIES	Note	2010	2009
		Rs ,000	Rs ,000
Mark-up / return payable in local currency		2,610,750	1,688,281
Mark-up / return payable in foreign currencies		16,300	26,324
Unearned commission / income		57,451	23,249
Accrued expenses		1,237,315	435,423
Taxation (provisions less payments)		489,731	665,748
Unclaimed dividends		48,129	42,788
Branch adjustment account		918	139
Unrealised loss on revaluation of forward foreign exchange contracts		321,094	-
Fair value of the derivative contracts	27	3,334,626	-
Withholding tax payable		56,876	48,290
Federal Excise Duty payable		24,984	14,782
Security deposits against finance leases	21.1	2,928,841	3,275,969
Payable to brokers against purchase of shares		504,560	73,841
Liabilities held for distribution	26	1,778	-
Others		1,406,216	684,470
		13,039,569	6,979,304

21.1 This represents interest free security deposits received from lessees against lease contracts and are adjustable against residual value of leased assets at the expiry of the respective lease terms.

Notes to and Forming Part of the Consolidated Financial Statements

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22 SHARE CAPITAL

22.1 Authorised capital

2010 Number of Shares	2009 Number of Shares		2010 Rs ,000	2009 Rs ,000
1,200,000,000	1,200,000,000	Ordinary shares of Rs. 10 each	12,000,000	12,000,000

22.2 Issued, subscribed and paid-up capital

2010 Number of Shares	2009 Number of Shares	Ordinary shares		
201,451,420	201,451,420	Fully paid in cash	2,014,514	2,014,514
513,797,952	391,979,722	Issued as bonus shares	5,137,980	3,919,797
15,660,000	15,660,000	Issued for consideration other than cash	156,600	156,600
<u>730,909,372</u>	<u>609,091,142</u>		<u>7,309,094</u>	<u>6,090,911</u>

22.3 As at December 31, 2010, Ithmaar Bank B.S.C. (the ultimate holding company of the Group) through its subsidiaries and nominees held 489,290,941 ordinary shares of Rs. 10 each (2009: 407,742,454 ordinary shares).

22.4 The movement in the issued, subscribed and paid-up capital during the year is as follows:

	Number of shares	Rs '000
Opening balance at January 1, 2010	609,091,142	6,090,911
Bonus shares issued during the year	121,818,230	1,218,183
Closing balance at December 31, 2010	<u>730,909,372</u>	<u>7,309,094</u>

23 RESERVES

	Note	2010 Rs ,000	2009 Rs ,000
Statutory reserve	23.1	4,031,590	3,640,514
Capital reserve			
Reserve arising on amalgamation	8.5	23,952	-
Revenue reserve			
Non-Distributable Capital Reserve - gain on bargain purchase	8.4	3,299,146	-
Capital market reserve	23.2	-	389,542
		<u>7,354,688</u>	<u>4,030,056</u>

23.1 Appropriations are made to statutory reserve as required by section 21 of the Banking Companies Ordinance, 1962, at the rate 20% of profit after tax for the year.

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

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
24 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Available for sale securities			
Federal Government Securities			
- Market Treasury Bills		(86,934)	(45,557)
- Pakistan Investment Bonds		(399,950)	(218,161)
- Ijara Sukuk Bonds		(22,954)	(2,113)
Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds			
- Listed companies / modarabas / mutual funds		113,968	28,237
Fully Paid up Preference Shares			
- Listed companies		(8,091)	4,048
Term Finance Certificates			
- Listed		(48,266)	(75,147)
Units of Open ended Mutual Funds		221,860	1,818,859
Other Investments			
- Sukuk Bonds		-	(2,656)
		(230,367)	1,507,510
Related deferred tax asset / (liability)	24.1	105,259	(60,917)
		(125,108)	1,446,593
24.1	This represents deferred tax on surplus / (deficit) on revaluation of securities at applicable tax rates.		
25 CONTINGENCIES AND COMMITMENTS		2010 Rs ,000	2009 Rs ,000
25.1 Direct credit substitutes			
Contingent liability in respect of guarantees favouring:			
i) Government		-	-
ii) Banking companies and other financial institutions		3,275	7,819
iii) Others		833,770	-
		837,045	7,819
Acceptances			
i) Government		-	-
ii) Banking companies and other financial institutions		-	-
iii) Others		1,659,850	1,471,261
		1,659,850	1,471,261
25.2 Transaction-related contingent liabilities			
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:			
i) Government		7,748,465	4,454,789
ii) Banking companies and other financial institutions		11,774,727	41,492
iii) Others		4,938,603	9,910,872
		24,461,795	14,407,153

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

25.3 Trade-related contingent liabilities	2010 Rs ,000	2009 Rs ,000
Letters of credit		
i) Government	3,067,558	2,695,731
ii) Banking companies and other financial institutions	-	-
iii) Others	10,893,659	7,279,003
	<u>13,961,217</u>	<u>9,974,734</u>
25.4 Other Contingencies		
i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh. The Group's legal advisors are confident that the Group 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 Group not acknowledged as debt	<u>26,959,996</u>	<u>1,641,661</u>

The above includes an amount of Rs 25,299 million in respect of a suit filed against the Holding Company for declaration, recovery of monies, release of securities, rendition of account and damages. Based on legal advice, management is confident that the matter will be decided in Holding Company's favour.

iv) Income tax assessments of the Group have been finalised upto the tax year 2010 (Accounting year 2009).

The department and the Group have disagreements on various matters for tax years from 1994 to 2009. These include disallowance on certain matters that include initial depreciation on leases, provision for bad debts, bad debts written off, taxability of dividend, excess perquisites and certain other matters. The Group and the department have filed appeals with the CIT (Appeals), ITAT and the High Court in the aforementioned matters. The additional tax liability on these matters is Rs 1,343.382 million. The management of the Group is confident that the decision in respect of these matters will be decided in the Group's favour and accordingly no provision has been made in these consolidated financial statements in respect of this liability.

25.5 Commitments in respect of forward lending / purchase	2010 Rs ,000	2009 Rs ,000
Commitment to invest in securities	-	210,000
Commitment to extend credit - advances	-	2,000,000

The Group makes commitments to extend credit 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.

25.6 Commitments in respect of forward exchange contracts	2010 Rs ,000	2009 Rs ,000
Purchase		
- Customers	1,043,656	1,745,536
- Banks	23,244,880	6,390,515
	<u>24,288,536</u>	<u>8,136,051</u>
Sale		
- Customers	-	4,840
- Banks	5,224,327	6,522,648
	<u>5,224,327</u>	<u>6,527,488</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000	
25.7	Commitments for the acquisition of operating fixed assets	82,108	84,787
25.8	Commitments in respect of repo transactions		
	Repurchase	10,699,230	17,250,582
	Resale	421,320	15,088,857
25.9	Other Commitments		
	Interest rate swaps and cross currency swaps (notional principal)	53,231,890	-

26 ASSETS AND LIABILITIES OF FMSL CLASSIFIED AS HELD FOR DISTRIBUTION TO OWNERS

On October 1, 2010, the board of directors of Faysal Management Services Limited (FMSL) decided to voluntarily wind up the company and, accordingly, they have resolved to initiate proceedings of winding up by the members of FMSL under the Companies Ordinance, 1984.

In view of the above, the net assets of FMSL have been classified as "held for distribution to owners" in the consolidated financial statements and valued at lower of cost and fair value less cost to sell.

26.1 Analysis of assets and liabilities of FMSL

An analysis of assets and liabilities of FMSL is given below:

Assets

Investment available for sale - at fair value
Advance income tax - net
Bank balances

Liabilities

Accrued and other liabilities
Taxation - net

26.2 Analysis of the results:

The analysis of the results of discontinued operations is as follows:

Revenue
Expenses
Profit / (loss) after tax of discontinued operations

26.3 Analysis of the cash flows:

Operating cash flows
Investing cash flows
Financing cash flows

2010 Rs ,000
180,176
535
9,250
189,961
1,778
-
1,778
188,183
11,413
(5,356)
6,057
(6,348)
(165,227)
(4,680)

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

27 DERIVATIVE INSTRUMENTS

The purpose of the derivative business of the Group is to provide risk solutions for the clients of the Group and to hedge and manage the risks in its own books. The Group currently deals in interest rate and cross currency derivatives with clients.

The Group's risk management function is independent from the business line. Risk management reviews credit risks, market risks and other risks associated with a transaction or area of activity and assigns limits within which the transaction / area of activity can be carried out. Adherence to these limits is ensured through independent monitoring and control functions.

27.1 Derivative Risk Management

There are a number of risks undertaken by the Group, which need to be monitored and assessed. Management of risks includes the following primary components:

- Comprehensive risk measurement approach;
- Detailed structure of limits, guidelines and other parameters used to govern risk taking; and
- Strong management information system for controlling, monitoring and reporting risks;

Major risks associated with derivatives are market risk and credit risk. The Group uses internal models to measure and manage these risks.

Market risks

The authority for approving policies and limits rests with Risk Management which also undertakes periodic portfolio reviews. The most important measures used to manage market risks are Delta, Value at Risk and OCP. These involve extreme shifts in a variety of parameters, such as FX rates, interest rates, equity prices, implied volatility levels and combinations of the above. These measures are calculated through the relevant systems.

Credit risk

There are two types of credit risk (Settlement and Pre-Settlement risk) that are associated with derivatives transactions and monitored on a regular basis. Risk Management sets the policies and limits for counterparty risk based on internal ratings model.

Liquidity risk

Liquidity risk is managed as part of the overall liquidity risk of the Group.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

27.2 Product Analysis

	2010		2009	
	Interest Rate and Cross Currency Swaps		Interest Rate and Cross Currency Swaps	
	No. of Contracts	Notional Principal Rs '000	No. of Contracts	Notional Principal Rs '000
Counterparties				
With Banks for Hedging Market Making	36 -	20,304,317 -	-	-
With other entities for Hedging Market Making	- 77	- 32,927,573	-	-
Total Hedging Market Making	36 77 113	20,304,317 32,927,573 53,231,890	- - -	- - -

27.3 Maturity Analysis**Interest Rate Swaps and Cross Currency Swaps**

	2010				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Rupees '000					
Remaining Maturity					
Upto 1 month	-	-	-	-	-
1 to 3 months	3	956,608	(84,682)	-	(84,682)
3 to 6 months	2	207,889	(36,824)	6,370	(30,454)
6 months to 1 Year	25	3,746,774	(434,500)	70,543	(363,957)
1 to 2 Years	23	4,904,687	(334,259)	76,992	(257,267)
2 to 3 Years	43	12,395,042	(1,548,892)	129,653	(1,419,239)
3 to 5 Years	17	31,020,890	(2,723,249)	1,544,222	(1,179,027)
5 to 10 years	-	-	-	-	-
	113	53,231,890	(5,162,406)	1,827,780	(3,334,626)
2009					
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Rupees '000					
Remaining Maturity					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 Year	-	-	-	-	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

27.4 As at December 31, 2010 the fair value of derivative financial instruments has been determined using valuation techniques with significant inputs such as forecasted market interest rate and foreign exchange rate. The determination of the fair value of these instruments is most sensitive to these key assumptions. Any significant change in these key assumptions may have an effect on the fair value of these derivative financial instruments.

28	MARK-UP / RETURN / INTEREST EARNED	2010 Rs ,000	2009 Rs ,000
a)	On financing to:		
	i) customers	13,247,229	11,293,342
	ii) financial institutions	52,142	103,439
b)	On investments in:		
	i) held for trading securities	84,520	1,689
	ii) available for sale securities	4,775,834	4,028,665
	iii) held to maturity securities	1,160,505	1,259,364
c)	On deposits with treasury bank and financial institutions	33,015	65,236
d)	On securities purchased under resale agreements	332,167	206,140
e)	On call money lendings	36,997	-
		<u>19,722,409</u>	<u>16,957,875</u>
29	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	10,683,685	9,300,148
	Securities sold under repurchase agreements	891,052	1,289,906
	Other short term borrowings	1,266,339	578,526
	SBP borrowings	814,859	629,995
	Long term borrowings	4,824	-
	Sub-ordinated loans	262,528	148,004
		<u>13,923,287</u>	<u>11,946,579</u>
30	GAIN / (LOSS) ON SALE OF SECURITIES		
	Federal Government Securities		
	- Market Treasury Bills	9,628	8,220
	- Pakistan Investment Bonds	8,862	46,415
	- Ijara Sukuk Bonds	4,213	-
	Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds	(223,849)	449,755
	Units of Open end Mutual Funds	1,540,964	320,231
		<u>1,339,818</u>	<u>824,621</u>
31	OTHER INCOME		
	Rent on property	76,879	50,284
	Maintenance charges on property rented	16,521	11,095
	Gain on disposal of fixed assets - net	28,710	5,788
	Recovery of amount written off previously invested in Certificate of Investments	-	12,500
	Income realised on un-winding of certain derivative contracts	458,044	-
	Others	33,154	924
		<u>613,308</u>	<u>80,591</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
32 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other employee benefits		2,924,061	1,931,364
Charge for defined benefit plan		66,229	58,854
Contribution to defined contribution plan		89,448	61,261
Non-executive directors' fee		10,325	1,450
Rent, taxes, insurance, electricity, etc.		784,969	547,737
Legal and professional charges		106,634	80,488
Communications		242,540	78,182
Repairs and maintenance		276,582	168,505
Finance charge on leased assets		-	22
Stationery and printing		113,550	80,307
Advertisement and publicity		101,287	107,854
Donations	32.1	23,436	2,085
Auditors' remuneration	32.2	8,671	5,696
Depreciation	14.2	660,631	513,839
Amortisation	14.3	157,251	96,838
License and technical fee		112,079	72,128
Travelling, conveyance and entertainment		64,869	52,198
Vehicle running expenses		86,595	71,451
Books, periodicals and subscription		40,431	38,002
Brokerage and commission		146,364	40,983
Others		637,094	276,215
		6,653,046	4,285,459
32.1 Donations made during the year were as follows:			
Donee			
The Aga Khan University		-	100
SWAT Refugee Relief Fund		-	1,036
The Helpcare Society		-	480
The Citizens Foundation		-	469
Karachi Relief Trust		40	-
Prime Minister's Flood Relief Fund		1,653	-
District Government Bahawalpur		25	-
Institute of Business Administration (IBA)		10,000	-
Waqf Faisal (Trust) - This is a charitable public welfare project (The President & CEO of the Holding Company is the managing trustee of the trust)		11,718	-
		23,436	2,085
32.2 Auditors,, remuneration			
Statutory audit fee		1,600	1,500
Fee for quarterly and annual group reporting		2,500	2,250
Fee for the review of the half yearly financial statements		400	350
Fee for the provident and gratuity funds		46	46
Tax services		3,300	-
Special certifications and sundry advisory services		475	1,275
Out-of-pocket expenses		350	275
		8,671	5,696

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
33 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		11,121	33,029
Workers Welfare Fund		16,879	-
Fixed assets written off		21,803	-
Others		19,016	-
		<u>68,819</u>	<u>33,029</u>
34 TAXATION			
For the year			
Current		239,300	1,164,420
Deferred		(468,817)	(439,786)
		<u>(229,517)</u>	<u>724,634</u>
For prior years			
Current	34.2	191,736	2,823,492
Deferred		(325,445)	(3,440,610)
		<u>(133,709)</u>	<u>(617,118)</u>
		<u>(363,226)</u>	<u>107,516</u>
34.1 Relationship between tax expense and accounting profit			
Profit before tax		829,552	1,300,042
Tax calculated at the rate of 35% (2009: 35%)		290,343	462,015
Effect of:			
- permanent differences		10,091	84,531
- income chargeable to tax at reduced rate		(493,003)	(166,981)
- prior year reversal		(133,709)	(617,118)
- others		(36,948)	345,069
Tax charge for the year		<u>(363,226)</u>	<u>107,516</u>

34.2 This represents reversals arising in respect of prior years on finalisation of assessments. Provision in respect of tax liability is made on management's best estimate which is adjusted based on assessment made by the tax authorities. Any difference arising on assessment finalised during the year is adjusted in the profit and loss account in accordance with the Group's accounting policy.

35 EARNINGS PER SHARE	2010			2009		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees '000					
Profit for the year after taxation	1,192,778	6,057	1,198,835	1,212,527	-	1,212,527
	Number In thousands					
Weighted average number of ordinary shares outstanding during the year	730,909	730,909	730,909	730,909	-	730,909
	Rupees					
Earnings per share - basic	1.63	0.01	1.64	1.66	-	1.66

35.1 Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue at December 31, 2010 and December 31, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000
36 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	9	17,428,924	8,427,202
Balances with other banks	10	5,727,909	508,795
Call money lendings	11	-	300,000
Overdrawn nostros	18.2	(6,407)	(21,550)
		<u>23,150,426</u>	<u>9,214,447</u>
37 STAFF STRENGTH			
Permanent		3,547	1,931
Temporary / on contractual basis		35	111
Group's own staff strength at the end of the year		<u>3,582</u>	<u>2,042</u>
Outsourced	37.1	2,287	976
Total Staff Strength		<u>5,869</u>	<u>3,018</u>
37.1	Outsourced staff represent employees hired by an outside contractor / agency and posted in the Group to perform various tasks / activities of the Group.		
38 DEFINED BENEFIT PLAN			
38.1 General description			
<p>The Holding Company operates an approved funded gratuity scheme for all its permanent employees and employees who are on contractual service in non-management cadre. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof. The minimum qualifying eligible service for gratuity is 1 year for employees who became members of the Fund before November 12, 2002. In the case of other members of the Fund the minimum qualifying eligible service is 5 years. The minimum qualifying eligible service for contractual employees not employed under the management cadre is 6 months. The latest actuarial valuation of the Holding Company's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out as at December 31, 2010.</p>			
38.2 Principal actuarial assumptions	Note	2010	2009
Discount factor used (% per annum)		14.50	12.75
Expected long term rate of return on plan assets (% per annum)		14.50	12.75
Expected rate of salary increase (% per annum)		14.50	12.75
Normal retirement age (years)		60	60
38.3 Reconciliation of receivable from defined benefit plan		2010 Rs ,000	2009 Rs ,000
Present value of defined benefit obligations	38.4	277,157	229,961
Fair value of plan assets	38.5	(245,286)	(168,135)
		<u>31,871</u>	<u>61,826</u>
Net actuarial loss not recognised		(32,221)	(62,165)
		<u>(350)</u>	<u>(339)</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010 Rs ,000	2009 Rs ,000			
38.4	Movement in present value of defined benefit obligation					
Opening balance		229,961	167,125			
Current service cost		59,120	46,493			
Interest cost		32,229	27,979			
(Gain) / loss on defined benefit obligation		(24,523)	6,124			
Actual benefits paid during the year		(19,630)	(17,760)			
Closing balance		277,157	229,961			
38.5	Movement in fair value of plan assets					
Opening balance		168,135	107,351			
Expected return on plan assets		24,884	19,626			
Contribution made		70,620	58,854			
Benefits paid by the fund		(19,630)	(17,760)			
Gain / (loss) on plan assets		1,277	64			
Closing balance		245,286	168,135			
38.5.1	Plan assets consist of the following:					
Balances with banks and financial institutions		155,428	104,740			
Units of open ended mutual funds		82,562	40,421			
Term finance certificates		7,296	22,974			
		245,286	168,135			
38.6	Movement in amount receivable from defined benefit plan					
Opening balance		(339)	(339)			
Charge for the year	38.7	70,609	58,854			
Contribution to fund made during the year		(70,620)	(58,854)			
Closing balance		(350)	(339)			
38.7	Charge for defined benefit plan					
Current service cost		59,120	46,493			
Interest cost		32,229	27,979			
Expected return on plan assets		(24,884)	(19,626)			
Amortization of loss		4,144	4,008			
		70,609	58,854			
38.8	Actual return on plan assets	26,655	15,637			
38.9	Historical information					
		2010	2009	2008	2007	2006
		Rupees '000				
Defined benefit obligation		(277,157)	(229,961)	(167,125)	(123,141)	(118,509)
Fair value of plan assets		245,286	168,135	107,351	97,739	97,253
Deficit		(31,871)	(61,826)	(59,774)	(25,402)	(21,256)
Experience adjustments on plan liabilities		24,523	(6,124)	(30,928)	(2,818)	(4,231)
Experience adjustments on plan assets		1,277	64	(5,477)	(2,745)	888

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

39 DEFINED CONTRIBUTION PLAN

The Holding Company operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Holding Company and the employees at the rate of 10% of basic salary. The financial statements of the fund are separately prepared and audited and are not included as part of these financial statements.

40 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Rupees '000					
Managerial remuneration (including bonus)	125,554	99,875	-	-	764,264	332,091
Fees	-	-	10,314	1,450	-	-
Charge for defined benefit plan	800	800	-	-	40,322	22,889
Contribution to defined contribution plan	2,956	2,688	-	-	48,391	26,827
Rent and house maintenance	1,645	6,145	-	-	213,029	124,262
Utilities	736	163	-	-	50,377	28,568
Medical	189	278	-	-	27,080	17,848
Leave fare assistance	-	-	-	-	57,423	44,735
Others	1,957	2,215	-	-	211,459	49,799
	<u>133,837</u>	<u>112,164</u>	<u>10,314</u>	<u>1,450</u>	<u>1,412,345</u>	<u>647,019</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>789</u>	<u>267</u>

40.1 Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

40.2 In addition to the above, the Chief Executive and Executives are provided with free use of the Group's maintained cars.

41 FAIR VALUE OF FINANCIAL INSTRUMENTS

	Book value		Fair value	
	2010	2009	2010	2009
	Rupees '000			
On-balance sheet financial instruments				
Assets				
Cash balances with treasury banks	17,428,924	8,427,202	17,428,924	8,427,202
Balances with other banks	5,727,909	508,795	5,727,909	508,795
Lendings to financial institutions	-	15,017,826	-	15,017,826
Investments	86,265,549	56,459,447	86,030,744	56,459,447
Advances	133,706,769	91,346,001	133,706,769	91,346,001
Other assets	6,215,768	3,393,795	6,215,768	3,393,795
	<u>249,344,919</u>	<u>175,153,066</u>	<u>249,110,114</u>	<u>175,153,066</u>
Liabilities				
Bills payable	3,218,859	1,465,451	3,218,859	1,465,451
Borrowings	34,635,904	34,985,766	34,635,904	34,985,766
Deposits and other accounts	195,315,204	123,469,683	195,315,204	123,469,683
Sub-ordinated loans	4,595,395	999,200	4,595,395	999,200
Other liabilities	12,892,534	6,227,096	12,892,534	6,227,096
	<u>250,657,896</u>	<u>167,147,196</u>	<u>250,657,896</u>	<u>167,147,196</u>
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	23,816,007	8,136,051	23,816,007	8,136,051
Forward agreements for borrowings	10,699,230	15,088,857	10,699,230	15,088,857
Forward sale of foreign exchange	5,228,697	6,527,488	5,228,697	6,527,488
Forward agreements for lending	421,320	17,250,582	421,320	17,250,582

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The fair value of traded investments is based on quoted market price, except for marketable securities classified as 'held to maturity'. These securities are carried at amortised cost in order to comply with the requirements of BSD circular No. 14 dated September 24, 2004. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest audited financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of advances has been calculated in accordance with the Group's accounting policy as stated in note 7.5 to these consolidated financial statements.

The repricing profile and effective rates and maturity are stated in note 47.6 and 47.7.1 respectively.

The fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer advances and deposits, are regularly repriced.

42 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The significant accounting areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of the accounting policies are as follows:

- i) classification and provisioning against investments (notes 7.4 and 12).
- ii) income taxes (notes 7.9, 15 and 34).
- iii) classification and provisioning against advances (notes 7.5 and 13).
- iv) depreciation / amortisation of operating fixed assets (notes 7.6 and 14).
- v) fair value of the net assets acquired in a business combination (note 8).
- vi) accounting for defined benefit plan (notes 7.11 and 38).
- vii) accounting for assets and liabilities classified as held for sale (note 16, 21 and 26).
- viii) fair value of derivative financial instruments (notes 7.18 & 27)

43 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

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

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

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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.

	Continuing operations					Discontinued operations	
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total	Asset Management	Total
Rupees 'OO							
December 31, 2010							
Total income - net	208,042	1,835,115	4,405,115	3,366,746	9,815,018	11,413	9,826,431
Total expenses	(81,316)	(796,897)	(5,566,419)	(2,623,448)	(8,985,466)	(5,356)	(8,990,822)
Net income (loss)	126,726	1,038,218	(1,161,304)	743,298	829,552	6,057	835,609
Segment assets (Gross)	-	91,069,068	63,305,812	132,009,563	286,467,058	189,960	286,657,018
Segment non performing loans	-	670,924	10,375,566	13,661,268	24,707,758	-	24,707,758
Segment provision required against loans	-	(48,245)	(6,441,819)	(11,009,576)	(17,499,640)	-	(17,499,640)
Segment liabilities	(21,220)	(30,063,645)	(176,893,053)	(43,825,235)	(250,803,153)	(1,778)	(250,804,931)
Segment return on assets (ROA) (%)	-	12.20%	11.20%	13.60%		3.22%	
Segment cost of funds (%)	-	4.20%	7.70%	6.90%		-	
December 31, 2009							
Total income - net	113,880	727,765	2,860,306	4,122,019	7,823,970	-	7,823,970
Total expenses	(58,299)	(296,747)	(2,788,893)	(3,359,988)	(6,503,927)	-	(6,503,927)
Net income	55,581	431,018	71,413	762,031	1,320,043	-	1,320,043
Segment assets (Gross)	-	51,119,347	72,627,872	65,325,373	189,072,592	-	189,072,592
Segment non performing loans	-	2,842,742	6,693,223	3,977,807	13,513,772	-	13,513,772
Segment provision required against loans	-	(1,140,082)	(3,778,916)	(3,361,141)	(8,280,139)	-	(8,280,139)
Segment liabilities	-	(48,391,126)	(95,523,015)	(23,985,263)	(167,899,404)	-	(167,899,404)
Segment return on assets (ROA) (%) *	-	12.20%	11.20%	13.60%			
Segment cost of funds (%) *	-	4.20%	7.70%	6.90%			

* These percentages have been computed based on closing assets / liability figure instead of average balances.

Note: The above table is based on best estimates / assumptions.

44 TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers.

45 RELATED PARTY TRANSACTIONS

The Group has related party relationship with 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.

Banking transactions with the related parties are executed substantially on the same terms, except transaction with directors and key management personnel that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Details of advances to the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members are given in note 13.8 to these consolidated financial statements.

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Contributions to and accruals in respect of retirement benefit plans are made in accordance with the actuarial valuations / terms of contribution plan (refer notes 7.11, 38 and 39 to these financial statements for the details of the plans). Remuneration of key management personnel, including salaries and other short-term employee benefits and post-employment benefits is given below. Remuneration to executives (including key management personnel) of the Group is disclosed in note 40 to these consolidated financial statements. Such remuneration is determined in accordance with the terms of their employment.

	2010				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Strategic Investments
	Rupees '000				
Deposits					
Balance at the beginning of the year	39,485	350,367	399	2,181,528	27,085
Placements during the year	662,295	2,417,003	249,939	42,632,583	227,712
Withdrawals during the year	(686,384)	(1,768,478)	(249,859)	(44,298,132)	(236,892)
Amalgamation	61,969	646,556	-	-	-
Balance at end of the year	<u>77,365</u>	<u>1,645,448</u>	<u>479</u>	<u>515,979</u>	<u>17,905</u>
Advances					
Balance at the beginning of the year	33,576	-	-	-	802,558
Disbursement during the year	6,000	-	-	2,014,168	1,750
Repayment during the year	(148,261)	-	-	-	(2,113)
Amalgamation	159,473	-	-	-	-
Balance at end of the year	<u>50,788</u>	<u>-</u>	<u>-</u>	<u>2,014,168</u>	<u>802,195</u>
	2009				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Strategic Investments
	Rupees '000				
Deposits					
Balance at the beginning of the year	21,081	148,888	958	1,174,456	13,412
Placements during the year	411,448	770,721	82,678	71,421,342	610,833
Withdrawals during the year	(393,044)	(569,242)	(83,237)	(70,414,270)	(597,160)
Balance at end of the year	<u>39,485</u>	<u>350,367</u>	<u>399</u>	<u>2,181,528</u>	<u>27,085</u>
Advances					
Balance at the beginning of the year	71,807	-	-	-	731,564
Disbursement during the year	-	-	-	-	72,735
Repayment during the year	(38,231)	-	-	-	(1,741)
Balance at end of the year	<u>33,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,558</u>

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Balances pertaining to parties that were related at the beginning of the year 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.

	2010				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Strategic Investments
	Rupees '000				
Nostro balances with group companies	-	-	-	254	-
Shares / Units purchased during the year	-	-	-	2,540,698	-
Shares / Units sold during the year	-	-	-	2,727,062	-
Profit paid / accrued	3,238	49,668	39	119,574	1,230
Profit return / earned	1,839	-	-	113,780	226
Dividend income from subsidiary	-	-	-	-	-
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	257,753	-	-	-	-
- Post-employment benefits	6,322	-	-	-	-
Contribution to staff retirement benefits	-	155,598	-	-	-
Guarantees issued favoring related parties or on their behalf	-	-	-	25,000	-
	2009				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Strategic Investments
	Rupees '000				
Nostro balances with group companies	-	-	-	16,215	-
Shares / Units purchased during the year	-	-	-	2,376,766	-
Shares / Units sold during the year	-	-	-	2,754,444	56,201
Profit paid / accrued	2,954	23,686	11	156,628	1,468
Profit return / earned	2,330	-	-	-	356
Dividend income from subsidiary	-	-	-	-	-
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	134,010	-	-	-	-
- Post-employment benefits	9,406	-	-	-	-
Contribution to staff retirement benefits	-	120,115	-	-	-

Disposal of vehicles to key management personnel and other executives is disclosed in note 14.4 to these financial statements.

46 CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

46.1 Capital Management

The objective of Capital Management is to ensure the Group's ability to operate as a going concern by maintaining appropriate capital base in line with minimum regulatory requirements. The Group has implemented and is operating under Basel II capital adequacy framework that applies to all Banks and DFIs as prescribed under SBP BSD Circular No. 8 dated June 27, 2006 and amendments made by SBP through circulars. The Group has adopted Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

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For the year ended December 31, 2010

The Group ensures that it:

- a) complies with the capital requirements set by the State Bank of Pakistan;
- b) safeguards the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- c) maintains a strong capital base to support the development of its business.

Capital adequacy is regularly monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as adopted by the State Bank of Pakistan. The required information is submitted to the State Bank of Pakistan on a quarterly basis.

The State Bank of Pakistan requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum level of 10%.

The Group's regulatory capital is divided into three tiers:

- a) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings;
- b) Tier 2 capital: qualifying subordinated loan capital, general provisions and unrealized gains arising on the fair valuation of equity instruments held as available for sale; and
- c) Tier 3 capital: the Group has no eligible Tier 3 capital.

Book value of goodwill, other intangible assets including software, brand value etc, are deducted from Tier 1 capital whereas Investments in associates and subsidiary as disclosed in Note 12.1 are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Group will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs.

Vide BSD Circular No. 07 of 2009, the State Bank of Pakistan has prescribed a minimum paid-up capital requirement (net of losses) of Rs 7 billion for all banks to be achieved by December 31, 2010. The required minimum Capital Adequacy Ratio (CAR), on consolidated as well as on standalone basis is 10%.

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy is as follows:-

Notes to and Forming Part of the Consolidated Financial Statements

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	Note	2010 Rs ,000	2009 Rs ,000
46.2 Capital Structure			
Tier I Capital			
Share Capital		7,309,094	6,090,911
Proposed shares to be issued on amalgamation		28,253	-
Reserves		7,354,688	4,030,056
Unappropriated profits		1,992,719	1,252,180
Non controlling interest		75,273	73,309
		<u>16,760,027</u>	<u>11,446,456</u>
Less: Book value of intangible assets	46.6	1,790,901	226,786
Shortfall / relaxation in provision		740,194	-
Deficit on account of revaluation of investments held in AFS category		230,367	-
Other deductions (represents 50% of the majority or significant minority interest in subsidiaries and associates)		40,126	22,500
		<u>2,801,588</u>	<u>249,286</u>
Total Tier I Capital		<u>13,958,439</u>	<u>11,197,170</u>
Tier II Capital			
Subordinated debt (upto 50% of total Tier 1 Capital)		3,837,918	799,360
General provisions subject to 1.25% of total Risk Weighted Assets		336,573	374,133
Revaluation reserve (upto 45%)		-	650,967
		<u>4,174,491</u>	<u>1,824,460</u>
Less: Other deductions (represents 50% of the majority or significant minority interest in subsidiaries and associates)		40,126	22,500
Total Tier II Capital		<u>4,134,365</u>	<u>1,801,960</u>
Eligible Tier III Capital		-	-
Total Regulatory Capital Base		<u>18,092,804</u>	<u>12,999,130</u>

Notes to and Forming Part of the Consolidated Financial Statements

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46.3 Capital Adequacy

	Note	Capital Requirements		Risk Weighted Assets	
		2010	2009	2010	2009
Rupees in '000					
Credit Risk					
Public sector enterprise		211,170	223,521	2,111,698	2,235,208
Financial institution		505,645	78,254	5,056,452	782,542
Corporate		8,768,370	5,450,440	87,683,700	54,504,396
Retail		1,885,177	1,298,542	18,851,768	12,985,422
Past due loans		892,336	433,659	8,923,356	4,336,587
Other	46.6	2,299,648	820,430	22,996,477	8,204,300
Total Credit Risk		14,562,346	8,304,846	145,623,451	83,048,455
Market Risk					
<u>Capital requirement for portfolios subject to standardized approach</u>					
Interest rate risk		128,208	438,787	1,282,079	4,387,871
Equity position risk		533,816	354,471	5,338,161	3,544,712
Foreign exchange risk		30,690	1,662	306,897	16,617
Total Market Risk		692,714	794,920	6,927,137	7,949,200
Operational Risk					
<u>Capital requirement for operational risks</u>					
Total Operational Risk		2,205,573	1,245,837	27,569,663	12,458,368
		17,460,633	10,345,603	180,120,251	103,456,023
Capital Adequacy Ratio		2010	2009		
Total eligible regulatory capital held	46.2	18,092,804	12,999,130		
Total risk weighted assets		180,120,251	103,456,023		
Capital adequacy ratio		10.04%	12.56%		

46.4 As more fully disclosed in notes 12.3.3, 12.3.4 and 13.4.2 to these financial statements, the SBP has given a relaxation to the Group in maintaining provision against outstanding facilities extended to Dewan Mushtaq Group and Azgard Nine Group. In accordance with the Revised Regulatory Capital Framework under Basel II issued by the SBP, the Group is required to deduct from Tier I Capital any shortfall in provisions required against classified assets irrespective of any relaxation allowed by the SBP. Accordingly, an amount of Rs 740.194 million has been deducted from the Group's Tier I Capital.

46.5 The benefit of FSV allowed by the SBP has not been deducted from Tier I capital of the Group based on clarification issued by the SBP through its letter BSD/BAI-1/220/452/2009 dated April 27, 2009 in accordance with section 1.1 of the SBP Basel II guidelines.

46.6 The SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011 has advised the Holding company that the deduction of intangible assets, as appear under Tier-I capital, would be limited to the extent of the amount of the intangible recognised as negative goodwill / intangible gain. Whereas, the portion of Deferred Tax Liabilities (DTL) created due to such intangible assets would not be netted against Deferred Tax Assets (DTA) for calculation of CAR.

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47 RISK MANAGEMENT

The variety of business activities undertaken by the Group requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Group has a dynamic risk management framework defined by the Board of Directors (BOD) and implemented through Risk Management Group (RMG). The Risk Management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of credit policies & procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Group's depositors and shareholders.

The Board Risk Management Committee (BRMC), comprising of 4 directors including the President & CEO, is appointed and authorized by the Board to assist the BOD in design, regular evaluation and timely updation of the Risk Management framework. BRMC has further authorized management committees such as Country Credit Committee (CCC), Enterprise Risk Management Committee (ERMC) and Assets & Liabilities Committee (ALCO) to supervise risk management activities within their respective scopes.

In order to have an effective and efficient risk assessment, and to closely align its functions with Business, RMG has separate Risk functions for Credit Risk Management: Corporate Risk Management, Commercial Risk Management, Retail SME & Agri Risk Management and Retail Risk Management. While Corporate, Commercial and Retail SME & Agri Risk Management involve a customer-based risk assessment under a pre-defined credit approval process, Retail Risk Management operates on a program lending approach to manage, mitigate and approve risk on a portfolio level.

The Risk Management architecture is further fostered by Enterprise Risk Management, Credit Administration and Risk Policy functions.

The Enterprise Risk Management function is responsible for managing and controlling Market, Operational and Liquidity Risks at an enterprise level and maintaining regulatory capital requirements of the Group.

Credit Administration Department looks after the security, loan documentation, disbursement and post disbursement monitoring aspects of the credit portfolio.

Risk Policy unit ensures formulation of synchronized and adhesive policies in conjunction with the Group's strategy and practices while adhering to the local and regulatory guidelines within Corporate, Commercial and Retail business segments. This also encompasses detailed review of macro risk factors, NPL status and monitoring of internal credit rating models including model documentation and the coordination of analytics within the Enterprise Risk Management functionalities.

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47.1 Credit Risk

Credit risk is the identification of probability that a counterparty will cause a financial loss to the Group due to its inability or unwillingness to meet its contractual obligation. This credit risk can arise from both direct lending activities as well as contingent liabilities.

The Group's credit risk philosophy is based on the Group's overall business strategy / direction as established by the Board. The Group is committed to the appropriate level of due diligence to ensure that credit risks have been properly analyzed, fully disclosed to the approving authorities and appropriately rated, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Group deals with many different types of borrowers and borrowing structures across the wholesale and retail segments. The Group manages customer credit risk exposures within appropriate limits to ensure that it does not provide a disproportionate level of credit to a single customer or group of connected clients. The Group follows aggregation principles (i) summing of credit risk limits to the same customer, or group of connected clients (ii) identify and manage effectively all significant credit risk exposures to a single customer connection within an individual business and, where appropriate, across other business segments.

The Group has well-defined credit approval and review processes under which senior officers (with the inclusion of Risk Management's consent) with the requisite credit background, critically scrutinize and sanction financing. Besides financial, industry and transaction analysis, in order to quantify risks of counterparty, the credit evaluation also includes risk rating system to evaluate risk rating of all customers which is then monitored on a portfolio basis to gauge the Group's credit portfolio quality. To avoid risk concentration, counterparty limits, counterparty group limits and industry concentration limits are also established, monitored and assessed in the light of changing counterparty and market conditions.

47.1.1 Segment by class of business

Portfolio management is an integral part of the Group's credit process. Risk concentration may arise where total exposure to a particular group or industry is high in relation to shareholders' equity. The Group has set up a portfolio strategy and planning function with an aim to monitor the overall risk and to avoid high exposure to a single group or industry.

Faysal Bank Limited and its Subsidiary Company

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Segmental information in respect of the class of business and geographical distribution of advances, deposits, and contingencies and commitments is given below:

	2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and Pharmaceuticals	10,660,112	7.05	4,808,016	2.46	1,493,882	3.61
Agriculture	3,455,591	2.29	4,881,073	2.50	544,671	1.32
Textile	29,269,648	19.36	1,674,602	0.86	3,560,257	8.60
Cement	4,850,342	3.21	149,610	0.08	2,453,244	5.93
Sugar	3,056,884	2.02	109,086	0.06	89,334	0.22
Construction	788,628	0.52	1,967,022	1.01	1,032,579	2.50
Ready made garments	968,971	0.64	259,619	0.13	269,145	0.65
Footwear and leather garments	1,032,889	0.68	255,924	0.13	119,749	0.29
Automobile and transportation equipment	364,287	0.24	429,124	0.22	244,508	0.59
Financial	288,407	0.19	6,787,411	3.48	12,951,649	31.30
Oil Refining / Marketing	205,812	0.14	6,614,430	3.39	5,121,643	12.38
Distribution / Trading	7,477,745	4.95	6,195,143	3.17	1,798,148	4.35
Electronics and electrical appliances	1,285,032	0.85	854,840	0.44	1,438,587	3.48
Production and transmission of energy	16,657,824	11.02	6,613,736	3.39	2,016,398	4.87
Iron and Steel	2,235,005	1.48	800,265	0.41	366,167	0.88
Food and Allied	3,962,536	2.62	595,083	0.30	224,712	0.54
Synthetic and Rayon	1,057,214	0.70	28,944	0.01	75,963	0.18
Food Industries	-	-	914,803	0.47	157,735	0.38
Paper and Board	334,878	0.22	65,855	0.03	1,409	-
Individuals	19,993,893	13.22	89,405,382	45.77	76,134	0.18
Telecommunication	-	-	806,275	0.41	1,288,772	3.11
Transportation, Road and Air	3,579,183	2.37	1,569,298	0.80	369,503	0.89
Mining and Quarrying	119,760	0.08	150,678	0.08	270,032	0.65
Others	39,561,768	26.15	59,378,985	30.40	5,413,229	13.10
	151,206,409	100.00	195,315,204	100.00	41,377,450	100.00

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and Pharmaceuticals	8,287,946	8.42	5,403,369	4.37	2,045,152	7.77
Agriculture	3,445,103	3.50	4,043,629	3.27	46,526	0.18
Textile	15,689,375	15.95	831,859	0.67	1,076,158	4.09
Cement	3,123,810	3.18	279,911	0.23	389,840	1.48
Sugar	2,645,778	2.69	77,447	0.06	14,500	0.06
Construction	1,274,940	1.30	2,366,164	1.91	1,980,231	7.52
Ready made garments	113,991	0.12	442,319	0.36	213,111	0.81
Footwear and leather garments	903,885	0.92	224,882	0.18	164,076	0.62
Automobile and transportation equipment	220,132	0.22	329,533	0.27	107,876	0.41
Financial	895,493	0.91	8,460,302	6.84	785,548	2.98
Oil Refining / Marketing	30,823	0.03	13,973,436	11.30	4,492,404	17.07
Distribution / Trading	3,291,661	3.35	2,321,507	1.88	905,118	3.44
Electronics and electrical appliances	33,134	0.03	605,672	0.49	2,339,778	8.89
Production and transmission of energy	5,972,805	6.07	1,407,218	1.14	4,474,344	17.00
Iron and Steel	1,308,612	1.33	491,971	0.40	1,159,558	4.41
Food and Allied	251,203	0.26	-	-	-	-
Synthetic and Rayon	2,061,035	2.09	104,483	0.08	-	-
Food Industries	2,096,027	2.13	474,873	0.38	516,901	1.96
Paper and Board	413,787	0.42	54,468	0.04	4,121	0.02
Individuals	12,347,103	12.55	38,925,270	31.48	1,906	0.01
Telecommunication	-	-	5,188,571	4.20	2,850,079	10.83
Transportation, Road and Air	-	-	-	-	249,919	0.95
Mining and Quarrying	-	-	36,302	0.03	-	-
Others	33,977,827	34.53	37,426,497	30.42	2,501,364	9.50
	98,384,470	100.00	123,469,683	100.00	26,318,510	100.00

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47.1.2 Segment by sector

	2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	9,896,164	6.54	16,223,860	8.31	3,296,250	7.97
Private	141,310,245	93.46	179,091,344	91.69	38,081,200	92.03
	<u>151,206,409</u>	<u>100.00</u>	<u>195,315,204</u>	<u>100.00</u>	<u>41,377,450</u>	<u>100.00</u>

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	9,197,928	9.35	9,159,093	7.41	6,304,914	23.96
Private	89,186,542	90.65	114,310,590	92.59	20,013,596	76.04
	<u>98,384,470</u>	<u>100.00</u>	<u>123,469,683</u>	<u>100.00</u>	<u>26,318,510</u>	<u>100.00</u>

47.1.3 Details of non-performing advances and specific provisions by class of business segment

	2010		2009	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees '000			
Chemical and Pharmaceuticals	1,265,250	844,380	775,233	727,967
Agriculture	933,483	236,021	623,871	167,299
Textile	5,377,745	4,179,663	1,220,495	1,068,749
Cement	1,005,109	584,796	-	-
Sugar	56,920	56,640	529,490	105,283
Construction	273,918	80,822	36,992	14,560
Ready Made Garments	82,496	66,621	7,339	992
Footwear and leather garments	32,947	18,529	-	-
Automobile and Transport Equipment	145,472	134,240	124,505	89,617
Financial	90,014	44,510	62,221	6,687
Oil Refining / Marketing	200,239	85,239	502,178	305,165
Distribution / Trading	2,061,389	1,405,577	-	-
Electronics and electrical appliances	439,604	420,893	1,076,982	995,260
Production and transmission of energy	3,095,105	2,944,563	150,647	148,786
Iron and Steel	152,172	131,452	77,532	23,922
Food and Allied	826,777	561,892	75,351	62,547
Synthetic and Rayon	372,630	372,630	1,485,642	648,582
Food and Industry	-	-	560,545	168,842
Paper and Board	125,290	78,229	58,000	58,000
Transportation, Road and Air	7,267	5,602	-	-
Individuals	2,859,486	1,629,843	372,630	372,630
Others (including manufacturing and real estate)	5,304,445	3,280,925	2,931,377	1,699,448
	<u>24,707,758</u>	<u>17,163,067</u>	<u>10,671,030</u>	<u>6,664,336</u>

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47.1.4 Details of non-performing advances and specific provisions by sector

	2010		2009	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees '000			
Public / Government	-	-	-	-
Private	24,707,758	17,163,067	10,671,030	6,664,336
	<u>24,707,758</u>	<u>17,163,067</u>	<u>10,671,030</u>	<u>6,664,336</u>

47.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees '000			
Pakistan	829,552	267,439,850	16,634,919	41,377,450
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>829,552</u>	<u>267,439,850</u>	<u>16,634,919</u>	<u>41,377,450</u>

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees '000			
Pakistan	1,320,043	180,792,453	12,893,049	26,318,510
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,320,043</u>	<u>180,792,453</u>	<u>12,893,049</u>	<u>26,318,510</u>

47.2 Credit Risk: General disclosures Basel II specific

The Group has adopted the Standardised Approach, under Basel II. According to the regulatory statement submitted under the Standardised Approach, the portfolio has been divided into claims on Public Sector Entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 34.04% (2009: 37.37%) of the total exposure, 2.53% (2009: 4.69%) represents claims on PSEs and 7.89% (2009: 10.75%) exposure pertains to claims categorized as retail portfolio.

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47.2.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used. For claims on foreign entities, ratings assigned by Standard and Poor's, Fitch and Moody's are used. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Types of exposure for which each agency is used in the year ended December 31, 2010 are as follows;

Exposures	PACRA	JCR-VIS	Standard and Poor's	Moody's	Fitch
Corporate	□	□	-	-	-
Banks	□	□	□	□	□
Sovereigns	-	-	-	-	-
SMEs	-	-	-	-	-
Securitized	-	-	-	-	-

SBP indicative mapping process as instructed in SBP circular "Minimum Capital Requirements for Banks and DFIs" (indicated in table below) was used to map alphanumeric ratings of PACRA, JCR-VIS, S&P's, Moody's, Fitch Ratings, and numeric scores of ECAs, to SBP rating grades.

SBP Rating	ECA Scores	PACRA	JCR-VIS	S & P	Moody's	Fitch
1	0,1	AA- and above	AA- and above	AA- and above	Aa3 and above	AA- and above
2	2	A+ to A-	A+ to A-	A+ to A-	A1 to A3	A+ to A-
3	3	BBB+ to BBB-	BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	4	BB+ to BB-	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	5,6	B+ to B-	B+ to B-	B+ to B-	B1 to B3	B+ to B-
6	7	CCC+ & Below	CCC+ & Below	CCC+ & Below	Caa1 & Below	CCC+ & Below

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For exposure amounts after risk mitigation subject to the standardized approach, amount of Bank's/DFI's outstandings (rated & unrated) in each risk bucket as well as those that are deducted are as follows;

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
- Cash and Cash Equivalent		3,682,372	-	3,682,372
- Corporate	1	8,997,693	-	8,997,693
	2	14,814,330	4,488	14,809,842
	3,4	1,817,234	8,071	1,809,163
	5,6	254,176	7,248	246,928
	Unrated	65,504,184	1,259,640	64,244,544
- Public Sector Equities	1	4,743,496	-	4,743,496
	2,3	579,041	-	579,041
	Unrated	278,548	3,259	275,289
		-	-	-
- Banks	1,2,3	7,530,429	104,699	7,425,730
	4,5	142,025	-	142,025
	Unrated	181,763	-	181,763
- Sovereigns etc.	-	-	-	-
- Government of Pakistan		77,836,628	-	77,836,628
- SBP		4,064,347	-	4,064,347
- Retail		24,076,633	3,159,391	20,917,242
- Residential Mortgage		7,038,028	-	7,038,028
- Past Dues Loans		8,090,011	647,668	7,442,343
- Past Dues against Residential Mortgage		1,072,171	-	1,072,171
- Unlisted Equity Investment		350,083	-	350,083
- Listed Equity		4,054,952	-	4,054,952
- Operating Fixed Assets		6,054,678	-	6,054,678
- Other Assets		12,419,536	-	12,419,536
Total		253,582,358	5,194,464	248,387,894

Collaterals used by the Group for Credit Risk Mitigation (CRM) were as follows:

- Cash margin
- Government securities
- Guarantees of Government and Banks.
- Shares on KSE main index.

47.3 Market Risk

It is the risk that the value of the On and Off-balance sheet positions of the Group will be adversely affected by movements in market rates or prices such as interest rates, equity prices and/or commodity prices resulting in a loss to earnings and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

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The Group seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Treasury Front Office, Market Risk Management and Treasury Middle Office perform market risk management activities within the Group. The Group has Enterprise Risk Management Committee which is responsible for reviewing and approving market risk policies and strategies. The market risk is further divided into various sub-categories, which are defined as follows:

47.4 Foreign Exchange Risk / Currency Risk

Foreign exchange risk / currency risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movements in currency exchange rates on the value of open foreign currency positions. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect revenues from foreign exchange dealing.

The Group undertakes currency risk mostly to support its trade services and maintains overall foreign exchange risk position to the extent of statutory Foreign Exchange Exposure Limit (FEEL) prescribed by SBP. Foreign Exchange Risk exposures are managed by matching future maturities.

Exposure limits such as counterparty, gap, net open position, dealer and product limits are also in place in accordance with the Group's approved Standard Operating Procedures to limit risk and concentration to the acceptable tolerance levels.

47.4.1 Currency Risk

	2010			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees '000			
Pakistan rupee	252,526,137	231,011,914	(5,181,551)	16,332,672
United States dollar	13,043,436	15,031,236	2,276,874	289,074
Great Britain pound	729,571	2,588,787	1,860,831	1,615
Japanese yen	6,275	2,729	(2,106)	1,440
Euro	1,115,659	2,170,027	1,056,127	1,759
Other currencies	18,772	238	(10,175)	8,359
	<u>267,439,850</u>	<u>250,804,931</u>	<u>-</u>	<u>16,634,919</u>

	2009			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees '000			
Pakistan rupee	174,729,829	160,270,207	(1,582,956)	12,876,666
United States dollar	5,457,197	5,967,507	525,116	14,806
Great Britain pound	132,705	1,030,639	897,700	(234)
Japanese yen	31	1,574	1,825	282
Euro	471,422	629,469	158,315	268
Other currencies	1,269	8	-	1,261
	<u>180,792,453</u>	<u>167,899,404</u>	<u>-</u>	<u>12,893,049</u>

47.5 Equity position risk

Equity position risk is the risk arising from unfavourable fluctuations in prices of shares in which the Group carries long and/or short positions, in its trading book. It is risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Group. Price risk associated with equities could be systematic or unsystematic. Systematic risk is due to sensitivity of portfolio's value to changes in overall level of equity prices, while the unsystematic risk is associated with price volatility that is determined by the specific characteristics of the investee company.

The Group's equity position is governed by SBP limits for overall investment and per scrip exposure. In addition, there are internal limits set for trading positions, as well as stop loss limits.

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47.6 Mismatch of Interest Rate Sensitive Assets and Liabilities / Yield / Interest Rate Risk

2010

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										Non-interest bearing financial instruments	
		Upto one month	Over one three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years			
On-balance sheet financial instruments													
Assets													
	17,428,924	1,841,189	-	-	-	-	-	-	-	-	-	-	15,587,735
Cash and balances with treasury banks	5,727,909	-	-	-	-	-	-	-	-	-	-	-	5,727,909
Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	86,265,549	17,508,217	25,877,811	25,577,920	2,127,097	2,460,240	1,601,366	1,921,411	7,094,272	-	-	-	7,094,272
Advances	133,706,769	19,707,160	47,807,198	35,863,713	18,794,879	1,223,283	1,779,694	2,224,448	3,421,697	-	-	-	3,421,697
Other assets	6,215,768	-	-	-	-	-	-	-	6,215,768	-	-	-	6,215,768
	249,344,919	39,056,566	73,685,009	61,441,633	20,921,976	3,683,523	3,381,060	4,145,859	939,899	-	-	-	38,047,381
Liabilities													
Bills payable	3,218,859	-	-	-	-	-	-	-	-	-	-	-	3,218,859
Borrowings	34,635,904	19,591,632	7,329,480	4,198,881	1,708,968	484,498	676,131	158,375	2,076	-	-	-	2,076
Deposits and other accounts	195,315,204	78,833,274	16,060,800	25,520,971	30,838,576	449,335	184,203	16,890	42,392,654	-	-	-	42,392,654
Sub-ordinated loans	4,595,395	-	-	4,595,395	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,892,534	214,615	513,911	-	-	-	-	-	-	-	-	-	12,164,008
	250,657,896	98,639,521	23,904,191	34,315,247	32,547,544	933,833	860,334	175,265	57,777,597	-	-	-	57,777,597
On-balance sheet gap	(1,312,977)	(59,582,955)	49,780,818	27,126,386	(11,625,568)	2,749,690	2,520,726	3,970,594	939,899	-	-	-	(19,730,216)
Off-balance sheet financial instruments													
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	-	(59,582,955)	49,780,818	27,126,386	(11,625,568)	2,537,649	2,520,726	3,970,594	939,899	-	-	-	939,899
Cumulative Yield / Interest Risk Sensitivity Gap	-	(59,582,955)	(9,802,137)	17,324,249	5,698,681	10,986,020	13,506,746	17,477,340	18,417,239	-	-	-	18,417,239

Rupees in '000.



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Mismatch of Interest Rate Sensitive Assets and Liabilities / Yield / Interest Rate Risk

2009

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										Non-interest bearing financial instruments		
		Upto one month	Over one three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years				
On-balance sheet financial instruments														
Assets														
	8,427,202	-	-	-	-	-	-	-	-	-	-	-	-	8,427,202
Cash and balances with treasury banks	508,795	-	-	-	-	-	-	-	-	-	-	-	-	508,795
Balances with other banks	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	56,459,447	1,719,915	9,800,471	10,032,741	89,172	166,944	4,491,019	1,245,018	-	-	-	-	-	8,233,591
Investments	91,346,001	20,440,376	30,135,710	6,531,703	2,453,769	1,464,386	218,131	1,101,566	391,342	-	-	-	-	3,176,841
Advances	3,393,795	-	-	-	-	-	-	-	-	-	-	-	-	3,393,795
Other assets	175,153,066	36,402,752	40,711,546	16,564,444	2,542,941	1,631,330	4,709,150	2,346,584	391,342	-	-	-	-	23,740,224
	1,465,451	-	-	-	-	-	-	-	-	-	-	-	-	1,465,451
Liabilities														
Bills payable	34,985,766	20,387,801	9,964,136	472,577	419,264	305,757	147,938	511,070	-	-	-	-	-	21,550
Borrowings	123,469,683	63,157,425	21,214,332	10,335,183	473,435	149,991	49,209	49,209	-	-	-	-	-	22,681,410
Deposits and other accounts	999,200	-	-	999,000	200	-	-	-	-	-	-	-	-	-
Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,227,096	-	-	-	-	-	-	-	-	-	-	-	-	6,227,096
On-balance sheet gap	167,147,196	83,545,226	31,178,468	11,806,760	892,699	455,748	147,938	560,279	391,342	-	-	-	-	30,395,507
	8,005,870	(47,142,474)	9,533,078	4,757,684	1,650,242	1,175,582	4,561,212	1,786,305	391,342	-	-	-	-	(6,655,283)
Off-balance sheet financial instruments														
Forward lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	(2,210,000)	2,210,000	-	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	(2,210,000)	2,210,000	-	-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	(49,352,474)	9,533,078	37,948,182	4,757,684	1,650,242	1,175,583	4,561,212	1,786,305	391,342	-	-	-	-	12,451,153
Cumulative Yield / Interest Risk Sensitivity Gap	(49,352,474)	(39,819,396)	(1,871,214)	2,886,470	4,536,712	5,712,294	12,059,811	7,488,599	12,451,153	-	-	-	-	-

Rupees in '000.

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47.6.1 Yield curve risk is the risk that a financial instrument will suffer either a decline in income or capital because future changes in prevailing interest rates impact assets more or less than they impact liabilities. The component of interest rate risk arising from differences in the timing of asset and liability. It is inherent primarily to the banking book mainly through advances and deposits portfolio.

47.6.2 The Interest rate risk of the Group arises when there is a mismatch between contractual maturities, which are subject to interest rate adjustment within a specified period or re-pricing of on- and off-balance sheet assets and liabilities. Risk is addressed by the Asset and Liability Management Committee that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities to ensure that the spread of the Group remains at an acceptable level.

47.6.3 Major sources of Interest rate risk are;

- i) differences between the timing of rate changes and the timing of cash flows (re-pricing risk);
- ii) changing rate relationships among different yield curves effecting bank activities (basis risk);
- iii) changing rate relationships across the range of maturities (yield curve risk); and
- iv) interest-related options embedded in Group's products (options risk).

47.7 Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn.

The Group's Asset and Liability Management Committee manages the liquidity position on a continuous basis. The Group's liquidity risk management process, as carried out within the Group and monitored by the management, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Monitoring of next three months liquidity target, available Internal liquidity, liquidity excess / shortfall and estimated overall liquidity; and
- Managing the liabilities both on a contractual and behavioural basis primarily by matching the maturity profiles of assets and liabilities;

Monitoring and reporting of treasury and capital market maturities is done through monitoring of daily maturities. Hence, monitoring and reporting takes the form of regular and periodic cash flow measurement and projections.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

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47.7.1 Maturities of Assets and Liabilities (based on contractual maturities)

2010

	Rupees in '000									
	Total	Up to one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
Assets										
Cash and balances with treasury banks *	17,428,924	17,428,924	-	-	-	-	-	-	-	-
Balances with other banks	5,727,909	5,727,909	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	86,345,801	16,674,351	21,460,698	22,351,167	7,417,939	4,711,316	6,001,116	2,610,128	503,984	
Advances	133,706,769	16,210,160	20,017,232	18,261,452	20,216,872	15,799,084	12,221,808	16,575,638	3,920,703	
Operating fixed assets	8,726,406	22,082	34,723	238,378	145,056	540,401	276,945	838,504	5,876,074	
Deferred tax assets - net	5,017,202	48,528	97,057	145,585	291,170	582,340	3,270,182	-	-	
Other assets	10,486,839	1,212,236	1,207,377	3,000,890	776,510	-	4,289,826	-	-	
	267,439,850	57,324,190	42,817,087	43,997,472	28,847,547	21,633,141	26,039,877	20,024,270	10,300,761	
Liabilities										
Bills payable	3,218,859	3,218,859	-	-	-	-	-	-	-	
Borrowings	34,635,904	19,593,709	7,329,479	4,198,881	1,708,968	485,863	676,131	158,375	-	
Deposits and other accounts **	195,315,204	109,082,182	16,443,436	30,153,124	30,838,576	1,018,501	184,203	16,890	-	
Subordinated loans	4,595,395	-	-	198,035	960	201,280	501,400	2,994,000	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	
Other liabilities	13,039,569	3,302,033	1,714,608	928,598	2,258,730	1,041,651	1,847,940	-	-	
	250,804,931	135,196,783	25,487,523	35,478,638	34,807,234	2,747,295	3,209,674	3,169,265	-	
Net assets	16,634,919	(77,872,593)	17,329,564	8,518,834	(5,959,687)	18,885,846	22,850,203	16,855,005	10,300,761	
Share capital	7,309,094	-	-	-	-	-	-	-	-	
Proposed shares to be issued on amalgamation	28,253	-	-	-	-	-	-	-	-	
Reserves	7,354,688	-	-	-	-	-	-	-	-	
Unappropriated profit	1,992,719	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets	16,684,754	-	-	-	-	-	-	-	-	
Non Controlling Interest	(125,108)	-	-	-	-	-	-	-	-	
	75,273	-	-	-	-	-	-	-	-	
	16,634,919	-	-	-	-	-	-	-	-	

* Included in cash and balances with treasury banks are the current and deposit accounts with the State Bank of Pakistan which are maintained to meet the Statutory Liquidity Reserve Requirements (SLR). Since such balances have no actual maturity the same are classified in the earliest maturity band of upto one month.

** As per SBP's requirement, the entire balance held in saving deposit accounts is classified under the maturity band of upto one month. On the basis of history, the Group expects that these deposits will be maintained over a longer period without withdrawal.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

Maturities of Assets and Liabilities (based on contractual maturities)

2009

	Rupees in '000.....									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
Assets										
Cash and balances with treasury banks *	8,427,202	8,427,202	-	-	-	-	-	-	-	-
Balances with other banks	508,795	508,795	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-
Investments	56,459,447	287,371	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-
Advances	91,346,001	13,853,009	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666
Operating fixed assets	2,787,617	2,926	2,478	4,850	52,636	89,732	520,340	485,806	10,595	1,618,254
Deferred tax assets - net	1,278,849	-	-	-	-	-	-	1,278,849	-	-
Other assets	4,966,716	486,196	-	2,445,367	811,575	-	1,223,578	-	-	-
	180,792,453	37,807,960	20,879,961	37,940,046	21,547,931	14,642,276	12,069,332	16,354,402	15,070,605	4,479,920
Liabilities										
Bills payable	1,465,451	1,465,451	-	-	-	-	-	-	-	-
Borrowings	34,985,766	20,409,351	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-
Deposits and other accounts **	123,469,683	85,838,834	21,214,333	5,408,698	10,335,183	473,435	149,991	49,209	-	-
Subordinated loans	999,200	-	-	200	200	400	400	998,000	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,979,304	1,619,991	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-
	167,899,404	109,333,627	31,429,224	8,446,724	11,991,104	1,803,004	1,323,488	3,424,300	147,938	-
Net assets	12,893,049	(71,525,667)	(10,549,263)	29,493,322	9,556,827	12,839,272	10,745,869	12,930,102	14,922,667	4,479,920
Share capital	6,090,911	-	-	-	-	-	-	-	-	-
Reserves	4,030,056	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,252,180	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	11,373,147	-	-	-	-	-	-	-	-	-
Non Controlling Interest	1,446,593	-	-	-	-	-	-	-	-	-
	73,309	-	-	-	-	-	-	-	-	-
	12,893,049	-	-	-	-	-	-	-	-	-

* Included in cash and balances with treasury banks are the current and deposit accounts with the State Bank of Pakistan which are maintained to meet the Statutory Liquidity Reserve Requirements (SLR). Since such balances have no actual maturity the same are classified in the earliest maturity band of upto one month.

** As per SBP's requirement, the entire balance held in saving deposit accounts is classified under the maturity band of upto one month. On the basis of history, the Group expects that these deposits will be maintained over a longer period without withdrawal.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

47.7.2 Maturities of Assets and Liabilities - Based on expected withdrawal pattern

The following maturity analysis is presented as an additional disclosure to depict the maturities of assets and liabilities as determined by the Group's Asset and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of deposits.

	2010									
	Total	Up to one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
Rupees in '000										
Assets										
Cash and balances with treasury banks	17,428,924	10,833,877	721,112	1,003,597	1,509,751	1,111,235	514,559	652,392	980,059	102,342
Balances with other banks	5,727,909	5,727,909	-	-	-	-	-	-	-	-
Lending to financial institutions										
Investments	86,345,801	16,674,351	21,460,698	22,351,167	7,417,939	4,711,316	4,615,102	6,001,116	2,610,128	503,984
Advances	133,706,769	16,210,161	20,017,232	18,544,592	20,216,872	15,799,084	10,483,820	12,221,808	16,292,497	3,920,703
Operating fixed assets	8,726,406	22,082	34,723	238,378	145,056	540,401	754,243	276,945	838,504	5,876,074
Deferred tax assets - net	5,017,202	48,528	97,057	145,585	291,170	582,340	582,340	3,270,182	-	-
Other assets	10,486,839	1,671,958	1,207,377	2,694,981	777,516	-	-	4,135,007	-	-
	267,439,850	51,188,866	43,538,199	44,978,300	30,358,304	22,744,376	16,950,064	26,557,450	20,721,188	10,403,103
Liabilities										
Bills payable	3,218,859	3,218,859	-	-	-	-	-	-	-	-
Borrowings	34,635,904	19,593,709	7,329,479	4,198,881	1,708,968	485,863	484,498	676,131	158,375	-
Deposits and other accounts	195,315,204	32,046,851	20,266,923	23,871,020	38,511,303	29,364,402	12,131,135	14,360,021	22,387,475	2,376,074
Sub-ordinated loans	4,595,395	-	-	198,035	960	201,280	699,720	501,400	2,994,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,039,569	3,633,721	1,664,608	624,803	2,258,730	1,041,651	1,946,009	1,870,047	-	-
	250,804,931	58,493,140	29,261,010	28,892,739	42,479,961	31,093,196	15,261,362	17,407,599	25,539,850	2,376,074
Net assets	16,634,919	7,304,274	14,277,189	16,085,561	12,121,657	8,348,820	1,688,702	9,149,851	(4,818,662)	8,027,029
Share capital	7,309,094	-	-	-	-	-	-	-	-	-
Proposed shares to be issued on amalgamation	28,253	-	-	-	-	-	-	-	-	-
Reserves	7,354,688	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,992,719	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	(125,108)	-	-	-	-	-	-	-	-	-
Non Controlling Interest	75,273	-	-	-	-	-	-	-	-	-
	16,634,919	-	-	-	-	-	-	-	-	-

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

Maturities of Assets and Liabilities - Based on expected withdrawal pattern

2009

Total	Over									
	one month	three months	six months	one year	two years	three years	five years	ten years	Over five years to ten years	Over ten years
Rupees in '000										
Assets										
Cash and balances with treasury banks	3,792,077	1,167,072	511,364	765,678	228,641	541,401	487,604	459,847	473,518	-
Balances with other banks	508,795	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	14,242,461	775,365	-	-	-	-	-	-	-	-
Investments	287,371	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-	-
Advances	13,853,009	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666	-
Operating fixed assets	2,926	2,478	4,851	52,635	89,732	520,340	485,806	10,595	1,618,254	-
Deferred tax assets - net	486,196	-	2,445,367	811,575	-	1,223,578	1,278,849	-	-	-
Other assets	33,172,835	22,047,033	38,451,411	22,313,608	14,870,917	12,610,753	16,842,006	15,530,452	4,953,438	-
	180,792,453									
Liabilities										
Bills payable	1,465,451	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	20,409,351	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-	-
Deposits and other accounts	27,782,544	25,644,080	10,517,585	16,757,188	4,488,642	9,922,531	9,407,208	9,357,999	9,591,906	-
Sub-ordinated loans	-	-	200	200	400	400	998,000	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,619,991	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-	-
Other liabilities	51,277,337	35,858,971	13,555,611	18,413,109	5,818,211	11,096,023	12,782,299	9,505,937	9,591,906	-
	167,899,404									
Net assets	(18,104,502)	(13,811,938)	24,895,800	3,900,499	9,052,706	1,514,730	4,059,707	6,024,515	(4,638,468)	
Share capital	6,090,911									
Reserves	4,030,056									
Unappropriated profit	1,252,180									
Surplus on revaluation of assets	1,446,593									
Non Controlling Interest	73,309									
	12,893,049									

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

47.8 Operational Risk

Operational Risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors, or from external events. The Group's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses originate from business / operational process failure, IT security failure, natural disasters, dependence on key suppliers, fraud, service quality compromised, regulatory non-compliance, loss of key staff, and social and environmental impacts.

The Operational Risk Management Policy of the Bank is approved by the Board of Directors. Regular updates on operational risk status is presented before Enterprise Risk Management Committee (ERMC) and Board of Directors through the Board Risk Management Committee (BRMC).

The Group has implemented risk controls and loss mitigation actions for curtailing operational risk. Each division has processes and systems in place to address operational risks within their area. These include key controls and the provision of business continuity plans to protect against major disruptions. The Group's ORM framework consists of tools such as Risk & Controls Self Assessment, Loss Database and Key Risk Indicators. Material Operational risks are identified in new activities and products through "Other Risk Assessment Procedures (ORAP)".

48 DETAILS OF MODIFIED REPORT OF THE SUBSIDIARY

The external auditors of Faysal Management Services (Private) Limited (FMSL) have added an emphasis of matter paragraph in their audit report on the financial statements drawing attention to the fact that the management has initiated winding-up process of FMSL. Therefore the assets and liabilities of FMSL have been classified as Non-Current Assets Held for Distribution as per the requirements of IFRS 5 as more fully explained in note 26 to these consolidated financial statements.

49 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on March 29, 2011 by the Board of Directors of the Holding Company.

50 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There were no appropriations or distributions made after the balance sheet date.

Faysal Bank Limited and its Subsidiary Company

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2010

51 GENERAL

- 51.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current year. Earnings per share for the prior year has been restated consequent to the issue of bonus shares during the current year.
- 51.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.
- 51.3 Captions as prescribed in BSD circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which no amounts are outstanding have not been reproduced in these consolidated financial statements except in the statement of financial position and the profit and loss account.



President & Ceo



Director



Director



Director

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

Statement showing details of investments in ordinary and preference shares / certificates of listed and unlisted companies / modarabas / mutual funds and Term Finance Certificates and bonds as referred to in note 12 to the financial statements.

1. Details of investments in listed companies / modarabas / closed end mutual funds are as follows:

						Quality of Available for Sale Securities	
2010	2009	2010	2009	2010	2009	2010	2009
Ordinary shares / certificates of Rs 10 each		Name of company/ modaraba/ mutual fund		At Cost		Market Values	
				Rupees ,000		Rupees ,000	
						Medium to Long Term Rating Assigned (where available)	
Equity Investment Instruments							
4,006,670	3,994,715	Al-Meezan Mutual Fund [†]	35,348	35,263	33,295	26,365	A
1,999,950	1,999,950	NAMCO Balanced Fund	20,000	20,000	8,260	9,440	AM3-
25,639	-	Dominion Stock Fund Limited***	-	-	-	-	
28,042	-	Investec Mutual Fund Limited***	-	-	-	-	
-	2,812,895	JS Large Capital Fund	-	27,888	-	12,939	5-Star
Modarabas							
3,018,500	2,990,000	First Habib Modaraba [†]	22,829	22,656	20,224	17,432	AA+
100,000	-	First Fidelity Leasing Modaraba	288	-	174	-	BBB
199,568	-	I.B.L Modaraba 1st	575	-	357	-	
77,000	-	Tawakkal Modaraba 1st***	-	-	-	-	
56,703	-	Unicap Modaraba	11	-	5	-	
101	1,001	First Prudential Modaraba	-	1	-	1	
Banks / Financial Services							
69,922	-	Atlas Bank Limited (Formerly Dawood Bank Limited)	217	-	114	-	
1,762,772	1,709,700	Prudential Investment Bank Limited */***	12,528	12,528	-	-	
600,000	-	Arif Habib Corporation	15,966	-	14,934	-	
100,000	-	Arif Habib Investment Limited	1,855	-	1,776	-	A
15,240	-	First Capital Securities Corporation Limited	129	-	54	-	
16,024	-	Investec Securities Limited***	-	-	-	-	
22,770	-	Islamic Investment Bank Limited***	-	-	-	-	
43,105	-	National Asset Leasing Corporation Limited***	-	-	-	-	
4,100	-	National Over Limited***	-	-	-	-	
118,630	-	Natover Lease & Refinance Limited	-	-	-	-	
16,990	-	Standard Chartered Leasing Limited	49	-	48	-	AA-
3,827,120	-	Askari Commercial Bank	74,849	-	67,702	-	AA
20,000	-	Bank Alfalah Limited	230	-	224	-	AA
8,153,324	-	Bank Al Habib Limited	301,407	-	295,641	-	AA+
192,962	-	Javed Omer Vohra & Company	2,163	-	772	-	
85,411	-	JS Bank Limited	424	-	220	-	A
-	202,834	Habib Bank Limited	-	25,201	-	25,038	AA+
10,171,365	2,893,534	The Bank of Punjab	91,420	43,914	99,781	56,424	AA-
554,621	-	Bankers Equity Limited***	-	-	-	-	
11,493,620	-	Habib Metropolitan Bank Limited	338,034	-	333,200	-	AA+
24	-	Indus Bank Limited***	-	-	-	-	
325	-	Industrial Development Bank Limited	-	-	-	-	
5,730	-	Innovative Investment Bank***	-	-	-	-	
100,000	-	KASB Bank Limited	540	-	251	-	A-
120,100	-	Mehran Bank Limited***	-	-	-	-	
1,000,000	-	Silk Bank Limited	3,030	-	2,620	-	A-
3,520,045	3,520,050	First Credit & Investment Bank Limited	35,200	35,192	11,475	11,792	A-
433,477	-	National Bank of Pakistan Limited	32,437	-	33,300	-	AAA
1,114,368	25,008,000	NIB Bank Limited	3,361	166,365	3,287	120,038	AA-
10,825,024	-	Soneri Bank Limited	111,421	-	89,956	-	AA-
Construction and Materials							
9,700	-	Adamjee Floorings Limited***	-	-	-	-	
-	4,964,530	Fauji Cement Limited	-	39,373	-	30,582	
9,662	-	Buxly Paints Limited	177	-	140	-	
852,764	-	Pioneer Cement Limited	7,494	-	5,774	-	
Balance carried forward			1,111,982	428,381	1,023,584	310,051	

[†]The bank holds more than 10% of investees' capital in Prudential Investment Bank Limited fi 17.10% (2009: 17.10%)

**Shares / certificates of Rs 5 each

***Delisted companies

[†] Includes 3,994,715 certificates of Al-Meezan Mutual Fund and 2,990,000 certificates of First Habib Modaraba classified as strategic investment

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

						Quality of Available for Sale Securities	
2010		2009		2010		2009	
Ordinary shares / certificates of Rs 10 each		Name of company/ modaraba/ mutual fund		At Cost		Market Values	
				Rupees ,000		Rupees ,000	
						Medium to Long Term Rating Assigned (where available)	
		Balance brought forward	1,111,982	428,381	1,023,584	310,051	
53,197	-	Cherat Cement Company Limited	718	-	572	-	
10,665	-	Dadabhoy Construction Technology Limited	16	-	5	-	
3,149	-	EMCO Industries Limited	18	-	9	-	
280,986	-	FECTO Cement Limited	2,891	-	2,037	-	
26,900	-	Gypsum Corporation Limited***	-	-	-	-	
110,411	-	Mustekam Cement Limited	3,292	-	1,590	-	
72,100	-	Punjab Building***	-	-	-	-	
79,089	-	Zeal Pak Cement Factory Limited***	-	-	-	-	
25,300	-	Karachi Pipes Limited***	-	-	-	-	
		Oil and Gas					
22,977	21,825	Pakistan State Oil Limited	6,737	6,463	6,782	6,492	AA+
530,350	-	Shell Gas LPG	22,111	-	17,942	-	
57,375	-	Shell Pakistan Limited	11,469	-	11,947	-	
41,004	-	Attock Petroleum Limited	13,742	-	13,717	-	
250,979	-	Pakistan Petroleum Limited	54,689	-	54,500	-	
310,697	55,213	Pakistan Refinery Limited	23,166	6,500	33,468	6,664	
504,529	-	Pakistan Oilfields Limited	150,891	-	149,320	-	
10,000	114,489	National Refinery Limited	2,751	26,183	2,738	20,244	AAA
289,874	-	Mari Gas Company Limited	41,439	-	36,226	-	
100,000	1,664,059	Sui Northern Gas Pipelines Limited	2,756	55,857	2,674	41,269	AA
		Fixed Line Telecommunication					
11,000,000	7,297,581	Pakistan Telecommunication Company Limited	212,788	155,070	213,620	128,802	
14	-	Callmate Telips Limited***	-	-	-	-	
200,000	-	Telecard	516	-	442	-	
1,126,362	-	Worldcall Telecom	3,613	-	3,266	-	A-
		Electricity					
110,499	-	Altern Energy	1,214	-	1,109	-	
12,635,679	891,361	Hub Power Company Limited [†]	456,821	30,000	472,701	27,703	AA+
16,100	-	Hyderabad Electric Limited***	-	-	-	-	-
939,372	939,372	Ideal Energy Limited *	28,161	28,182	9,394	-	
1,304,841	-	Karachi Electric Supply Company**	2,675	-	3,667	-	
766,201	723,000	Kohinoor Energy Limited [†]	24,513	23,174	16,688	22,413	
40,999	-	Kohinoor Power Company Limited	303	-	189	-	
6,612,241	-	Kot Addu Power Company	275,654	-	268,986	-	
-	1,000,000	Nishat Power Limited	-	14,985	-	12,730	AA-
		Personal Goods					
53,500	-	(Colony) Sarhad Textile Limited	27	-	21	-	
74,500	-	Accord Textile Limited	93	-	52	-	
100	-	Adamjee Industries Limited***	-	-	-	-	
15,223	-	Adil Textile Mills Limited***	-	-	-	-	
10,416	-	Afsar Textile Mills Limited***	-	-	-	-	
51,715	-	Alif Textile Mills Limited***	-	-	-	-	
58,047	-	Al-Qaim Textile Mills Limited	100	-	87	-	
3,911	-	Amazai Textile Mills Limited	2	-	3	-	
46,649	-	Apex Fabrics Limited***	-	-	-	-	
181,000	-	Asim Textile Mills Limited	362	-	452	-	
34,500	-	Awan Textile Mills Limited***	-	-	-	-	
34,012	-	Ayaz Textile Mills Limited***	-	-	-	-	
6,220,000	-	Azgard Nine Limited	72,586	-	60,085	-	SD
10,192	-	Bahawalpur Textiles Limited	-	-	-	-	
60,913	-	Bannu Woollen Mills Limited	870	-	816	-	
194,773	1,530	Bata Pakistan Limited	163,233	1,426	134,228	1,498	
13,667	-	Bavony Textile Mills Limited***	-	-	-	-	
1,900	-	Bleesed Textile Mills Limited	74	-	88	-	
5,700	-	Central Cotton Mills Limited***	-	-	-	-	
12,723	-	Crescent Knitware Limited***	-	-	-	-	
118,000	-	Crescent Spinning Mills Limited***	-	-	-	-	
335,070	-	Crescent Textile Mills Limited	11,479	-	7,948	-	
		Balance carried forward	2,703,752	776,221	2,550,953	577,866	

*The bank holds more than 10% of investees' capital in Ideal Energy Limited fi 11.74% (2009: 11.74%)

**Shares / certificates of Rs 5 each

***Delisted companies

[†] Includes 891,361 shares of Hub Power Company Limited and 723,000 shares of Kohinoor Energy Limited classified as strategic investment

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

		Quality of Available for Sale Securities						
2010 Ordinary shares / certificates of Rs 10 each	2009	Name of company/ modaraba/ mutual fund	2010	2009	2010	2009	2010 Medium to Long Term Rating Assigned (where available)	2009
			At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
			Rupees ,000	Rupees ,000				
		Balance brought forward	2,703,752	776,221	2,550,953	577,866		
178,648	127,045	Crown Textile Mills Limited***	1,239	1,238	-	-		
37,584	-	Dawood Lawrancepur Limited	2,353	-	1,634	-		
3,700	-	Fateh Industries Limited	30	-	20	-		
7,300	-	Fateh Sports Wear Limited	69	-	69	-		
3,782	-	Fateh Textile Mills Limited	1,362	-	427	-		
283	-	Fazal Textile Mills Ltd.	128	-	113	-		
7,315	-	Ghafoor Textile Mills Limited***	-	-	-	-		
8,000	-	Ghulam Dadabhoy***	-	-	-	-		
10,500	-	Globe Textile Mills Limited	155	-	126	-		
55,548	-	Gul Ahmed Textile Mills	1,499	-	1,624	-		
37,800	-	Gulistan Spinning Mills Limited	286	-	260	-		
194,400	-	Gulshan Spinning Mills Limited	1,439	-	1,361	-		
1,500	-	Hafiz Textile Mills Limited	24	-	28	-		
41,612	-	Hakkim Textile Mills Limited	10	-	10	-		
9,475	-	Harum Tex Limited***	-	-	-	-		
343,846	-	Ibrahim Fibre Limited	12,623	-	14,490	-	A+	
72,936	-	Indus Dyeing Manufacturing Company Limited	14,588	-	23,938	-	A	
1	-	Indus Polyester Company Limited***	-	-	-	-		
18,370	-	International Knitwear Limited	255	-	165	-		
57,819	-	Ishaque Textile Mills Limited	260	-	398	-		
26,059	-	Ithi Textile Mills Limited	25	-	23	-		
6,064	-	Junaid Cotton Mills Limited***	-	-	-	-		
6,056	-	Kaiser Art And Kraft Mills Limited***	-	-	-	-		
18,050	-	Karim Cotton Mills Limited***	-	-	-	-		
3,500	-	Karim Silk Mills Limited***	-	-	-	-		
10,136	-	Kohinoor Cotton Textile Limited***	-	-	-	-		
29,000	-	Kohinoor Industries Limited	74	-	46	-		
27,752	-	Kohinoor Looms Limited***	-	-	-	-		
300,000	-	Kohinoor Mills Limited	1,587	-	882	-		
84,000	-	Kohinoor Spinning Mills Limited	139	-	100	-		
117,103	-	Kohinoor Sugar Mills Limited	978	-	595	-		
413,483	-	Kohinoor Textile Mills Limited	3,899	-	2,076	-		
259,500	-	Maqbool Textile Mills Limited	3,490	-	2,232	-		
19,200	-	Marr Fabrics Limited***	-	-	-	-		
164,753	-	Masood Textile Mills Limited	5,766	-	3,295	-		
8,500	-	Mehr Dastgir Textile Mills Limited	2	-	17	-		
19,701	-	Mehran Jute Mills Limited***	-	-	-	-		
27,594	-	Mian Mohammed Sugar Mills Limited***	-	-	-	-		
104,400	-	Mohd Farooq Textile Mills Limited	158	-	144	-		
26,022	-	Mohib Textile Mills Limited***	-	-	-	-		
18,780	-	Moonlite (Pak) Limited	242	-	103	-		
4,400	-	National Match Industries Limited	-	-	-	-		
11,600	-	Naveed Textile Mills Limited***	-	-	-	-		
3,057,189	-	Nishat (Chunian) Limited	70,200	-	69,459	-		
100,000	160,500	Nishat Mills Limited	6,572	11,564	6,417	11,219	A+	A+
22,201	-	Norrie Textile Mills Limited***	-	-	-	-		
49,858	-	Nusrat Textile Mills Limited***	-	-	-	-		
58,289	-	Olympia Textile Mills Limited	152	-	117	-		
2,000,010	-	Pakistan Synthetic Limited	18,695	-	18,200	-		
288,510	-	Paramount Spining Mills Limited	2,897	-	3,001	-		
37,500	-	Pearl Fabrics Limited***	-	-	-	-		
117,895	-	Premium Textile Mills Limited	2,594	-	3,336	-		
9,345	-	Punjab Cotton***	-	-	-	-		
12,000	-	Qayyum Spinning Mills Limited	4	-	4	-		
38,000	-	Ravi Textile Mills Limited	405	-	57	-		
128,500	-	Redco Textiles Limited	127	-	114	-		
65,321	-	Reliance Cotton Spinning Mills Limited	1,828	-	2,381	-		
47,250	-	Reliance Weaving Mills Limited	481	-	430	-	BBB+	
99,326	-	Ruby Textile Mills Limited	1,067	-	497	-		
260,605	-	Rupali Polyester Limited	9,642	-	9,382	-		
500	-	Sadoon Textile Mills Limited	-	-	-	-		
327,276	-	Saif Textile Mills Limited	2,605	-	1,473	-		
58,000	-	Saitex Spinning Mills Limited***	-	-	-	-		
40,200	-	Sana Industries Limited	1,407	-	1,851	-		
19,926	-	Sapphire Fibers Limited	2,192	-	2,572	-		
		Balance carried forward	2,877,300	789,023	2,724,420	589,085		

***Delisted companies

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

		Quality of Available for Sale Securities						
2010 Ordinary shares / certificates of Rs 10 each	2009	Name of company/ modaraba/ mutual fund	2010	2009	2010	2009	2010	2009
			At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
			Rupees ,000	Rupees ,000				
		Balance brought forward	2,877,300	789,023	2,724,420	589,085		
43,000	-	Schon Textiles Limited***	-	-	-	-		
27,000	-	Service (Textile) Industries Limited	19	-	11	-		
219,268	-	Service Fabrics Limited	88	-	66	-		
280,564	-	Service Industries	77,518	-	67,347	-		
76,000	-	Shahaj Textile Mills Limited	1,440	-	1,460	-		
12,831	-	Shahyar (O.E.) Textile***	-	-	-	-		
36,200	-	Shahyar Textile***	-	-	-	-		
57,498	-	Shams Textile Mills Limited	1,144	-	1,437	-		
17,000	-	Siftaq Internatioanal Limited	30	-	17	-		
12,859	-	Sind Fine Textile Mills Limited	77	-	102	-		
2,376	-	Sunrise Textile Limited***	-	-	78	-		
71,700	-	Sunshine Cloth Limited	-	-	-	-		
69,000	-	Sunshine Cotton Mills Limited***	69	-	23	-		
5,000	-	Suraj Cotton Mills Limited	156	-	176	-		
229,000	-	Taj Textile Mills Limited	82	-	85	-		
7,000	-	Tariq Cotton Mills Limited***	-	-	-	-		
18,734	-	Tawakkal Garments Industries Limited***	-	-	-	-		
19,000	-	Tawakkal Limited***	-	-	-	-		
42,176	-	Treet Corporation Limited	2,514	-	2,533	-	AA-	
601	-	United Brands Limited	27	-	17	-		
11,000	-	Zafar Textile Mills Limited	-	-	-	-		
79,306	-	Zahoor Cotton Mills Limited	22	-	71	-		
2,567,046	2,500,000	Zahoor Textile Mills Limited***	2,500	2,500	-	-		
156,600	-	Zil Limited	9,281	-	8,752	-		
		Electronic and Electrical Equipment						
6,300	-	Aslo Electronic Limited***	-	-	-	-		
9,700	-	Greaves Airconditons Limited***	-	-	-	-		
90,400	-	Johnson And Phillips (Pakistan) Limited	1,379	-	852	-		
17,700	-	Punjab Lamps***	-	-	-	-		
4	-	Refrigerator Manufacturing Limited	-	-	-	-		
		Support Services						
700,000	-	TRG Pakistan	2,945	-	2,499	-		
		Non Life Insurance						
400,000	-	Adamjee Insurance Company Limited	35,849	-	35,000	-	AA	
10,000	-	EFU General Insurance	456	-	440	-		
50	-	Union Insurance Company of Pakistan Limited***	-	-	-	-		
		Food Producers						
232,077	-	Al- Abbas Sugar Mills Limited	21,579	-	22,025	-	A	
1,500	-	Charsada Sugar***	-	-	-	-		
1,000	-	Chashma Sugar Mills Limited	10	-	12	-		
35,599	-	Colony Sugar Mills	392	-	115	-		
80,000	-	Crescent Sugar Mills and Distillery Limited	515	-	540	-		
425,600	-	Faran Sugar Mills Limited	8,938	-	8,870	-		
7,270	-	Fazal Vegetable Ghee Mills Limited	33	-	33	-		
617,500	-	Habib Sugar Mills Limited***	17,004	-	20,569	-		
400	-	Ismail Industries Limited	27	-	30	-		
17,389	-	JDVW Sugar	1,429	-	1,543	-	A-	
133,364	-	Mirpurkhas Sugar Mills Limited	10,134	-	6,882	-		
9,500	-	Morafco Industries Limited	126	-	88	-		
9,084	-	Mubarik Dairies Limited	9	-	36	-		
580	-	Nestle Pakistan	1,363	-	1,377	-		
10,000	-	Pak Ghee Industries Limited	4	-	3	-		
126,839	-	Pangrio Sugar Mills Limited	901	-	774	-		
173,000	-	Sanghar Sugar Mills Limited	2,595	-	2,491	-		
382,779	-	Shahmurad Sugar Mills Limited	5,608	-	4,195	-	BBB+	
130,390	-	Shahaj Sugar Mills Limited	12,257	-	10,451	-		
1,170,210	-	Shakarganj Mills Limited	9,479	-	6,471	-	D	
9,000	-	Suraj Ghee Industries Limited	117	-	90	-		
8,205	-	Unilever Pakistan Limited	35,197	-	35,775	-		
23,500	-	Uqab Breeding Farms Limited***	-	-	-	-		
		Balance carried forward	3,140,613	791,523	2,967,756	589,085		

***Delisted companies

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

		Quality of Available for Sale Securities					
2010	2009	2010	2009	2010	2009		
Ordinary shares / certificates of Rs 10 each		At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
		Rupees ,000	Rupees ,000				
		Balance brought forward	3,140,613	791,523	2,967,756	589,085	
75,363	70,000	Industrial Engineering					
71,635	66,900	Al-Ghazi Tractors **	18,479	17,607	17,107	16,663	
43,152	-	Millat Tractors	35,673	23,772	35,802	25,409	
43,797	-	Bela Engineering Limited***	-	-	97	-	
113,973	-	Bolan Casting Limited	1,752	-	1,931	-	
125,948	-	Hinopak Motors Limited	21,409	-	15,032	-	
4,241	-	K.S.B. Pumps Company Limited	9,375	-	7,571	-	
		Nowshera Engineering***	-	-	-	-	
		Automobiles and Parts					
16,636	-	Honda Atlas Cars Limited	323	-	193	-	
24,921	18,358	Indus Motor Company Limited	6,358	3,691	6,292	3,608	
4,835	-	Agri Auto Industries Limited**	356	-	368	-	
46,600	-	Atlas Battery Limited	8,819	-	8,876	-	
17,333	-	Atlas Honda Limited	2,542	-	2,166	-	
247,658	-	Baluchistan Wheels Limited	7,417	-	8,376	-	
16,000	-	Data Agro Limited***	-	-	-	-	
12,204	-	Exide Pakistan Limited	2,481	-	2,395	-	
595,017	-	General Tyre and Rubber Company of Pakistan Limited	15,192	-	13,447	-	
151,317	-	Pak Suzuki Motor Company Limited	14,070	-	10,565	-	
9,300	-	Tex Baren Battery***	-	-	-	-	
16,000	-	Taga Pakistan Limited***	-	-	-	-	
		Chemicals					
157,230	-	BOC Pakistan Limited	20,287	-	14,324	-	
22,500	-	Adil Polypropylene Limited***	-	-	-	-	
7,137,000	-	Agritech Limited	213,273	-	170,574	-	SD
252,497	-	Clariant Pakistan Limited	45,194	-	46,207	-	
1,779,232	-	Dawood Hercules Chemicals Limited ⁺	371,980	-	352,928	-	
316,676	-	Dewan Salman Fibre Limited	1,083	-	947	-	
200,000	-	Engro Corporation	39,152	-	38,762	-	AA
1,374,615	1,374,615	Fauji Fertilizer Company Limited ⁺	100,000	100,000	173,009	141,489	
3,200,000	-	Lotte Pakistan Limited	45,008	-	43,840	-	
24	-	Polyron Limited***	-	-	-	-	
24,223	-	Sardar Chemical Industries Limited	46	-	22	-	
114,947	-	Sind Alkalis Limited	-	-	-	-	
110,942	-	Sitara Chemical Industries Limited	19,848	-	14,173	-	AA-
72,000	-	United Distributors Pakistan Limited	1,549	-	726	-	
101,272	-	Wah-Nobel Chemicals Limited	5,353	-	3,659	-	
-	943,584	Sitara Peroxide Limited	-	22,150	-	14,937	
		Industrial Metals and Mining					
516,199	-	Crescent Steel & Allied Products Limited	16,080	-	14,201	-	A+
221,580	-	Huffaz Seamless Pipe Industries Limited	4,682	-	3,459	-	
1,252,967	-	International Industries Limited	68,811	-	74,990	-	
16,000	-	Metropolitan Steel Corporation Limited	213	-	106	-	
1,000	-	Quality Steel Works Limited	12	-	11	-	
		Industrial Transportation					
169,430	-	Pakistan International Container Terminal Limited	12,679	-	12,326	-	A
244,023	-	Pakistan National Shipping Corporation	10,424	-	9,261	-	AA-
500	-	Pan Islamic Steamship Company Limited***	-	-	-	-	
		Health Care Equipment and Services					
48,000	-	Medi Glass Limited	38	-	22	-	
		Pharma and Bio Tech					
321,353	60,800	Abbot Laboratories (Pakistan) Limited	34,020	7,086	35,265	7,370	
253,620	-	Ferozsons Laboratories Limited	25,954	-	22,098	-	
538,033	43,555	Glaxosmithkline (Pakistan) Limited	48,553	4,725	47,449	4,759	
68,200	-	Highnoon Laboratories Limited	2,244	-	1,974	-	
17,114	-	Otsuka Pakistan Limited	668	-	562	-	
20,722	-	Sanofi-Aventis Pakistan Limited	2,942	-	2,943	-	
119,000	480,000	Searl Pakistan Limited	7,547	30,463	7,141	29,928	BBB+
21,238	-	Wyeth Pak Limited	25,017	-	22,336	-	BBB
		Balance carried forward	4,407,516	1,001,017	4,211,289	833,248	

**Shares / certificates of Rs 5 each

***Delisted companies

⁺ Includes 1,131,158 shares of Dawood Hercules Chemicals Limited and 1,374,615 shares of Fauji Fertilizer Company Limited classified as strategic investment

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

		Quality of Available for Sale Securities				
2010	2009	2010	2009	2010	2009	
Ordinary shares / certificates of Rs 10 each		At Cost	Market Values	Medium to Long Term Rating Assigned (where available)		
		Rupees ,000	Rupees ,000			
		Balance brought forward	4,407,516	1,001,017	4,211,289	833,248
		Forestry and Paper				
43,923	-	Adamjee Papers Limited***	-	-	-	-
6,900	-	Chilya Corr Board Limited***	-	-	-	-
16,900	-	Pakistan Paper Corporation	-	-	-	-
100,000	-	Security Paper Limited	4,871	-	4,486	-
		Beverages				
186,315	-	Shezan International Limited	24,638	-	21,670	-
		Leisure Goods				
51,384	-	Grays of Combridge (Pakistan) Limited	4,034	-	2,569	-
3,200	-	RCD Ball***	-	-	-	-
		Media				
49,000	-	Southern Networks***	-	-	-	-
		Household Goods				
206,979	-	AlAbid Silk Mills Limited	4,946	-	5,959	-
1,089,438	-	Pak Elektron Limited	19,120	-	15,296	-
15,000	-	Regal Ceramics Limited***	-	-	-	-
		Jute				
-	100,000	Thall Limited **	-	10,578	-	8,487
		Tobacco				
255,035	-	Pakistan Tobacco Company	29,366	-	28,113	-
		General Industrials / Others				
225	225	VISA Incorporation - Class C Shares	-	-	1,352	1,671
60,326	-	Dadabhoy Leasing Limited***	-	-	-	-
9,927	-	AlHussainy Industries Limited	-	-	-	-
30,714	-	Arag Industries Limited***	-	-	-	-
27,488	-	Aswan Tantage Limited***	-	-	-	-
12,145	-	Baluchistan Foundry	-	-	-	-
127,000	-	Baluchistan Particle Board Limited	127	-	152	-
9,000	-	Casspak Industries Limited***	-	-	-	-
8,013	-	Dadabhoy Sack Limited***	-	-	-	-
102,500	-	Fatima Enterprise	1,789	-	1,363	-
18,400	-	H.Shaikh M. Hussain***	-	-	-	-
26,000	-	Hashmi Can Company Limited	156	-	172	-
26,500	-	Kaytex Mills Limited***	-	-	-	-
15,500	-	Lafayat Industry Limited	-	-	-	-
40,459	-	Merit Packaging Limited	768	-	991	-
592,353	-	Packages Limited	77,514	-	76,183	-
169,148	-	Siemens Pakistan Engineering Company Limited	218,525	-	212,028	-
2,223	-	Syed Match Company Limited	31	-	29	-
43,169	-	Tri-Pack Films Limited	5,410	-	5,274	-
27,521	-	Turbo Tec Limited***	-	-	-	-
25	-	Pakistan Services Limited	3	-	4	-
770,000	-	Noon Pakistan Limited	11,163	-	12,266	-
			4,809,977	1,011,595	4,599,196	843,406

**Shares / certificates of Rs 5 each

***Delisted companies

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

2. Details of investments in unlisted companies are as follows:

	2010		2009		Quality of Available for Sale Securities	
	At Cost Rupees ,000	Market Values Rupees ,000	At Cost Rupees ,000	Market Values Rupees ,000	2010 Medium to Long Term Rating Assigned (where available)	2009
Al Hamra Avenue (Private) Limited* 24,375,000 (2009 : 24,375,000) ordinary shares of Rs 10 each The bank holds 15.22% (2009 : 15.22%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.52 (2009: Rs 9.54) Period of financial statements: June 30, 2010 (un-audited)	243,750	243,750			Not Applicable	
Al Hamra Hills (Private) Limited* 12,500,000 (2009 : 12,500,000) ordinary shares of Rs 10 each The bank holds 14.13% (2009 : 14.13%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 8.17 (2009: Rs. 9.47) Period of financial statements: June 30, 2010 (audited)	125,000	125,000			Not Applicable	
DHA Cogen Limited */* 32,500,000 (2009 : 32,500,000) ordinary shares of Rs 10 each	325,000	325,000			Not Applicable	
ECOTEC CNG 484,562 (2009: Nil) ordinary shares of Rs 10 each	-	-			Not Applicable	
First Capital Investment (Private) Limited * 150,000 (2009 : 150,000) ordinary shares of Rs 10 each	750	750			Not Applicable	AM4+ AM4+
Himont Chemical (Private) Limited * 810,000 (2009 : 810,000) ordinary shares of Rs 10 each	1,037	1,037			Not Applicable	
Sukhchayn Gardens (Private) Limited* 242,785 (2009 : 250,758) ordinary shares of Rs 100 each The bank holds 5.52% (2009: 5.70%) of investee's capital. Chief Executive: Mr. Shujaat Azeem Break up value per share: Rs. 172.61 (2009: 171.39) Period of financial statements: June 30, 2010 (un-audited)	100,500	103,800			Not Applicable	
Credit Rating Information Services Limited (Bangladesh) * 260,000 (2009: Nil) ordinary shares of Taka 10 each. The bank holds 18.50% (2009: nil) of investee's capital Name of Chief Executive : Mr. Muzaffar Ahmed Break up value per share: Taka 6.43 (2009: Nil) Period of financial statements: December 31, 2004 (audited)	2,452	-			Not Applicable	
Khushhali Bank Limited 1,500,000 (2009: Nil) ordinary shares of Rs 10 each The bank holds 0.88% (2009: Nil) of investee's capital. Chief Executive: Mr. Muhammad Ghalib Nishtar Break up value of share: Rs. 1.22 (2009: Nil) Period of financial statements: December 31, 2009 (audited)	15,000	-			Not Applicable	
Pakistan Export Finance Guarantee Agency Limited * 568,044 (2009: Nil) ordinary shares of Rs 10 each The bank holds 5.27% (2009: Nil) of investee's capital. Chief Executive: Mr. S.M. Zaeem Break up value of share: Rs. 3.15 (2009: Nil) Period of financial statements: December 31, 2007 (audited)	5,687	-			Not Applicable	
	819,176	799,337				

*Fully provided investments

*Strategic investments

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

3. Preference shares of Listed companies

								Quality of Available for Sale Securities	
2010	2009	Name of company	Rate	2010	2009	2010	2009	2010	2009
Share of Rs 10 each				At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
		Rupees ,000	Rupees ,000						
2,249,000	2,249,000	Azgard Nine Limited	8.95% Cumulative	22,490	22,490	22,040	22,040	SD	A+
24,430,177	24,394,111	Maple Leaf Cement Factory Limited	9.75% Cumulative Convertible	244,099	243,937	103,096	115,872	BB	SD
29	-	Charsada Sugar *	6% per annum	-	-	-	-		
79,998	-	Nishat (Chunian) 15% NVCCP	15% Cumulative	1,750	-	1,680	-		
20	-	Unilever Pakistan Limited *	5% Cumulative	-	-	-	-		
4,763,000	-	Chenab Limited	9.25% p.a.	47,630	-	-	-		
				315,969	266,427	126,816	137,912		

* Securities having no book value as at December 31, 2010

4. Preference shares of Unlisted companies

								Quality of Available for Sale Securities	
2010	2009	Name of company	Rate	2010	2009	2010	2009	2010	2009
Share of Rs 10 each				At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
		Rupees ,000	Rupees ,000						
2,500,000	2,500,000	Fazal Cloth Mills (Private) Limited Chief Executive: Mr. Sheikh Naseem Ahmad The bank holds 10% (2009 : 2.5% plus 10.00%) of investee's capital. 6 months KIBOR		25,000	25,000	Not Applicable		A-	
7,700,302	7,500,000	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The bank holds 17.13% (2009 : 14.25%) of Class A 9.50% Cumulative preference shares in Convertible investee's capital.		75,000	75,000	Not Applicable		A	A
-	12,625,000	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol Class B preference shares of 11% Cumulative investee's capital Convertible		-	126,250	Not Applicable			A
				100,000	226,250				

5. Details of investments in open ended mutual funds:

								Quality of Available for Sale Securities	
2010	2009	Name of fund		2010	2009	2010	2009	2010	2009
				At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
		Rupees ,000	Rupees ,000						
Open ended Mutual funds									
1,873,887	1,873,887	Faysal Income Growth Fund		200,000	200,000	197,227	198,951	A(f)	A+(f)
2,107,900	2,100,000	Faysal Savings Growth Fund		208,230	207,411	221,646	216,111	A+(f)	A(f)
1,003,499	-	Faysal Islamic Savings Growth Fund		100,000	-	105,327	-		
1,000,000	-	Faysal Money Market Fund		100,000	-	100,530	-	AA+(f)	
143,758	-	JS KSE 30 Index Fund		3,709	-	4,262	-		
281,289	-	JS Large Capital Fund †		27,888	-	22,849	-		5-Star
1,000,000	-	PICIC Income Fund		100,000	-	100,155	-		
20,356	-	First Habib Income Fund		2,043	-	2,089	-	AA-(f)	
20,200	-	IGI Income Fund		2,046	-	2,037	-		
61,634	-	HBL Income Fund		6,064	-	6,198	-	A(f)	
17,800	-	AKD Income Fund **		826	-	851	-	BBB(f)	
1,310,292	1,310,292	Faysal Balanced Growth Fund †		80,374	80,374	99,739	130,033		3 Star
22,771,496	154,923,195	National Investment (Unit) Trust ***		420,009	2,671,422	588,211	4,299,119	3-Star	2-Star
5,000,000	-	National Investment Trust Income Fund ***		50,000	-	52,790	-		
-	5,000,000	National Investment Trust Government Bond Fund ***		-	50,000	-	50,668		
				1,301,189	3,209,207	1,503,911	4,894,882		

* Nature of fund has been changed to open ended fund from closed end fund.

** Units of Rs 50 each

*** Units of Rs 10 each

†Strategic investment

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

	Quality of Available for Sale Securities							
	2010		2009		2010		2009	
	At Cost		Market Values		Medium to Long Term Rating Assigned (where available)			
	Rupees ,000		Rupees ,000					
6. Term Finance Certificates - Listed, Secured								
Al Zamin Leasing Modaraba Limited - Second Tranche								
Nil (2009: 9,942) certificates of Rs. 5,000 each Mark-up: Minimum 9.5% on PLS Basis (4% above six months KIBOR - Floor 11%) Redemption: Three annual installments commencing May 2008 Maturity: May 2010 Modaraba Management Company: Al Zamin Modaraba Management (Private) Limited Chief Executive Officer of Management Company : Mr. Basheer Ahmed Chowdry	-	16,901	-	14,746				A
Azgard Nine Limited	118,489	118,489	111,379	118,113	A			AA-
31,640 (2009: 31,640) certificates of Rs. 5,000 each Mark-up: Different spread over six months KIBOR rate in different years with no floor and cap Redemption: 12 unequal semi annual installments, 2012-2015: 47% and 2016-2017: 53% of the outstanding amount Maturity: September 2017 Chief Executive Officer: Mr. Ahmad Shaikh								
Bank Al-Habib Limited - Unsecured	99,760	99,800	90,615	87,760	AA			AA
20,000 (2009: 20,000) certificates of Rs. 5,000 each Mark-up: 1.5% above six months KIBOR, with floor:3.50% & cap-10% Redemption: 0.25% per annum in first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month. Maturity: July 2012 Chief Executive Officer: Mr. Abbas D. Habib								
Jahangir Siddiqui & Company Limited - Fourth Tranche	49,920	49,940	50,149	51,147	AA			AA+
10,000 (2009: 10,000) certificates of Rs. 5,000 each Mark-up: 2.5% above six months KIBOR floor-6% per annum; cap-16% per annum Redemption: 0.18% of principal in the first 54 months, remaining 99.82% in equal installments in 60th & 66th month Maturity: May 2012 Chief Executive Officer: Mr. Munaf Ibrahim								
Trust Leasing & Investment Bank Limited - Second Tranche	-	24,450	-	23,433				BBB
Nil (2009: 24,450) certificates of Rs. 5,000 each Mark-up: 2% above six months KIBOR rate; with no floor and no cap Redemption: Ten semi fi annual installments commencing 6 months from date of issue Maturity: November 2010 Chief Executive Officer: Mr. Humayun Nabi Jan								
United Bank Limited - First Issue	252,093	249,520	232,990	221,419	AA			AA
50,535 (2009: 50,000) certificates of Rs. 5,000 each Mark-up: 8.45% per annum Redemption: 0.25% per annum in first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month. Maturity: July 2012 Chief Executive Officer: Mr. Atif R. Bokhari								
United Bank Limited - Second Issue	99,978	99,982	87,603	86,073	AA			AA
20,000 (2009: 20,000) certificates of Rs. 5,000 each Mark-up: 9.49% per annum Redemption: At maturity Maturity: March 2013 Chief Executive Officer: Mr. Atif R. Bokhari								
United Bank Limited - Fourth Issue	-	226,589	-	220,304				AA
Nil (2009: 50,000) certificates of Rs. 5,000 each Mark-up: For 1 - 5 years, 0.85% above six months KIBOR rate with no floor and cap. For 6 - 10 years, 1.35% above six months KIBOR rate with no floor and cap. Redemption: At maturity or at the exercise of call option or partial call option. Maturity: February 2018 Chief Executive Officer: Mr. Atif R. Bokhari								
Financial Receivables Securitization Company Limited	67,201	82,591	66,468	80,613	A+			A+
20,000 (2009: 20,000) certificates of Rs. 5,000 each Mark-up: 2.00% above six months KIBOR rate, floor-8%, cap-16% Redemption: Equal Semi annual installment with a grace period of 1 year Maturity: January 2014 Chief Executive Officer: Mr. Suleman Kanjiyani								
Balance carried forward	687,441	968,262	639,204	903,608				

Annexure I to the Consolidated Financial Statements

For the year ended December 31, 2010

Quality of Available
for Sale Securities

	2010	2009	2010	2009	Quality of Available for Sale Securities	
	At Cost		Market Values		2010	2009
	Rupees ,000		Rupees ,000		Medium to Long Term Rating Assigned (where available)	
Balance brought forward	687,441	968,262	639,204	903,608		
Telecard Limited 70,233 (2009: 70,233) certificates of Rs. 5,000 each Mark-up: 3.75% above six months KIBOR rate, with no floor and no cap Redemption: Ten unequal semi-annual installments commencing 18 months from the last date of public subscription. Maturity: November 2013 Chief Executive Officer: Mr. Shams ul Afreen	129,053	160,026	123,503	143,615	BBB	BBB
Pakistan Mobile Communication Limited 3,000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 2.85% above six months KIBOR rate, with no floor and no cap Redemption: Six equal semi-annual installments commencing 54th months from the date of issuance. Maturity: May 2013 Chief Executive Officer: Mr. Rashid Khan	12,480	-	12,478	-	A+	
Askari Bank Limited - Second Issue 3,000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 1.50% above six months KIBOR rate, with no floor and no cap Redemption: 0.3% of the principal amount in the first 90 months and remaining in the 96th month of issue date Maturity: October 2013 Chief Executive Officer: Mr. Muhammad Rafiquddin Mehkari	14,970	-	14,665	-	AA-	
Pak Arab Fertilizers Limited 691 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 1.50% above six months KIBOR rate, with no floor and no cap Redemption: 6% semi annually in first 30 months, balance in five stepped-up semi annual installments commencing from the 36th month from the issuance date. Maturity: February 2013 Chief Executive Officer: Fawad Ahmed Mukhtar	3,248	-	3,150	-	AA	
Bank Alfalah Limited - Second Issue 6000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: 1.50% above six months KIBOR rate, with no floor and no cap Redemption: 0.25% semi annually in first 78 months, balance of 33.25% each starting from 84th month. Maturity: November 2012 Chief Executive Officer: Mr. Sirajuddin Aziz	29,931	-	29,584	-	AA-	
	877,123	1,128,288	822,584	1,047,223		
7. Term Finance Certificates - Unlisted						
Dewan Cement Limited (formerly Pakland Cement Limited) The TFC has not currently been issued. Chief Executive Officer: Mr. Dewan M. Yousuf Farooqi	500,000	500,000		Not applicable	D	
Bank Alfalah Limited - Fourth Issue 40,000 (2009: 40,000) certificates of Rs. 5,000 each Mark-up: 2.50% above six months KIBOR rate with no floor and cap Redemption: 0.26% semi annually in first 78 months, balance of 33.25% each starting from 84th month. Maturity: September 2017 Chief Executive Officer: Mr. Sirajuddin Aziz	199,919	200,000	201,989	-	AA	AA-
Dewan Sugar Mills Limited 10,000 (2009: Nil) certificates of Rs. 5,000 each Mark-up: SBP discount rate less 2% p.a. with 6% floor and 12% cap Maturity: June 2008 Chief Executive Officer: Mr. Dewan M. Yousuf Farooqi	12,495	-		Not applicable		
	712,414	700,000	201,989	-		

Annexure II to the Consolidated Financial Statements

For the year ended December 31, 2010

Statement showing writedown loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2010 as referred to in note 13.8 to these consolidated financial statements.

S. No.	Name of borrower	Address	Name of Individuals/ Partners / Directors / CNIC	Father,s / Husband,s Name	Outstanding liabilities at beginning of the year		Principal written-off	Interest / Markup	Total (6+7+8)	Interest / Markup written-off	Others Financial Relief provided	Total (10+11+12)
					Principal	Others						
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
1	De-lucchi	16-B/1 'Sunset Boulevard Phase2 Dha Karachi Faisalabad	Sumaira Khalid Qadri 42301720761472	Khalid Mahmood Qadri	15,178	9,841	-	25,019	-	9,841	-	9,841
2	Sabina Ahmed	House No 523-Amotallah Ghulam Muledabad Faisalabad	6110189010168	Muhammad Faisal Anwar	506	13	-	531	448	39	28	515
3	Muhammad Iqbal Khokh	H B 14/6/14 Moh Bakshu Pura Gujrat	3420103194269	Hakeem Muhammad Azam Khokhkar	474	-	5	479	421	38	45	504
4	Nareen Naeem	House# 291-A-7 Batala Colony Faisalabad	3310057595952	Nemat Naeem Rao	525	-	19	544	468	42	28	538
5	Muhammad Azeem Mujah	House #5 St# 1 Main Bazar Qilaluchman Singh Ravi Rd54000	3520014152981	Mujahid Hussain	162	-	-	162	418	82	32	532
6	Mohammad Aslam Butt	House # 147 Askari Colony # 1 Sialkot Cantt Sialkot	3460328244885	Rehmat Ali	138	15	21	174	433	73	58	564
7	Muhammad Husnain Sha	128 E 1 Main Boulevard Gulberg Ili Lahore	3520284684593	Syed Ali Ahmed Shah	477	58	30	565	443	110	64	617
8	Wali Muhammad	H # 2/6, Sharif Park Begun Pur Nable Grammar School Near Gh Road Uet Lahore	3520236142037	Khushi Muhammad	327	11	18	356	450	84	69	603
9	Khuram Niaz	H # 33 G Eme Housing Society Multan Road Lahore	3520222600865	Niaz Ahmed Akhtar	77	20	79	176	459	102	69	630
10	Azeem Waris Khan	H No.67 Q.Blk 06 P E C H S Nr. Ambala Sweets Karachi	4220186335575	Khan Kamal Waris	170	14	5	189	387	81	36	504
11	Chaudhry Ghulam Qama	House # 731 Street #74 G- 10/4 Islamabad P-02Tilpu Street Khayaban # 02Medina Town Faisalabad	6110132165955	Chaudhry Nizam-Uddin	264	-	-	264	475	106	41	622
12	Muld Islam Munawar	H#194/Xisit#12B Hasan Abad Townnear Gol Masjid Multan	3310048980793	Chaudhary Ghulam Nabi	467	24	9	500	421	90	64	575
13	Muld Shahzad Khalid	H #33 St #21 Bibi Park Samanabad Lahore	3630202777615	Shah Muhammad Saqlb	465	10	-	475	490	90	14	594
14	Zeeshan Arshad	H# 97 S#12 F-1/1 Islamabad G-1 Rd Lahore	3520014228753	Arshad Jamal	450	12	2	464	450	96	18	564
15	Tariq Wahmood	H# 12 S#21 Swami Nagri Nr. Shazo liberty	3740197275891	Haji Mohammed Razaq	404	11	4	419	480	98	25	603
16	Altaf Khan	H.No. 12Q, Gulberg Ii, Lahore	3520225491731	Nawab Khan	241	4	2	247	406	79	24	509
17	Sheikh Mushiq Ahmed	H.No. 1 S# 2 Peer Rd New Mezzang Lahore	3520212652289	Sheikh Farazdin	8,931	2,472	-	11,403	1,340	-	-	1,340
18	Mirza Muhammad Iqbal	H # 68-A Shafai Colony Gujrat Khuda Multan Cantt Multan	3520225608603	Mirza Nawab Baig	546	16	16	578	509	49	31	589
19	Nargis Zahara	102-C Rehman Pura Colony Nr. Residence Of Pt. Farang Aesh Bahadur Nr. Vahida Rd Near P. Chohan Hospital Lahore	3630272749200	Muhammad Kamran Saeed Khan	956	-	10	966	925	90	39	1,054
20	Syed Muhammad Rizwan	House#32 Bahadurabad#2 Blk 7/8 Karachi P # 440 St# 2 Gobiind Pura Opp Shaukat Khanam Laboratory Gulberg Road Faisalabad	3520226395039	Syed Anayat Hussain	266	7	43	316	364	84	80	528
21	Muhammad Junaid Arsh	House # P132 St # 4-5 Sohailabad Batala Colony Faisalabad	3520223849459	Mian Muhammad Arshad	266	9	46	321	414	67	110	591
22	Ikram Sheikh	P-21 St # 6 Gulbathar Colony Saltana Road Near Umar Masjid Faisalabad	4220140665711	Fayaz Ullah Shaikh	119	25	28	172	450	77	59	586
23	Muhammad Shoaib Ahma	House # 6BZ 103 Road Khawaja Chowk Madina Town Faisalabad	3310044343817	Sheikh Muhammad Ashraf	444	-	-	444	450	99	25	574
24	Hafiz Aftab Hussain	H #301/A1 R.A.Bazar Near F.G Boys High School Rawalpindi	3310056441931	Chohary Ejaz Hussain	8	6	-	14	491	97	27	615
25	Muhammad Tariq	House # 6BZ 103 Road Khawaja Chowk Madina Town Faisalabad	3310045387223	Muhammad Shafi	454	36	37	527	409	87	96	592
26	Muld Naeem Akhler	House # 6BZ 103 Road Khawaja Chowk Madina Town Faisalabad	3310010169239	Rasheed Ahmad Toor	497	10	-	507	499	103	18	620
27	Faraz Sadq	H #301/A1 R.A.Bazar Near F.G Boys High School Rawalpindi	3740504936055	Muhammad Sadq	498	13	2	513	488	103	18	609
28	Muhammad Shoaib Ahma	P-440 St # 2 Gobiind Pura Opp Shaukat Khanam Laboratory Gulberg Rd Faisalabad	3310044343817	Sheikh Muhammad Ashraf	488	7	-	495	499	99	16	614
					33,798	12,634	388	46,820	13,487	12,006	1,134	26,627

Faysal Bank Limited

Annexure III to the Consolidated Financial Statements Statement of Financial Position - Islamic Banking

As at December 31, 2010

The Bank is Operating 13 Islamic banking branches (2009: 6).

	2010 Rs ,000	2009 Rs ,000
ASSETS		
Cash and balances with treasury banks	404,534	27,270
Balances with and due from financial Institutions	47,588	20,159
Investments	2,666,067	535,877
Financing and receivables		
- Murabaha	1,614,237	-
- Ijara	21,091	-
- Musharaka	-	-
- Diminishing Musharaka	1,809,843	-
- Salam	-	-
- Other Islamic Modes	-	-
Other assets	471,827	38,665
	7,035,187	621,971
LIABILITIES		
Bills payable	9,623	6,601
Due to financial institutions	-	-
Deposits and other accounts		
- Current Accounts	1,331,527	-
- Saving Accounts	1,011,063	32,482
- Term Deposits	1,413,258	81,575
- Others	12,288	-
- Deposits from financial institutions - remunerative	1,492,313	-
- Deposits from financial institutions - non-remunerative	-	-
Due to head office	1,080,500	-
Other liabilities	24,919	5,108
	6,375,491	125,766
NET ASSETS	659,696	496,205
REPRESENTED BY		
Islamic Banking Fund	880,000	500,000
Reserves	-	-
Unappropriated profit / (loss)	(225,003)	(943)
	654,997	499,057
Surplus / (Deficit) on revaluation of assets - net of tax	4,699	(2,852)
	659,696	496,205
Remuneration to shariah advisor	3,503	1,750
CHARITY FUND		
Opening balance	-	-
Charity fund transferred from amalgamated entity	(304)	-
Additions during the period	371	-
Payments / utilization during the period	-	-
Closing balance	67	-

Annexure III to the Consolidated Financial Statements

Profit and Loss Account - Islamic Banking

For the year ended December 31, 2010

	2010 Rs ,000	2009 Rs ,000
Profit / return earned on financing and investments	419,546	16,423
Profit / return expensed	225,972	777
Net spread earned	193,574	15,646
Provision against non-performing financings	6,493	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	(1)	-
	6,492	-
Income after provisions	187,082	15,646
Other Income		
Fee, commission and brokerage income	3,011	40
Dividend income	-	-
Income from dealing in foreign currencies	60	-
Capital gain on sale of securities	563	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	(1,249)	-
Total other income	2,385	40
	189,467	15,686
Other expenses		
Administrative expenses	139,836	16,629
Other provision / write-offs	-	-
Other charges*	273,691	-
Total other expenses	413,527	16,629
	(224,060)	(943)
Extraordinary items / unusual items	-	-
Profit / (Loss) for the year	(224,060)	(943)

* Includes loss amounting to Rs 266.862 million arising on amalgamation.

Faysal Bank Limited

Combined Pattern of CDC and Physical Share Holdings

As at December 31, 2010

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1	INDIVIDUALS		12,702	48,567,659	6.64
2	INVESTMENT COMPANIES		7	182,586	0.02
3	JOINT STOCK COMPANIES		116	2,545,253	0.35
4	DIRECTORS ,CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		7	31,742	0.00
	SYED NASEEM AHMAD	690			
	MR. NAVED A. KHAN (A/C - Shamil Bank of Bahrain B.S.C.)	690			
	MR. GRAHAM RODERICK WALKER (A/C - Shamil Bank of Bahrain. B.S.C.)	690			
	MR. MOHAMED A.R. HUSSAIN (A/C - Shamil Bank of Bahrain B.S.C.)	690			
	MR. FAROOG RAHMATULLAH	690			
	MR. SHAHID AHMAD	27,602			
	MR. HASSAN MOHAMMED MAHMOOD HASSAN	-			
	LT.GEN. MUHAMMAD MAQBOOL (RETD.)	-			
	MR. MOHAMMAD A.RAHMAN BUCHEEREI (Ex-Director) (A/C - Shamil Bank of Bahrain B.S.C.)	690			
5	COMPANY SECRETARY	-	-	-	-
6	EXECUTIVES		8	134,798	0.02
7	NIT / ICP		6	12,866,804	1.76
	NATIONAL BANK OF PAKISTAN , TRUSTEE DEPTT.	12,840,641			
	INVESTMENT CORPORATION OF PAKISTAN	26,163			
8	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		9	489,288,181	66.94
	SHAMIL BANK OF BAHRAIN B.S.C. (SPONSOR COMPANY)	328,499,136			
	FAISAL FINANCE (LUXEMBOURG) S.A.	62,680,130			
	MFAI (JERSEY) LTD.	43,142,016			
	DMI (JERSEY) LIMITED	31,340,064			
	FAISAL PRIVATE BANK (SWITZERLAND) S.A.	23,626,835			
9	PUBLIC SECTOR COMPANIES AND CORPORATIONS	-	-	-	-
10	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS		34	51,456,072	7.04
11	FOREIGN INVESTORS		39	124,984,701	17.10
12	CO-OPERATIVE SOCIETIES		1	861	0.00
13	CHARITABLE TRUSTS		7	670,104	0.09
14	OTHERS		11	180,611	0.02
			12,947	730,909,372	100.00

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY	730,909,372 SHARES
10% OF THE PAID-UP CAPITAL OF THE COMPANY	73,090,937 SHARES

NAME(S) OF SHARE-HOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE %
SHAMIL BANK OF BAHRAIN B.S.C. (SPONSOR COMPANY)	FALLS IN CATEGORY # 8	328,499,136	44.94
JPMORGAN CHASE BANK	FALLS IN CATEGORY # 11	86,991,122	11.90

NOTE :

Shamil Bank of Bahrain B.S.C. holds the shares of Faysal Bank Limited in =02= different CDC accounts and also holding in Physical form under =01= Folio.

Combined Pattern of CDC and Physical Share Holdings

As at December 31, 2010

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE %
1	INDIVIDUALS	12702	48,567,659	6.64
2	INVESTMENT COMPANIES	7	182,586	0.02
3	JOINT STOCK COMPANIES	116	2,545,253	0.35
4	DIRECTORS, CHEIF EXECUTIVES OFFICER AND THEIR SPOUSE AND MINOR CHILDREN	7	31,742	0.00
5	EXECUTIVES	8	134,798	0.02
6	NIT / ICP	6	12,866,804	1.76
7	ASSOCIATED COMPANIES , UNDERTAKINGS AND RELATED PARTIES	9	489,288,181	66.94
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS	0	0	0.00
9	BANKS, DFIs, NBFIs, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS	34	51,456,072	7.04
9.1	FINANCIAL INSTITUTIONS	11	7,543,004	1.03
9.2	LEASING COMPANIES	2	367	0.00
9.3	INSURANCE COMPANIES	10	43,573,854	5.96
9.4	MODARABAS	5	13,213	0.00
9.5	MUTUAL FUNDS	6	325,634	0.04
10	FOREIGN INVESTORS	39	124,984,701	17.10
11	CO-OPERATIVE SOCIETIES	1	861	0.00
12	CHARITABLE TRUSTS	7	670,104	0.09
13	OTHERS	11	180,611	0.02
		<u>12947</u>	<u>730,909,372</u>	<u>100.00</u>

Faysal Bank Limited

Pattern of CDC and Physical Share Holdings

As at December 31, 2010

Number of Share Holders	Share Holding		Total Shares Held
2,232	1-	100	76,248
4,085	101-	500	804,067
1,316	501-	1,000	952,521
3,967	1001-	5,000	7,908,606
622	5001-	10,000	4,196,033
226	10,001-	15,000	2,827,291
102	15,001-	20,000	1,753,481
61	20,001-	25,000	1,371,510
55	25,001-	30,000	1,530,213
34	30,001-	35,000	1,101,760
23	35,001-	40,000	855,815
23	40,001-	45,000	970,763
18	45,001-	50,000	864,838
6	50,001-	55,000	317,288
15	55,001-	60,000	868,598
11	60,001-	65,000	681,217
8	65,001-	70,000	536,056
10	70,001-	75,000	726,604
10	75,001-	80,000	785,715
7	80,001-	85,000	574,772
5	85,001-	90,000	439,419
3	90,001-	95,000	276,571
3	95,001-	100,000	294,691
1	100,001-	105,000	100,537
3	105,001-	110,000	322,270
3	110,001-	115,000	338,110
2	115,001-	120,000	237,494
2	120,001-	125,000	246,351
3	125,001-	130,000	382,960
2	130,001-	135,000	262,840
3	135,001-	140,000	413,590
6	145,001-	150,000	878,127
1	150,001-	155,000	150,420
2	155,001-	160,000	314,305
1	160,001-	165,000	162,952
2	165,001-	170,000	338,388
1	170,001-	175,000	170,715
2	175,001-	180,000	353,892
1	180,001-	185,000	182,504
1	190,001-	195,000	194,320
2	195,001-	200,000	395,618
1	205,001-	210,000	207,000
1	210,001-	215,000	213,900
1	220,001-	225,000	220,204
1	230,001-	235,000	232,567
1	235,001-	240,000	235,038
1	240,001-	245,000	242,073
3	245,001-	250,000	745,049
2	265,001-	270,000	532,893
1	280,001-	285,000	284,000

Pattern of CDC and Physical Share Holdings

As at December 31, 2010

Number of Share Holders	Share Holding		Total Shares Held
1	285,001-	290,000	289,838
1	290,001-	295,000	290,181
2	295,001-	300,000	597,561
1	325,001-	330,000	325,404
2	335,001-	340,000	677,104
1	340,001-	345,000	342,284
1	345,001-	350,000	349,669
2	355,001-	360,000	720,000
1	365,001-	370,000	365,827
1	370,001-	375,000	372,649
1	395,001-	400,000	396,750
2	465,001-	470,000	937,994
1	560,001-	565,000	564,000
1	570,001-	575,000	572,802
1	600,001-	605,000	601,499
2	680,001-	685,000	1,366,249
2	725,001-	730,000	1,454,063
1	785,001-	790,000	789,930
1	815,001-	820,000	818,031
1	1,045,001-	1,050,000	1,047,109
1	1,080,001-	1,085,000	1,083,117
1	1,255,001-	1,260,000	1,260,000
1	1,415,001-	1,420,000	1,417,032
1	1,505,001-	1,510,000	1,505,500
1	1,570,001-	1,575,000	1,574,642
1	1,740,001-	1,745,000	1,741,112
1	1,845,001-	1,850,000	1,846,476
1	2,320,001-	2,325,000	2,321,484
1	2,490,001-	2,495,000	2,493,710
1	2,530,001-	2,535,000	2,534,106
1	2,945,001-	2,950,000	2,945,764
1	3,480,001-	3,485,000	3,482,226
1	3,710,001-	3,715,000	3,713,733
1	3,745,001-	3,750,000	3,750,000
2	7,955,001-	7,960,000	15,911,973
1	11,995,001-	12,000,000	12,000,000
1	12,615,001-	12,620,000	12,619,741
1	14,345,001-	14,350,000	14,347,966
1	14,950,001-	14,955,000	14,950,742
1	15,670,001-	15,675,000	15,670,030
1	18,825,001-	18,830,000	18,826,450
1	24,315,001-	24,320,000	24,315,566
1	31,340,001-	31,345,000	31,340,064
1	36,175,001-	36,180,000	36,179,332
1	36,460,001-	36,465,000	36,463,824
1	38,800,001-	38,805,000	38,800,947
1	62,680,001-	62,685,000	62,680,130
1	313,180,001-	313,185,000	313,182,567
<u>12,947</u>			<u>730,909,372</u>

Branch Network

South Region

Karachi

Karachi Main Branch

Faysal House
ST-02, Main Shahra e Faisal
92-21-111-747-747
92-21-32795234

Quality Height Clifton Branch

K.D.A Scheme # 5
Clifton
92-21-35838959
92-21-35863774

Gulshan-e-Iqbal Branch

B -35, Block 13-A
Main University Road
92-21-34994261
92-21-34994260

Jodia Bazar Branch

G-2, Plot # MR-6/52/1
Ismail Trade Centre
Ram Bharti Street
92-21-32471443
92-21-32443795
92-21-32444107

DHA Shahbaz Branch

23-C, Phase VI
Khayaban e Shahbaz
D.H.A
92-21-35845771
92-21-35845490

Shaheed-e-Millat Branch

Iqbal Arcade
Plot # 6,3/7
D.M.C Society
92-21-34384364
92-21-34385547

North Nazimabad Branch

Plot # D-6, Block-D
K.D.A Scheme #2
92-21-36670050
92-21-36625518

Shahrah-e-Faisal Branch

Business Avenue Centre
Block # 6, P.E.C.H.S
92-21-34326661
92-21-34315638

Cloth Market Branch

BR-2, 1/1, Bander Quarters
New Neham Road
Kharadar
92-21-3243992-21-22
92-21-32438150
92-21-32432408

SITE Branch

Plot # B-17, Estate Avenue
S.I.T.E
92-21-32585925
92-21-32585337

MACHS Branch

Plot # 2-F (Commercial)
M.A.C.H.S
92-21-34390514
92-21-34390513

Korangi Road Branch

Speedy Towers, 129 / I & II
Main Korangi Road
DHA Phase I
92-21-35390542
92-21-35391345

New Challi Branch

Abid Chamber, Plot 3 SR.6/9
Shahra-e-Liaqat
92-21-32214903-904
92-21-32214907

North Karachi Industrial Area Branch

SA -2 (ST1/1) Sector 12-B
92-21-36957155-3695
92-21-36951207

Gulshan Chowrangi Branch

Shop # 1-4, Ground floor
Sana Arcade, Plot# ZC-6
Block # 7, K.D.A Scheme 24
92-21-34815319
92-21-34815308

Korangi Industrial Area Branch

Plot # 51 / 9, Sector 15
Main Korangi Road
92-21-35114400
92-21-35114399

Timber Market Branch

Plot # 6/2 Old Haji Camp
Siddique Wahab Road, Lee Quarters
92-21-32734508
92-21-32734490
92-21-32745901

Clifton Block II Branch

B-3 & B-4, Plot # FI
Block II, Clifton
92-21-35877923
92-21-35877925

I. I. Chundrigar Road Branch

11/13, Trade Centre
92-21-32638011-16
92-21-32635845

Khayaban-e-Mujahid Branch

43-C, Stadium Lane II
Khayaban e Mujahid
D.H.A, Phase V
92-21-35349113
92-21-35349114

Khayaban-e-Tanzeem Branch

14-C, Khayaban e Tanzeem
Tauheed Commercial
D.H.A Phase V
92-21-35877845
92-21-35877847

Gulistan-e-Jauhar Branch

Shop # 29 & 30, Ruffi Lake Drive
Block 18, K.D.A Scheme # 36
92-21-34026856
92-213402 6858

Phase IV DHA Branch

14-C, Sunset Commercial
Street # 2
D.H.A Phase IV
92-21-35802426
92-21-35802425

Dhoraji Branch

Shop # 4, Lubna Plaza
Plot # 448 C.P
Berar Co-Operative Housing Society
92-21-34860851
92-21-34860856

Nazimabad Branch

Plot # 16 Row #1, Sub Block A
Block III (III A, 1 / 16)
Nazimabad
92-21-36707420
92-21-36707424

Saba Avenue Branch

Shop # 2 & 3, Ground Floor
Plot # 36-C
Badar Commercial Street
St # 6, Phase V
92-21-35243985
92-21-35348929

Khalid Bin Waleed Road Branch

Plot # 89-B, Block-2 P.E.C.H.S
92-21-34302250
92-21-34302252

Madina Centre Saddar Branch

Shop # 10 & 11
Ground Floor Madina Centre
Plot Survey # 31/2
Survey Sheet # SB-5
92-21-35621505-7
92-21-35621509

Korangi No.2 Branch
Q-14, Ground Floor
Sector 33-A, Korangi # 2
92-21-35071757
92-21-35071128

Gulshan Block-2 Branch
A-287, Block-2, K.D.A Scheme -24
Gulshan e Iqbal karachi
92-21-34972202
92-21-34972416

DHA Phase VIII Branch
43-C, Al-Murtaza
Commercial Lane # 4
D.H.A Phase VIII
92-21-35246014
92-21-35246016

APWA Complex Garden Branch
Shop # SOA, 5 Ground Floor
APWA Complex
Plot # 67-AC
Garden Road
92-21-32294778
92-21-32294776

Power House UP More Branch
Shop # 4, 5, & 6
Plot # LS -12 (ST -7)
Sector 11K
North Karachi Town Ship
92-21-36914034-36
92-21-36961038

Buffer Zone Branch
Plot # R-2, Sector 15-A/ 2
Buffer Zone
North Karachi
92-21-36950081-87
92-21-36950083

Burns Road Branch
Shop # 4 & 5 Ground Floor
Lokhat Mansion, Survey # 2
Shahra e Liaquat
Burns Road
92-21-2211077-23
92-21-2211022

Gulzar-e-Hijri Branch
Plot # A-747/C
Block 13-A, KDA Scheme 33
Pakistan Employee Cooperative
Housing Society Limited (PECHS)
92-21-3465 2159
92-21-3464 5055

Electronic Market Branch
Shop # 3, Hashmi Electronics Centre
Abdullah Haroon Road
Saddar
92-21-32751585-86
92-21-32751565

Shah Faisal Colony Branch
B-09 Main Electronics Market
Shah Faisal Colony No. 1
92-21-34686215
92-21-34686216

Gulbahar Branch
Plot number 476-477-478
Ghousia Colony
92-21-36729801
92-21-36729803

Abdullah Haroon Road Branch
16-Abdullah Haroon Road
92-21-35838959
92-21-35218026

Shaheed-e-Millat Branch
72-A/Z, Block 7/8, Al- Riaz
92-21-34311950
92-21-34310749

Gulshan Branch
SB-25 Block 13/C
92-21-111335335
92-21-34972270

Defence Branch
22/C, Lane-2
Shahbaz Commercial
92-21-35347266
92-21-35855131

North Nazimabad Branch
D-4, Block D North Nazimabad
92-21-36721635
92-21-36721614

Abdullah Haroon Branch
State Life Building 11
Abdullah Haroon Road
92-21-35682639
92-21-35683975

Jodia Bazar Branch
NP 12/74
Mohammad Shah Street
92-21-32522225 - 8
92-21-32524770

I.I. Chudrigar Branch
Nadir House
I. I. Chundrigar Road
92-21-32418300-3
92-21-32418485

Karachi Clifton Branch
13-C, 7th Zamzama
Commercial Lane
Clifton
92-21-35875454
92-21-35875404

DHA Korangi Branch
World Business Center
Main Korangi Road
92-21-35805179
92-21-35805180

S.I.T.E. Branch
Plot # B/9-B/2 Estate Avenue
92-21-32569934-39
92-21-32569771

North Nazimabad Branch
Almas Square, Plot No. SD-5
92-21-36676028
92-21 36648440

Cloth Market Branch
Cloth Market, New Naham Road
Off. M.A. Jinnah Road
92-21-32472616-8
92-21-32472595

Shahrah-e-Faisal Branch
Progressive Centre
92-21-34535119
92-21-34535170

North Karachi Branch
ST-3, Sector 12-A
Industrial Area
92-21-36920621-25
92-21-36956237

Khayaban-e-Shahbaz Branch
43-C, Khyaban e Shahbaz
D.H.A, Phase VI
92-21-35342388
92-21-35342387

Paper Market Branch
Shahrah - e- Liaquat,
Paper Market
92-21-32213945-48
92-21-32213941

Dhoraji Branch
Sana Pride, 35/244
C.P. & Berar Coop
92-21-34136551
92-21-34136550

Metroville Branch
Street # 15, Block 3
Metroville SITE
92-21-36661300
92-21-36662034
92-21-36662774

Marriott Road Branch
G5, G6 & G7
Plot Sheet No MR-1
92-21-32412803-07
92-21-32414095

Federal B Area Branch
C-25, Block 17
Federal B. Area
92-21-36800693
92-21-36800344

Gulshan-e-Iqbal Branch
FL-2/4, Block 6
KDA Scheme
92-21-34819572
92-21-34819744

Gulistan-e-Johar Branch
Billy's Heights
92-21-34026830
92-21-34026832

Khayaban-e-Ittehad Branch
8-C, Ittehad Commercial Lane No 9
92-21-35346706
92-21-35350275

Tipu Sultan Road Branch
Plot No. 110
Zonal Commercial Area
92-21-34301188
92-21-34301187

Sub Branch
Schon Circle, Plot No.DC-1, 16-A
16-B, Block 5
Clifton Centre
Kehkashan
92-21-35871891
92-21-35871892

Hyderabad

Saddar Branch
Plot # 339
Main Bohra Bazar Saddar
92-22-2728356-59
92-22-2728360

Latifabad Branch
C - 489, Unit No 8
Latifabad
92-22-3820526-7
92-22-3820530

Hyderabad Branch
CB 474,
Opposite Cantt Police Station
Saddar
92-22-2781077-78
92-22-2780879

Quetta

Shahrah-e-Adalat Branch
Shahrah e Adalat
92-81-2838449
92-81-2836453

Fatima Jinnah Road Branch
Yousuf Centre
Fatima Jinnah Road
92-81-2837234
92-81-2834724

Quetta Branch
1-25/14-15 Qandhari Bazar
92-81-2837890
92-81-2820915

Sukkur

Sukkur Branch
City Survey No. D1596 /1-D
Race Course Road
Sukha Talab
92-71-5617195-97
92-71-5617185

Sukkur Branch
Shaheed Gunj, Sukkur
92-71-5628417-967
92-71-5628968

Turbat

Turbat Branch
Main Bazar
92-852-411074
92-852-412673

Central Region

Lahore

The Mall Branch
43,Shahrah e Quaid e Azam
92-42-37314051-54
92-42-111747747
92-42-37314447

M. M. Alam Road Branch
95, B-II, M.M. Alam Road
Gulberg-III
92-42-35755190-94
92-42-35712748
92-42-35755196

D.H.A H-Block Branch
136/1, Block-H, Commercial Area
Phase-I, DHA Lahore Cantt
92-42-35897712-17
92-42-35897720

Garden Town Branch
4-Aibak Block, Garden Town
92-42-35889810-4
92-42-35889675

Circular Road Branch
Babar Center, 51
Circular Road
92-42-37673001-6
92-42-37673007

Shalimar Garden Branch
Chowk Shalimar Bagh
Baghbanpura
92-42-36844714-17
92-42-36844744

DHA Z-Block Branch
Z-10, Street no. 10, Phase III
Lahore Cantt
92-42-35743741-43
92-42-35749178

Allama Iqbal Town Branch
18-Hunza Block, Main Road
Allama Iqbal Town
92-42-35437004-8
92-42-35296662

Upper Mall Branch
309-A Upper Mall
92-42-35715393-95
92-42-35714844-5
92-42-35710187

Main Boulevard Gulberg Branch
59-A, Main Boulevard, Gulberg
92-42-35787823-9
92-42-35787830

Model Town Branch
13-Bank Square Market
Model Town
92-42-35884505-07
92-42-35854816

Badami Bagh Branch
1-Taj Chambers, Badami Bagh
92-42-37705536-41
92-42-37705551

Faisal Town Branch
25-D, Main Boulevard, Faisal Town
92-42-35201991-3
92-42-35201998

Thokar Niaz Baig Branch
Jamal Market, Ali Town
Opposite Lahore University
Thokar Niaz Baig
Raiwand Road
92-42-35314020-23
92-42-35314016

Shadman Branch
11 - A, Shadman 1
Jail Road
92-42-37599316
92-42-37599242
92-42-37599452
92-42-37599363

Shah Alam Market Branch

41 Alamgir Market
Main Shah Alam Market
92-42-37675619
92-42-37651968
92-42-37671363

Urdu Bazar Branch

S-38, R-205-A, Cattle Street
Circular Road, Urdu Bazar
92-42-37314617-18
92-42-37314629

Bedian Road Branch

Bedian Road
Near DHA Phase VI
Lahore Cantt
92-42-35720254
92-42-35745868
92-42-35740237

Johar Town Branch

435-G-I, Johar Town
92-42-35302017
92-42-35315735
92-42-35315736
92-42-35301393

Shahdara Branch

G.T.Road, Shahdara
92-42-37902501-506
92-42-37902508

Liberty Market Branch

37-E, III Saeed Alam Tower
Liberty Market, Gulberg III
92-42-35752108-9
92-42-35750366

Ichra Branch

172, Ferozpur Road
Ichra
92-42-37569934-35
92-42-37580488

Walton Cantt Branch

36 Jinnah Plaza, Main Boulevard
Defence Link Road
92-42-36604309-12
92-42-36604313

McLeod Road Branch

Usman Plaza, Opposite Lahore Hotel
92-42-36370024-45-67
92-42-36370041

Mughalpur Branch

3/15 Jahangir Road, Lal Pul, Near AFC
92-42-363524863-4
92-42-36524785

Qartaba Chowk Branch

3 Ferozpur Road, Muzang Chungi
92-42-37574680-82
92-42-37574662

Chouburji Branch

50, Choburji Branch
92-42-37568229
92-42-37568223
92-42-37568226

New Airport Road Branch

Adjoining Divine Mega-II Plaza
New Airport Road, Cantt
92-42-35910014-15
92-42-35730877

Ghazi Chowk Branch

8-A, Awaisia Cooperative Housing Society
Ghazi Chowk, Link College Road
92-42-35212250-54
92-42-35212257

Nila Gumbud Branch

78 Brandreth, Nishter Road
92-42-37360032-34-38
92-42-37360035

Brandreth Road Branch

The Mall Road, Bank Square Lahore
92-42-37367224-225
92-42-37367233

CMH Chowk Branch

1482/14-15, Day Building CMH
Chowk, Sarwar Road
Lahore Cantt
92-42-36602327-29
92-42-36601740

Lahore Main Branch

310 Upper Mall
Shahrah e Quaid e Azam
92-42-111112233
92-42-35751020

Cavalry Ground Branch

4 /5 Haroon Plaza
Cavalry Ground
92-42-1111-321-321
92-42-36655590
92-42-36655591

Egerton Road Branch

Ground Floor, Aiwan e Iqbal Complex
92-42-36371111
92-42-36278782
92-42-36368500

Gulshan-e-Ravi Branch

2/B, Civic Center
Gulshan e Ravi
92-42-37404511-6
92-4236301107
92-42-37404517

TBlock Branch

CCA-22, T Block, Phase II, DHA
92-42-35707667-9
92-42-35707747
92-42-35707666

Shahdara Branch

110-A Lytton Road
Qurtaba Chowk
92-42-37210500-4
92-42-37900268
92-42-37210505

Faisal Town Branch

594-A, Faisal Town
92-42-35203881-4
92-42-35203892
92-42-35203880

Township Branch

894-D, Faisal Town, PECO Road
92-42-35176051-9
92-42-35176002
92-42-35176041

Lahore Gulberg Industrial Area Branch

25-B-2, Gulberg III
92-42-35717141-5
92-42-35717141
92-42-35718050

Raiwind Road Branch

131/178, Bohbatian Chowk
Raiwind Road
92-42-35320164, 35320406
92-42-35320706

Valancia Branch

A-6 H Block
Commercial Zone
Valancia Society
92-42-35188604-5
92-42-35188604
92-42-35188606

Baghbanpura Branch

Chowk Shalamar Bagh
G. T. Road
92-42-36840310-5
92-42-36840318
92-42-36840316

PIA Town Branch

188 Block F, Phase 1
92-42-35189011-6
92-42-35189020
92-42-35189010

DHA Y Block Branch

77-Y, Phase III
Commercial Area, DHA
92-42-35728282
92-42-35726601
92-42-35725767

Gulberg Branch Branch

61- Main Gulberg
92-42-35757666
92-42-35757666
92-42-35753111

New Garden Town Branch

Ground Floor, Block No 2
92-42-35861111
92-42-35940191
92-42-35869181

Allama Iqbal Town Branch

20 - Gulshan Block
Allama Iqbal Town
92-42-35415588
92-42-35417262
92-42-35419394

Circular Road Branch

Outside Shah Alam Gate
Main Circular Road
92-42-37670600
92-42-37670501
92-42-37670666

Badami Bagh Branch

343- Circular Road Badami Bagh
92-42-37708160
92-42-37708171
92-42-37708170

Qurtuba Chowk Branch

110-A Lytton Road
Qurtuba Chowk
92-42-37210500-4
92-42-37900268
92-42-37210505

Bilal Gunj Branch

16-Shahjehan Road
Bilal Gunj
92-42-37214084-8
92-42-37214074

Arifwala**Arifwala Branch**

173-D Thana Bazar
Arifwala, Multan
92-45-7835421
92-45-7835422
92-45-7835423
92-45-7835420

Bahawalpur**Bahawalpur Branch**

2 - Rehman Society
Noor Mahal Road
92-62-2730591
92-62-2730594
92-62-2730691-95
92-62-2730696

Bahawalpur Branch

V/912, Circular Road
92-62-27311113
92-62-27311112
92-62-2731115-6
92-62-2874503

Burewala**Burewala Branch**

95-C, Multan Road
92-6733-59333
92-6733-59332
92-6733-73011-17
92-6733-59331

Chichawatni**Chichawatni Branch**

G.T Road Chichawatni
92-40-5482315
92-40-5482314
92-40-5482305-06
92-40-5482310

Depalpur**Depalpur Branch**

Shop# 1& 2, Khewat# 1822
Khatooni 2930 To 2940
Gillani Heights
Madina Chowk
92-444-540771
92-444-540770
92-444-540768-69
92-444-540772

Dera Ghazi Khan**Dera Ghazi Khan Branch**

Usman Plaza
Opposite Lahore Hotel
92-642-468785
92-642-468773
92-642-468769- 72
92-642-468775

Dera Ghazi Khan Branch

Block 18, Pakistan Plaza
92-642-474182
92-642-474181
92-642-474175-77
92-642-474180

Haroonabad**Haroonabad Branch**

25/C Grain Market Haroonabad
Distt Bahawalnager, Ghalla Mandi
92-632-250770-71
92-632-25119-32
92-632-250773

Khanewal**Khanewal Branch**

Plot No. 75, Block 12
Sir Syed Road
92-65-2553606
92-65-2553607
92-65-2553608-11
92-65-2553612

Multan**Bosan Road Branch**

I/A-2, Officers Colony
Bosan Road
92-61-6214901
92-61-6214902
92-61-6214905-09
92-61-6214900

Old Bahawalpur Road Branch

129/1, Old Bahawalpur Road
92-61-4783390
92-61-4783391
92-61-4784492-93
92-61-4785203-04
92-61-4784490

Qaddafi Chowk Branch

709-Qaddafi Chowk
Khanewal Road
Near Daewoo Terminal
92-61-6784272
92-61-6784273
92-61-6784276-79
92-61-6784284

Multan Main Branch

No.1 Nusrat Road
Opposite District Court
Multan Cantt
92-61-4781054
92-61-4781697
92-21-111112233
92-61-4780126-27

Multan Branch

80-Abdali Road
92-61-4571768
92-61-4570768
92-61-4581905-06
92-61-4581904

Mian Channu**Mian Channu Branch**

Khalid Plaza
Main Bazar Chak Sawari
Mirpur AJK
92-65-2664260-62
92-65-2664264
92-65-2664263

Okara

Okara Branch
Mandi Road
92-442-551771
92-442-551770
92-442-551773
92-442-551774

Pakpattan

Pakpattan Branch
College Road
92-45-7352305
92-45-7352306
92-45-7352307-09
92-45-7371591

Rahim Yar Khan

Rahim Yar Khan Branch
27- Town Hall
Opposite City Park
92-68-5889418
92-68-5889417
92-68-5889411-15
92-68-5889420

Sadiqabad

Sadiqabad Branch
Allama Iqbal Road
Sadiqabad District
92-68-5702434
92-68-5702435
92-68-5702440
92-68-5702139

Sahiwal

Sahiwal Branch
Sarwar Shaheed Road
92-404-224077
92-404-224076
92-404-224060-64
92-404-224015

Vehari

Vehari Branch
94-B, Iqbal Road
Behind Grain Market
92-6733-66481
92-6733-66482
92-6733-66582
92-6733-66480

Vehari Branch
47-A, Karkhana Bazar
92-6733-63190
92-6733-60794
92-6733-66401
92-6733-60797
92-6733-66402

North Region

Islamabad

Blue Area Branch
15-West
Jinnah Avenue
Blue Area
92-51-2275096-9
92-51-2275095

F-10 Markaz Branch
2-G, Capital Business Center
F-10 Markaz
92-51-2104456-8
92-51-2104459

F-7 Markaz Branch
Shop 1, Plot 12 D
Jinnah Supermarket
F-7 Markaz
92-51-2652676
92-51-2654689
92-51-2652665

I-10 Markaz Branch
3-G, Monawwar Plaza
C10 Markaz I-10
92-51-4102105-8
92-51-4102117

F-11 Markaz Branch
Plot 14, F-11 Markaz
92-51-2228143-4
92-51-2228145

F-8 Markaz Branch
Rawal Arcade
Markaz F-8
92-51-2817256
92-51-2817263

G-10, Markaz Branch
G-10 Markaz
92-51-2101272-73
92-51-2101276

Islamabad Main Branch
15, Markaz F-7, Opposite FG
College for Women, F-7/2
92-51-111112233
92-51-2610714-7
92-51-2651331 & 336

F-10 Markaz Branch
7-L, F-10 Markaz
92-51-2293386
92-51-2291487
92-51-2296962

Blue Area Branch
78-W, Roshin Center
Jinnah Avenue
Blue Area
92-51-2275252
92-51-2275254

Abbottabad

Abbottabad Branch
Main Mansehra Road
92-992-385919-28
92-992-385921

Mirpur Azad Kashmir

Mirpur Branch
Mian Muhammad Road
Opp. Quaid e Azam Stadium
Azad Kashmir
92-5827-445103
92-5287-443601

Mirpur Branch
Sector B/2
Allama Iqbal Road
92-5827-437272
92-5827-437260

Chaksawari Branch
Khalid Plaza, Main Bazar
92-5827-454800-2
92-5827-454806

Attock

Attock Branch
Plot # 169, Shair Jaffar Plaza
Saddiqui Road
92-57-2602061-62
92-57-2602064

Bhalwal

Bhawal Branch
131-A, Liaqat Shaheed Road
92-48-6642405-08
92-48-6643545

Chakwal

Chakwal Branch
Talha Gang Road
Opposite Alliance Travel
92-543-553923-4
92-543-553914

Daska

Daska Branch
Plot No.3, 4 & 5
Muslim Market
Gujranwala
92-52-6614623-3
92-52-6614099

Dina

Dina Branch
1880-Al-Bilal Plaza
GT Road, Dina
92-544-636824
92-544-636036

Faisalabad

Faisalabad Branch
Civil Line, Bilal Road
Civil Lines
92-41-2644481-5
92-41-2640545
92-41-2644486

Liaquat Road Branch
3-Liaquat Road
92-41-2617403-8
92-41-2627809

Ghulam Muhammadabad Branch
39-B, Usman Plaza, Sadar Bazar Ghulam
Muhammad Abad
92-41-2691375
92-41-2691262
92-41-2692814

D-Ground Branch
447-D, Peoples Colony
92-41-8730443
92-41-8732196

Madina Town Branch
Madina Town
92-41-8723432
92-41-8723451

Faisalabad Main Branch
Bilal Road, Civil Lines
92-41-111112233
92-41-2606001

Faisalabad Branch
Pill, Liaquat Road
92-41-2636341-3
92-41-2612064

Gujar Khan

Gujar Khan Branch
B-111, 215-D
WARD 5, G.T. Road
92-51-3517018
92-51-3514613

Gujar Khan Branch
Plot No 204/A, Main Gate
92-51-3516425
92-51-3516324
92-51-3516325

Gujar Khan Sub Branch
Railway Road
92-51-3512403-404
92-51-3512409

Gujranwala

Gujranwala Branch
Zia Plaza, G.T. Road
92-55-3730301-3
92-55-3730304

Gujranwala Branch
Al-Majeed Center, G. T.Road
92-55-3735531-5
92-55-3735536

Gujrat

Gujrat Branch
Sub Gujar Khan
Railway Road, Gujar Khan
92-533-236781-3
92-533-524185

Gujrat Branch
2-Prince Fan Colony, G.T. Road
92-53-3533143
92-53-3535931
92-53-3533145

Haripur

Haripur Branch
Akbar Arcade, Akbar Khan Plaza
Shahrah e Hazara
92-995-616426-9
92-995-616432

Jhang

Jhang Branch
P-10/1/A, Katchery Road
Near Session Chowk
Saddar
92-47-7650650-90
92-47-7629545

Jhelum

Jhelum Branch
Kohinoor Bank Square
Old G.T. Road, Jhelum Cantt
92-544-626001
92-544-623875

Jhelum Branch
Old G. T. Road
92-544-621122
92-544-625648

Kharian

Kharian Branch
Rizwan Plaza, First Floor
GT Road, Near City Hospital
92-53-7536064
92-53-7536066

Kharian Branch
Rizwan Plaza
G.T. Road
92-53-7536249
92-53-7534058

Lalamusa

Lalamusa Branch
Shayan Plaza Kaira
G.T Road
92-53-7519581
92-53-7519580

Mandi Bahuddin

Mandi Bahuddin Branch
Furniture Point
Railway Road
92-546-600721-23
92-546-00371

Mardan

Mardan Branch
Main Bazar, Bank Road
92-937-871761
92-937-871546

Peshawar

Peshawar Cantt Branch
Super Market
Saddar Road
92-91-5270176-8
92-91-5270631

Peshawar City Branch
Tariq Market, New Rampura Gate
Ashrafi Road
92-91-2593827-8
92-91-2591817

University Road Branch
4652-4670, Omer Plaza
Jahangirabad, University Road
92-91-5711401-8
92-91-5711409

Khyber Bazar Branch
417-D, Outside Bajori Gate
Shoba Chowk, Khyber Bazar
92-91-2220471
92-91-2219860

Peshawar University Camp Branch
Ground Floor, Academic Block - II, New
Campus Branch, University of Peshawar
92-91-5846547-50
92-91-5846545

Peshawar Main Branch
Canit, Peshawar
92-91-5260488
92-91-5275503

Peshawar Ashraf Road Branch
Shops No 471-472/203-204
92-91-2593364-5
92-91-2593165

Rabwah

Rabwah Branch
Plot # 09, Gol Bazar Darul Saddar Chenab
Nagar Rabwah
92-47-6215072-4
92-47-6215075

Rawalpindi

Haider Road Branch
32 Haider Road
Rawalpindi Cantt
92-51-5701018-22
92-51-5525879

Satellite Town Branch
5th Road, City Shopping Centre
Commercial Market, Satellite Town
92-51-4424969-72
92-51-4424962

Raja Bazar Branch
U-1, Iqbal Road, Fawara Chowk
Raja Bazar
92-51-5530661
92-51-5775625-23-27
92-51-5530671

Westridge Branch
Peshawar Road Westridge
RV arcade
92-51-5468734-36
92-51-5468737

Sadiqabad Road Branch
72-C, Satellite Town
Sadiqabad Road
92-51-4257745
92-51-4573741-2
92-51-4425744

Kalma Chowk Branch
Kamalabad, Dhok Syedan Road
92-51-5791452-4
92-51-5791457

Rawalpindi Main Branch
CL/55 - A, Civil Lines
Meo Road
92-51-111321321
92-51-5795105
92-51-5567955

Rawalpindi The Mall Branch
Century Tower, 6-The Mall
92-51-5701054-6
92-51-5567016

Rawalpindi Gunj Mandi Branch
Gunj Mandi, Raja Bazar
92-51-5539115
92-51-5533315
92-51-5537844

Sargodha

Sargodha Branch
University Road, Sargodha
92-48-3726033-36
92-48-3726032

Sargodha Branch
Khayyam Chowk, Railway Road
92-48-3726647-8
92-48-3726649

Sialkot

Sialkot Branch
Plot No.B1-16S-98B, 17-Paras Road
Opposite CC & I Sialkot
92-52-4292501-3
92-52-4292444

Sialkot Branch
Paris Road, Sialkot Chamber of
Commerce & Industry Building
92-52-4264099
92-52-4264030
92-52-4267030

Sialkot Daska Road Branch
Pul Aik, Daska Road
92-52-3240203-4
92-52-3240205

Toba Tek Singh

Toba Tek Singh Branch
Near T Chowk, G.T Road
Mian Chunno, Multan
92-46-25178001-5
92-46-2517808

Islamic Branches: Karachi

Sharafabad Branch
Alharam 1 BMCHS
Alamgir Road
Sharfabad
92-21-34923770-4
92-21-34923775

Nazimabad Branch
Plot # 16 Row # 1
Sub Block A, Block III (III A, 1/16)
Nazimabad
021-36613053-55
021-36613011

Jodia Bazar Branch
Shop No. G-1, Ground, Basement & First
Floor, Plot No. M.R. 3/18/II-B-143
Market Quarters, Bolton Market
92-21-32463265-68
92-21-32463261

DHA Islamic Branch
KM Center, 130, 130/1
Main Korangi Road
92-21-35311473
92-21-35311482
92-21-35311651

SM Islamic Branch
SNPA/9-A/1, Commercial Area
KCHS Union Ltd
Union Area
Shaheed-e-Millat Road
92-21-34311657
92-21-34398361
92-21-34311658

Quetta

Zarghoon Road Branch
Near Bukhari Petroleum
New Zarghoon
Road Quetta
92-81-2443177
92-81-2443265
92-81-2443231

Lahore

Gulberg Lahore Branch
Shop # 4, 4A and 4B
Leeds Center
Main Boulevard
92-42-35783955-57-59
92-42-35783956

Azam Cloth Branch
Shop No. F-1469, 1566 & 1567
Akbar Block, Rahim Centre
Azam Cloth Market
92-42-37671351-54
92-42-37671347

Cavalry Branch
97- Commercial Area
Cavalry Ground
92-42-36603417
92-42-36603418
92-42-36603411

Faisalabad

D-Ground Branch
447- D, Peoples Colony 1
D-Ground, Faisalabad
92-41-8555643
92-41-8555646
92-41-8555647

Hayatabad

Hayatabad Branch
Industrial State Karkhano Market
Shop Number 1-7, Royal Plaza
Jamrud Road, Peshawar
92-91-5811395
92-91-5810638
92-91-5811488

Rawalpindi

Haider Road Branch
1st Floor, Plot 32, Haider Road
Saddar, Rawalpindi Cantt
92-51-5701008 & 12
92-51-5701169

Swat

Mangora Branch
Lower Ground & First Floor
Abasin Towers, Green Chowk
Madyan Road
92-946-722011-13
92-946-722014

Form of Proxy

I/We _____ of _____
a member (s) of FAYSAL BANK LIMITED and holding _____ ordinary shares, as per Register Folio No. / Participant's ID/CDC sub Account No. _____ hereby appoint _____ Folio No. / Participant's ID/CDC sub Account No _____ or failing him/her _____ of _____ as my / our proxy to vote and act for me / us on my / our behalf at the Annual General Meeting of the Bank to be held on April 28, 2011 and at any adjournment thereof.

Signed _____ day of _____, 2011

Witness:

1. _____

Revenue Stamp
Rs. 5/-
Signature of Member(s)

2. _____

Notes:

1. The Share Transfer Books of the Bank shall remain closed from April 22, 2011 to April 28, 2011 (both days inclusive) Transfer received at the Registrar and Share Transfer Agent of the Bank by the close of business on April 21, 2011 will be treated in time.
2. A member entitled to attend and vote at the above Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf, save that a corporation being a member may appoint as its proxy or officer of such corporation whether a member of the company or not. This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power or authority shall be deposited at the office of M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower) 3-Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi -75350, the Registrar and Share Transfer Agent of the bank not later than 48 hours before the time of holding the meeting and must be duly stamped, signed and witnessed.
3. The CDC Account Holders and Sub-account Holders, whose registration details are available in the Share Book Details Reports shall be required to produce their respective original Computerized National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring/know their respective participation I.D. No. and the CDC Account No. In case of proxy, he/she must enclose an attested copy of his/her CNIC or passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
4. Members are required to timely notify any change in their addresses to Bank's Registrar/Share Transfer Agent M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower) 3-Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi -75350.



The quest for greater heights will never end...

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

www.faysalbank.com

faysalbank 