

BEGIN WHERE IT BEGINS

2011  
ANNUAL REPORT



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## Begin where it begins

We take great pride in putting together this report. It not only showcases our performance for the past year but also presents our Brand's promise for the years to come.

Inspired by the words of our nation's best, Dr. Allama Muhammad Iqbal, we hereby extend our brand theory of 'Bank on Ambition' – From how it begins to where it takes you.

The best a bank can do is empower people to do their best, live their lives to the fullest and make it possible for them to achieve whatever they set out to do. Let us together then embark upon an ambitious life, and begin where any successful journey starts... the self.





### Assalam o Alaikum

The end of 2011 marked the culmination of one year of Faysal Bank's acquisition of RBS Pakistan. It was a year full of challenges not only because of the economic environment but also, and more importantly, because of the need to successfully tackle the issues of merger. It was a rewarding experience to see our strategic intent being fulfilled, placing us amongst the key players in Pakistan's banking industry.

We continued to grow during the year with 27 new conventional banking branches in 10 new cities and the addition of 32 Barkat Islamic banking branches. In addition, the bank ventured into new specialised markets. As a result Faysal Bank has set a unique example of turning losses into profits in the very first year of acquisition of RBS Pakistan.

Merged loss of the two banks of PKR 789 million was turned into profit of PKR 1.3 billion — an outstanding achievement! The Management

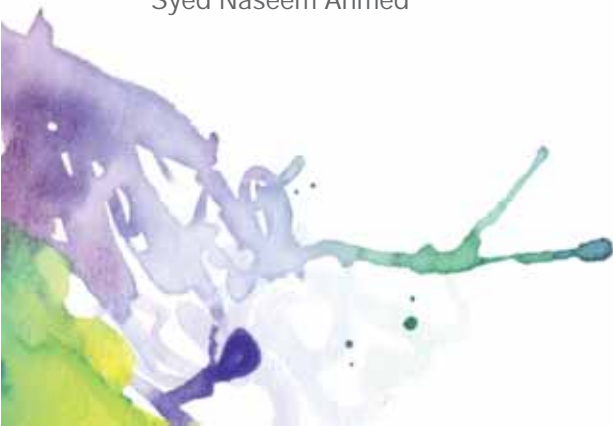
has demonstrated professionalism in achieving these goals.

Security and stability are the two cornerstones of any institution, and it is these two factors that allow us to highlight the promise of tomorrow, combined with the hope of our revived approach. I have full confidence in the fact that we are well on our way to achieving the excellence we seek. Our constant quest to surpass new heights, cross new boundaries and overcome any obstacles we face is underlined by our support system. This is an exciting time for us as we are rapidly expanding in our quest to become a leader in the banking sector, and I look forward to the opportunities that lie ahead.

We will continue to strive for customer satisfaction and spare no efforts in delighting our customers, to become a Bank of choice.

A handwritten signature in black ink, appearing to read 'Naseem', with a stylized flourish underneath.

Chairman of the Board  
Syed Naseem Ahmed





Faysal Bank has set a unique example of turning losses into profits in the very first year of acquisition of RBS Pakistan.



## 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.**

In a world full of compromise and mediocrity, it becomes easy to fall prey to a lifeless living. The awakening, therefore, isn't always easy to achieve. Where it begins though is always when we move on from the mundane question of 'why' on to the more pertinent 'why not'.

## THE AWAKENING



خرد مندوں سے کیا پوچھوں کہ میری ابتدا کیا ہے  
کہ میں اس فکر میں رہتا ہوں میری انتہا کیا ہے





**BOARD OF DIRECTORS**

Mohamed A. R. Hussain  
Director

Lt. Gen.  
Muhammad Maqbool (Retd)  
Director

Hassan Mohammed  
Mahmood Hassan  
Director

Naved A. Khan  
President & CEO



Syed Naseem Ahmad  
Chairman

Farooq Rahmatullah  
Director

Shahid Ahmad  
Director

Graham Roderick Walker  
Director

**Board of Directors**

Syed Naseem Ahmad	Chairman
Naved A. Khan	President & CEO
Graham Roderick Walker	Director
Mohamed A. R. Hussain	Director
Farooq Rahmatullah	Director
Shahid Ahmad	Director
Hassan Mohammed Mahmood Hassan	Director
Lt.Gen. Muhammad Maqbool (Retd)	Director

**Audit Committee (AC)**

Graham Roderick Walker	Chairman
Hassan Mohammed Mahmood Hassan	Member
Lt.Gen. Muhammad Maqbool (Retd)	Member

**Board Risk Management Committee (BRMC)**

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

**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



## BOARD MEETING ATTENDANCE

ATTENDED BY / MEETING DATE	26/02/11	29/03/11	19/04/11	18 & 19/07/11	25/10/11
Syed Naseem Ahmad	✓	✓	✓	✓	✓
Naved A. Khan	✓	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	✓	✓	✓
Graham R. Walker	✓	✓	✓	✓	✓
Mohamed A. R. Hussain	✓	✓	Leave of Absence	✓	✓
Shahid Ahmad	✓	✓	✓	✓	✓
Hassan Mohammed Mahmood Hassan	✓	✓	✓	✓	✓
Lt. Gen. Muhammad Maqbool (Retd)	✓	✓	✓	✓	✓



Zafar Baig  
Head Strategic Development

Syed Majid Ali  
Chief Financial Officer

Salman Ahmed Usmani  
Head Treasury

Suhail Khan  
Chief Risk Officer

Yousaf Hussain  
Head Special Asset Management

**MANAGEMENT TEAM**



Naved A. Khan  
President & CEO

Nasir Islam  
Head Compliance

Aarj Ali  
Head Retail Banking

Mehreen Amin  
Head Human Resources

Nauman Ansari  
Head Corporate &  
Investment Banking

## Naved A. Khan

### President & CEO

Naved A. Khan has over 23 years of work experience, with 20 years of broad-based and varied Corporate and Investment banking experience. Before joining Faysal Bank, Naved was associated with ABN AMRO Pakistan as CEO 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 has international work experience with General Electric / RCA (USA) for 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.

## Nauman Ansari

### Head Corporate & Investment Banking

Nauman Ansari has 15 years of rich Credit, Corporate and Investment Banking experience, having been associated with Standard Chartered Bank (Pakistan), Bank of America (Pakistan), ABN AMRO (in Pakistan, Middle East and Asia Pacific regions), Fortis Bank (Middle East) and Crescent Commercial Bank (Pakistan). Nauman holds a Bachelors of Science degree in Business Studies from the USA.

## 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.

## 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 such as ANZ Grindlays, American Express, Bank of America, Mashreq Bank and United Bank Limited.

## Mehreen Amin

### Head Human Resources

Mehreen Amin possesses over 26 years of work experience, in the areas of I.T. and HR. She has been professionally associated in senior positions with leading multinationals such as G.D. Searle UK, 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 Pakistan, she was the Head of Human Resources. She is the Member of the Board of Governors of Pakistan Society for Training & Development.

## 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 (Pakistan), after which he was posted at the ANZ HO (Melbourne, Australia), as Manager Commercial Banking System (CBS) project. He returned to Pakistan in 1997 as Manager Audit, joined ABN AMRO Pakistan as Audit Manager in 2000 and was appointed as Country Head of Compliance in 2004.

## Yousaf Hussain

### Head Special Asset Management

Yousaf Hussain was previously Head of Corporate Banking (North) at Faysal Bank. He has been with Faysal Bank since August 2008 and has contributed significantly to our franchise through his active support on various strategic level initiatives and ramping up the Corporate Banking Business in the North region. Overall, Yousaf has 18 years of professional experience, primarily at ABN AMRO Bank within the Corporate/Credit and Transaction Banking functions. His experience also includes senior assignments at Samba Bank, Mashreq Bank, Motorola, Mobilink and Siemens Pakistan. In addition to being an electrical engineer, he has done his Masters in Business Administration from LUMS.

## 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 I.T. and HR activities. He has been associated as CFO with Emirates Bank International and Saudi Pak Commercial Bank, as well as KPMG as Partner.

## Suhail Khan

### Chief Risk Officer

Prior to joining Faysal Bank, Suhail Khan 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 holds an MBA in Finance from IBA (Karachi) and is a Chartered Financial Analyst (CFA).

## Zafar Baig

### Head Strategic Development

Zafar Baig had been previously associated with ABN AMRO (Pakistan) and RBS (Pakistan) since 1996, holding the position of CFO. He has diversified experience in activities across all Finance functions, including Asset & Liability Management, Taxation and Management Information, along with extensive exposure in business planning, Merger & Acquisition and Integration activities. Prior to joining the bank in 1996, he was associated with HSBC (Pakistan) and brings over 15 years of experience in banking industry.

## Senior Management

**Naved A. Khan**  
President & CEO

**Nauman Ansari**  
Head of Corporate & Investment Banking

**Aarij Ali**  
Head Retail Banking

**Salman A. Usmani**  
Head Treasury & ECM

**Yousaf Hussain**  
Head Special Asset Management

**Suhail Khan**  
Chief Risk Officer

**Syed Majid Ali**  
Chief Financial Officer

**Mehreen Amin**  
Head Human Resources

**Nasir Islam**  
Head Compliance

**Zafar Baig**  
Head Strategic Development

**Fouad Farrukh**  
Head Islamic Banking

**Nasir Islam**  
Company Secretary & Head Legal (Acting)

**Shahid Salim**  
Head Internal Audit

## Management Committee

**Naved A. Khan**  
Chairman

**Syed Majid Ali**  
Member & Secretary

**Nauman Ansari**  
Member

**Aarij Ali**  
Member

**Salman A. Usmani**  
Member

**Yousaf Hussain**  
Member

**Suhail Khan**  
Member

**Mehreen Amin**  
Member

**Nasir Islam**  
Member

**Zafar Baig**  
Member

## Asset & Liability Committee

**Naved A. Khan**  
Chairman

**Salman A. Usmani**  
Member & Secretary

**Nauman Ansari**  
Member

**Aarij Ali**  
Member

**Syed Majid Ali**  
Member

**Zafar Baig**  
Member

**Asad Kerai**  
Member

**Suhail Khan**  
Member

**Yousaf Hussain**  
Member

## Compliance Committee

**Naved A. Khan**  
Chairman

**Nasir Islam**  
Member & Secretary

**Suhail Khan**  
Member

**Zafar Baig**  
Member

**Syed Majid Ali**  
Member

**Shahid Salim**  
Member

### IT Steering Committee

**Naved A. Khan**  
Chairman

**Muhammad Afzal**  
Member & Secretary

**Syed Majid Ali**  
Member

**Nasir Islam**  
Member

**Aarij Ali**  
Member

**Shahid Salim**  
Member

**Suhail Khan**  
Member

**Nauman Ansari**  
Member

**Zafar Baig**  
Member

### Investment Committee

**Naved A. Khan**  
Chairman

**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

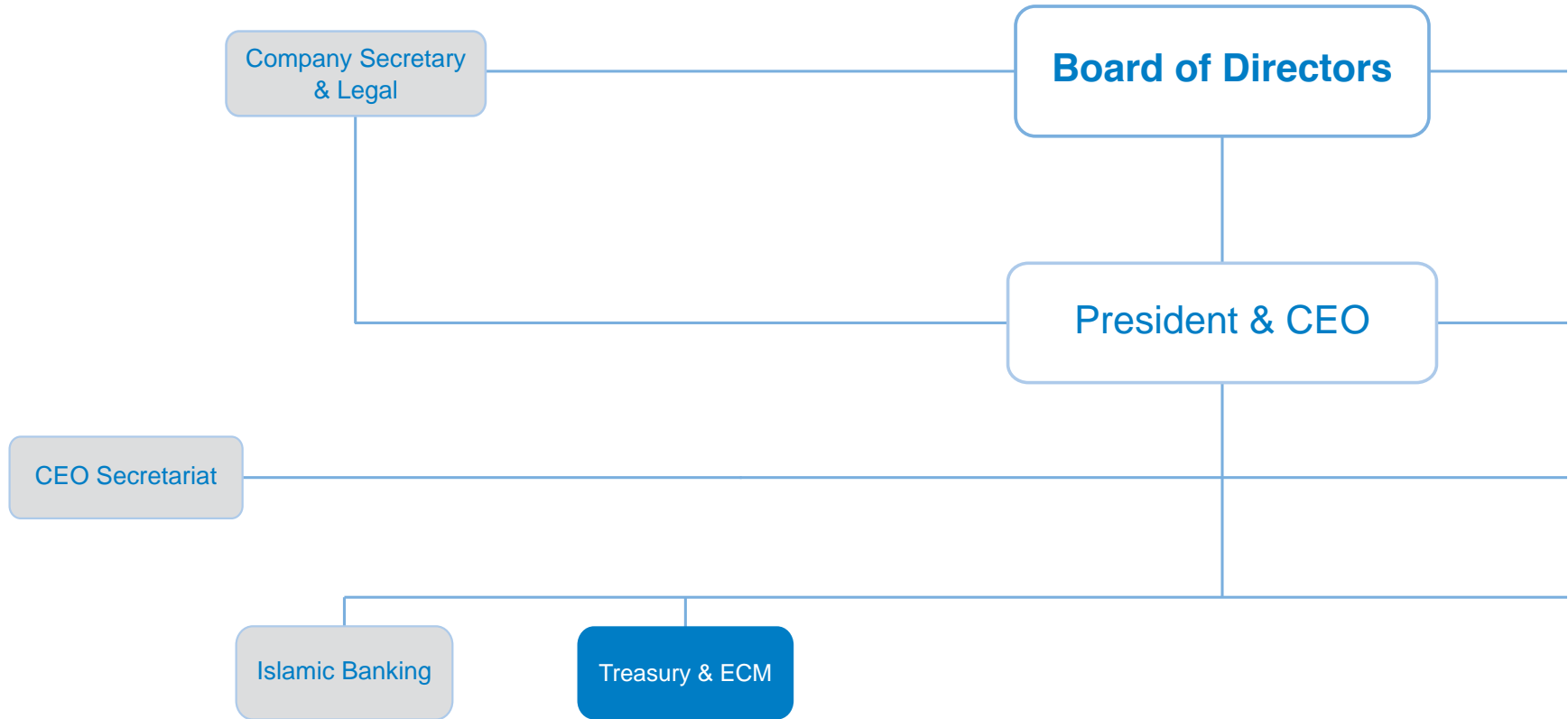
**Nauman Ansari**  
Member

**Aarij Ali**  
Member

**Salman A. Usmani**  
Member

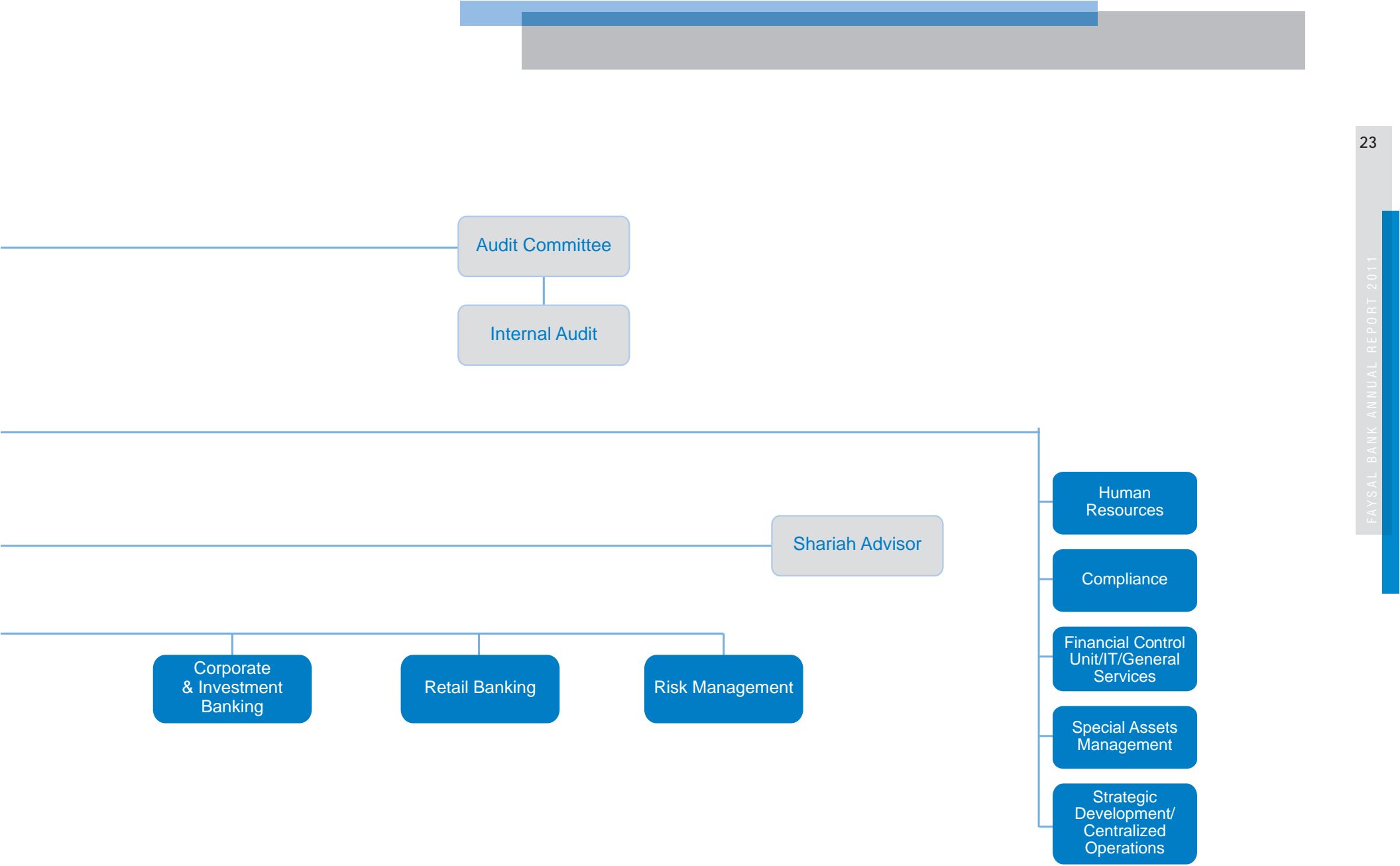
**Syed Majid Ali**  
Member

**Nasir Islam**  
Member



■ "Blue positions" are Country MT positions





Once latent desires are awakened, a successful culmination of their journey is inevitable.  
A soul set on fire can achieve whatever it sets out to.

AMBITIOUS WILL



جگر سے وہی تیر پھر پار کر  
تمنا کو سینوں میں بیدار کر



Corporate Social Responsibility and Business Ethics are priorities for Faysal Bank. We believe in and practice both to the best of our abilities.

### Our Objectives:

- To establish a comprehensive Corporate Social Responsibility Programme, which will be funded by the Waqf Faisal Trust.
- To invest efficiently and effectively the amount committed by the Board of Directors towards Flood Relief and Rehabilitation.
- To develop and instill a culture of Community Investment at Faysal Bank through active Employee Engagement.
- To ensure that NGO and welfare management policies not only exist, but that they are applied to make association with us a pleasant and rewarding experience.

### Waqf Budget Allocation:

Percentage of funds allocation is 40%, 40% and 20% under Education, Health and Poverty Alleviation respectively.

Summary of the same is as follows:

### Education

- As part of a 5-year commitment for a teaching chair in EMBA Programme in Banking & Finance, Faysal Bank donated Rs. 10 million to the IBA, Karachi.
- An amount of Rs. 880,000 was contributed to The Helpcare Society, and to Sargodhian Spirit Trust, Sargodha to support tuition of under-privileged students.
- Rs. 50,000 were donated to All Pakistan Women's Association for the reconstruction of a school in Sanghar.

### Health

During the year Faysal Bank donated a total of Rs. 6.3 million towards healthcare, which covered:

- Donation of a BACTEC Machine for the NICH Children's Cancer Ward, Jinnah Hospital, Karachi.
- Setting up of a Primary Healthcare Centre by Child Health & Education Foundation.
- Sponsorship of 6 athletes for the Special Olympics World Summer Games 2011 in Greece.
- Donation to Nighaban Welfare Association towards procurement of a Colonoscopy Machine at Civil Hospital, Karachi.
- Donations of Rs. 400,000 each to The Kidney Centre, SIUT and Dar Ul Sukun.
- Donation of Rs. 500,000 to Liver Foundation Trust, Faisalabad, towards procurement of a Mobile Health Unit.
- Donations of Rs. 500,000 each to Marie Adelaide Leprosy Centre, and Layton Rehmatullah Benevolent Trust.

### Poverty Alleviation

- A donation of Rs. 500,000 was given to Behbud Association Karachi.
- An amount of Rs. 3.36 million has been contributed to The Hunar Foundation to support the vocational training of two batches of 20 students each for a year.

### Flood Relief

- From the Board of Directors' allocated fund of Rs. 50 million for flood relief, Faysal Bank has partnered with The Citizens Foundation through a donation of Rs. 30 million to establish and run two schools

in the flood-affected areas of Mianwali and Khushab. The construction of these schools is underway and classes are expected to commence from April 2012.

- Additionally, from the Board of Directors' fund, 5000 food ration packs worth over Rs. 9 million were distributed in the 2011 flood-affected people in Badin, Tando Muhammad Khan and Tando Allah Yar.
- In the Faysal Bank T20 Cup 2011 held in Karachi in October, the Bank announced a flood relief contribution of Rs. 500 for every '4' and Rs. 1000 for every '6' scored. The amount of Rs. 389,500 thus collected has been spent in procuring blankets for people in Sind province's flood-affected areas.





# SIX YEARS FINANCIAL SUMMARY

Rupees in Millions

		2011	2010	2009	2008	2007	2006
<b>OPERATIONAL RESULTS</b>							
Mark-up / return / interest earned		28,825	19,710	16,958	13,404	11,611	9,728
Mark-up / return / interest expensed		19,619	13,919	11,968	8,455	7,459	6,089
Fee, commission, brokerage & FX Income		2,624	1,659	1,286	1,161	1,058	725
Dividend and Capital gains		363	1,675	1,493	1,073	2,337	1,580
Total Income		13,277	9,804	7,803	7,260	7,593	6,391
Provisions / Write-off		695	2,202	2,192	2,047	2,079	622
Operating expenses		11,103	6,775	4,311	3,416	2,816	1,899
Operating profit/(loss) before tax and provision		2,173	3,029	3,492	3,844	4,777	4,492
Profit/(loss) before taxation		1,478	827	1,301	1,797	2,698	3,870
Profit/(loss) after taxation		1,280	1,190	1,200	1,115	2,272	2,817
Dividends	%	-	-	-	-	25.0	50.0
Bonus shares	%	12.5	20.0	-	15.0	25.0	-
<b>BALANCE SHEET</b>							
Shareholders' equity		17,793	16,643	11,336	10,136	10,345	9,132
Revaluation Reserves		1,420	(125)	1,447	636	5,811	4,664
Deposits		214,615	195,315	123,665	102,777	102,067	74,414
Borrowings from financial institutions		39,697	34,636	34,986	13,027	9,996	14,965
Advances - net of provision		148,162	133,707	91,346	83,512	87,346	74,469
Investments - net of provision		93,409	86,419	56,531	36,153	31,553	22,525
Total assets		292,568	267,321	180,865	138,241	141,277	115,470
<b>FINANCIAL RATIOS</b>							
Capital Adequacy ratio	%	10.65	10.31	11.93	10.84	10.27	11.42
Profit before tax ratio	%	5.13	4.20	7.67	13.41	23.24	39.78
Gross spread ratio (Net mark up income / gross mark-up income)	%	31.94	29.38	29.43	36.92	35.75	37.40
Income / Expense ratio	Times	1.20	1.45	1.81	2.13	2.70	3.37
Return on Capital Employed	%	1.31	0.80	9.00	10.57	11.34	20.43
Return on Average Equity (ROE)	%	7.43	8.51	11.18	10.89	23.33	32.67
Return on Average Assets (ROA)	%	0.46	0.53	0.75	0.80	1.77	2.50
CASA to total deposits	%	54.50	53.22	54.51	47.68	43.85	51.54
Weighted Average Cost of Deposit	%	7.04	6.70	8.23	7.03	7.00	6.30
Current Ratio Times	0.73	0.68	0.51	0.54	0.65	0.64	0.65
Gross Advances / Deposit Ratio (Average)	%	77.25	78.25	82.58	87.69	94.80	93.73
Net Advances / Deposit Ratio (Average)	%	68.76	70.55	77.22	83.41	91.69	91.71
Non-performing loans to Gross advances ratio	%	15.74	16.34	10.85	8.40	5.22	4.63
Specific provision held / Non-performing loans ratio	%	65.51	69.46	62.45	65.14	67.33	36.89
Total assets turnover ratio / Fixed assets turnover ratio (Total assets / Fixed assets)	Times	26.96	30.63	64.87	52.23	56.17	51.57
Price Earning ratio	%	5.25	10.75	12.00	8.50	23.87	17.66
Earning per share (EPS) *	Rs.	1.55	1.45	1.46	1.35	2.76	3.43
Net Assets per share	Rs.	23.31	22.60	20.99	20.34	30.50	32.56
Market value per share	Rs.	8.13	15.59	17.53	11.51	65.95	60.50
Market value per share - high	Rs.	15.95	20.90	18.75	66.70	80.25	93.20
Market value per share - low	Rs.	8.07	12.97	7.94	11.51	60.00	54.1
Earning Asset to Total Asset Ratio	%	83.39	83.28	90.06	89.51	91.17	88.24
Dividend Yield Ratio (Cash Dividend) *	%	-	-	-	-	3.79	8.26
Dividend pay out ratio (Cash Dividend) *	%	-	-	-	-	90.48	145.95
Book value per share - excluding surplus/ (deficit) on revaluation of assets	Rs.	21.59	22.77	18.61	19.14	19.53	21.55
Book value per share - excluding surplus on revaluation of fixed assets	Rs.	20.98	22.60	20.99	20.34	30.51	32.56
Book value per share - including surplus/ (deficit) on revaluation of assets	Rs.	23.31	22.60	20.99	20.34	30.51	32.56
Number of employees		3,435	3,582	2,042	1,929	1,759	1,463
Number of branches		257	226	133	129	105	75

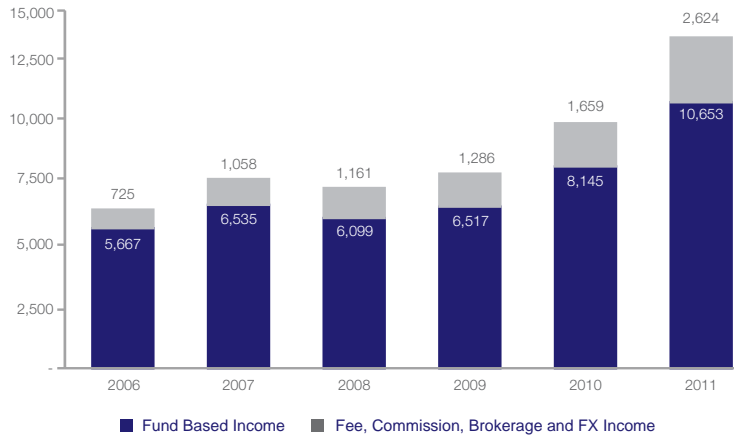
\* Adjusted for prior years to reflect bonus shares issued during 2011

# SIX YEARS FINANCIAL SUMMARY

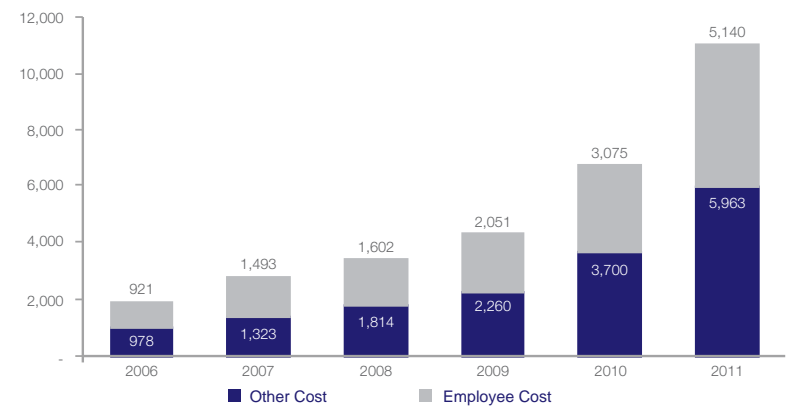
Rupees in Millions

	2011	2010	2009	2008	2007	2006
<b>OTHERS</b>						
Imports	103,766	73,116	66,400	38,089	68,171	70,323
Exports	69,033	44,646	36,173	50,395	52,110	33,815
<b>CASH FLOWS</b>						
Operating activities	5,912	8,882	17,862	1,882	7,262	12
Investing activities	(5,842)	2,050	(18,438)	(2,669)	(5,505)	2,908
Financing activities	(209)	3,004	(5)	(1,326)	(818)	(1,791)
Cash & cash equivalents at end of the year	23,011	23,150	9,214	9,804	11,380	10,091
<b>MATURITY PROFILE</b>						
Net assets maturity wise:						
Upto one month	(28,640)	(77,873)	(71,637)	(41,840)	(30,936)	(30,385)
Over one month to three months	(3,212)	17,346	(10,549)	10,431	2,301	4,490
Over three months to six months	12,261	8,387	29,493	3,048	6,981	4,499
Over six months to one year	29,662	(5,960)	9,557	803	2,443	5,762
Over one year to two years	(17,458)	18,886	12,839	12,407	17,083	7,538
Over two years to three years	(139)	5,727	10,746	7,316	5,235	10,747
Over three years to five years	12,261	22,848	12,931	5,316	5,370	2,766
Over five years to ten years	4,736	17,006	14,923	6,596	3,970	3,898
Over ten years	9,743	10,149	4,480	6,695	3,710	4,482
Total net assets	19,214	16,516	12,783	10,772	16,157	13,797

**Income Composition  
Rupees in Million**

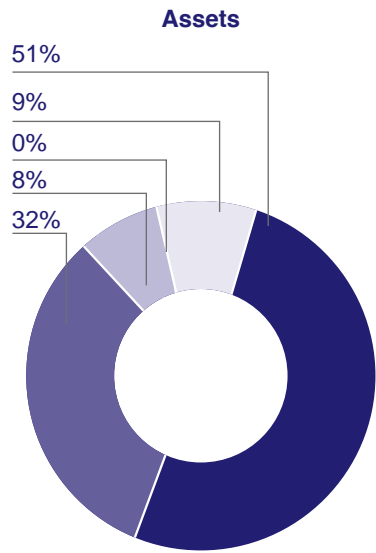


**Expense Composition  
Rupees in Million**

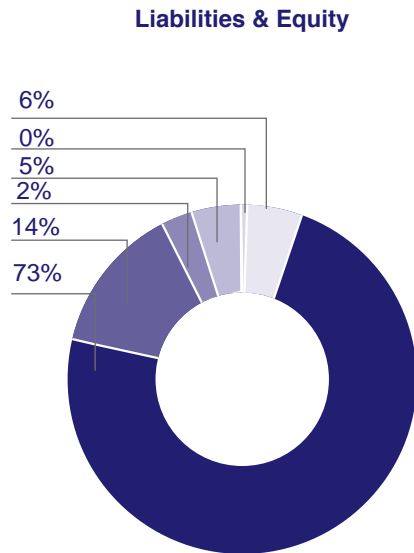




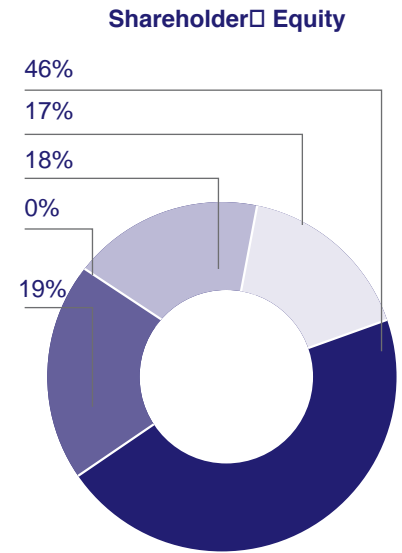
# STATEMENT OF FINANCIAL POSITION COMPOSITION



- Advances
- Other assets
- Lending to Financial Institutions
- Cash and Bank Balances
- Investments

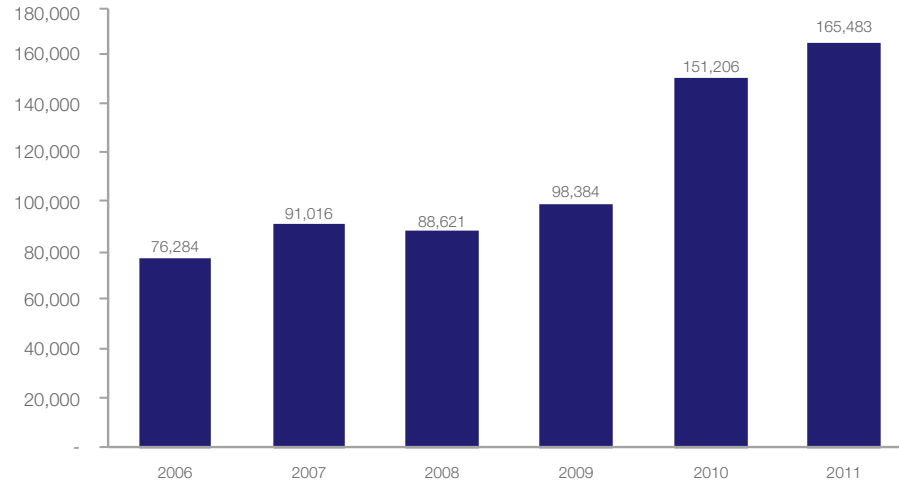


- Deposits & other accounts
- Borrowing from Financial Institutions
- Sub-ordinated loans
- Shareholders' equity
- Revaluation Reserve
- Other Liabilities

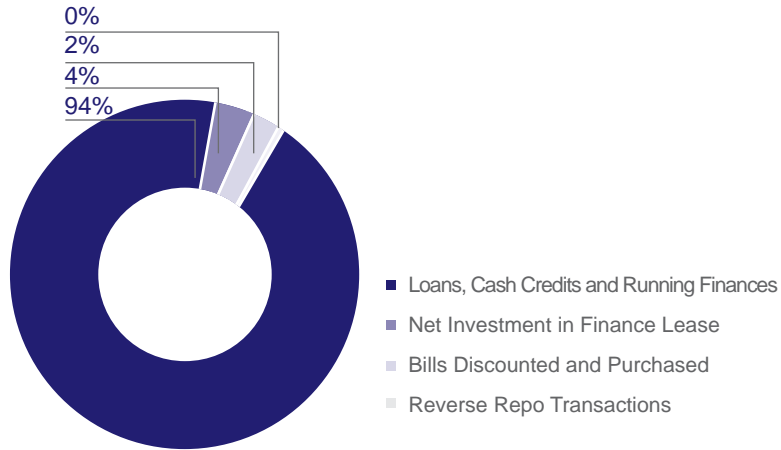


- Share Capital
- Share Premium
- Statutory Reserve
- Reserve arising on amalgamation
- Unappropriated Profit

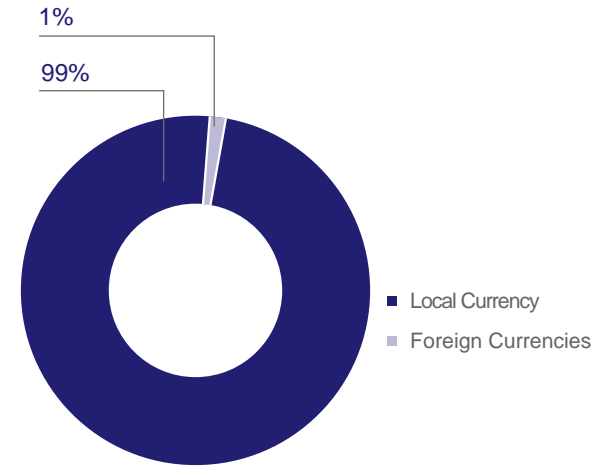
**Advances  
Rupees in Million**



**Advances Categorisation**



**Advances by Currency**

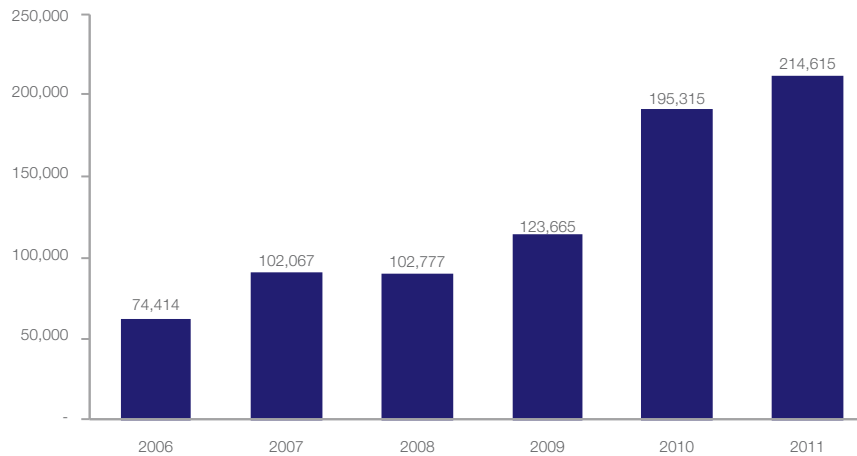


Advances

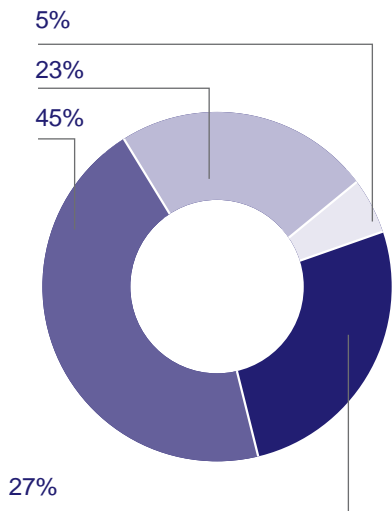


- Chmical and Pharmaceuticals
- Ready made garments
- Financial
- Electronics and electrical appliances
- Food and Allied
- Individuals
- Agriculture
- Footwear and leather garments
- Production and transmission of energy
- Telecommunication
- Textile
- Automobile and transportation equipment
- Iron and Steel
- Transportation, Road and Air
- Content
- Financial
- Food and Allied
- Mining and Quarrying
- Construction
- Distribution / Trading
- Paper and Board
- Sugar
- Oil Refining / Marketing
- Synthetic and Rayon
- Others

**Deposits  
Rupees in Million**

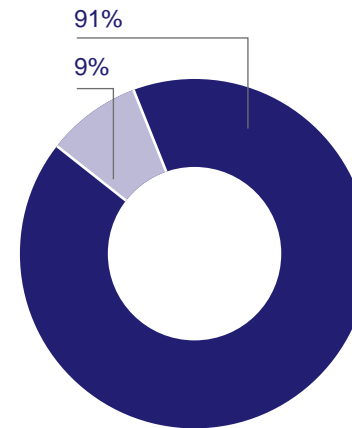


**Deposits Categorisation**



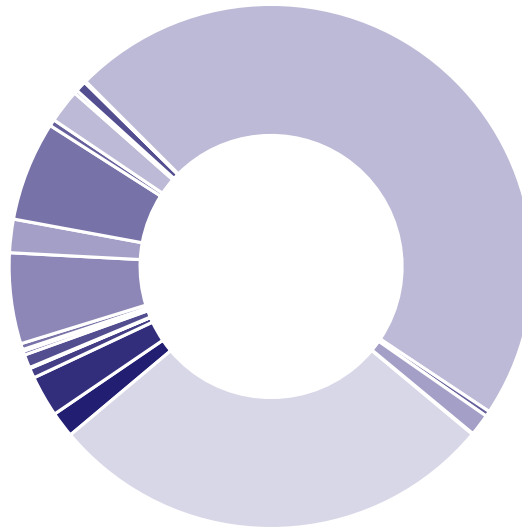
■ Savings ■ Terms ■ Current and margin accounts ■ Financial Institutions

**Deposits by currency**

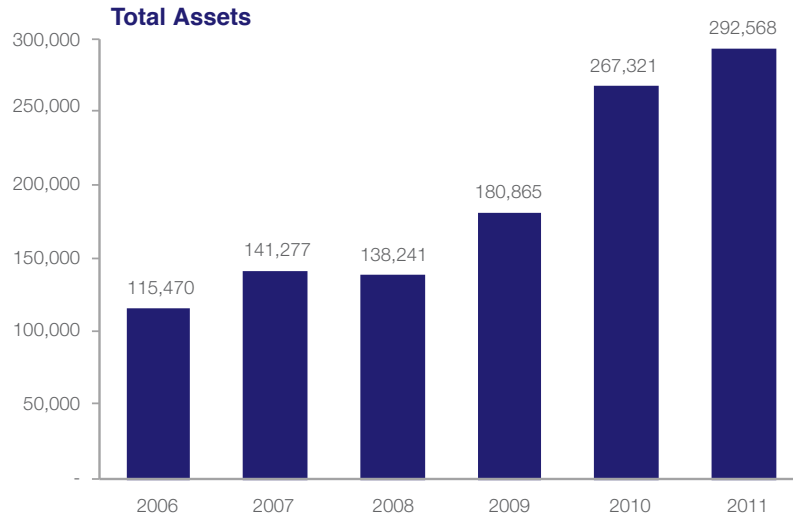


■ Local Currency ■ Local Currency

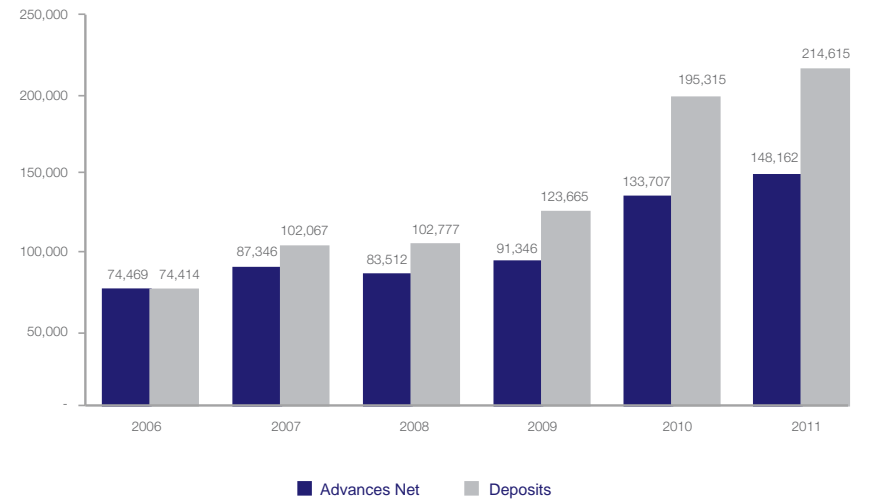
## Deposits



- Chmical and Pharmaceuticals
- Cement
- Ready made garments
- Financial
- Electronics and electrical appliances
- Food and Allied
- Individuals
- Mining and Quarrying
- Agriculture
- Sugar
- Footwear and leather garments
- Oil Refining / Marketing
- Production and transmission of energy
- Synthetic and Rayon
- Telecommunication
- Others
- Textile
- Construction
- Automobile and transportation equipment
- Distribution / Trading
- Iron and Steel
- Paper and Board
- Transportation, Road and Air

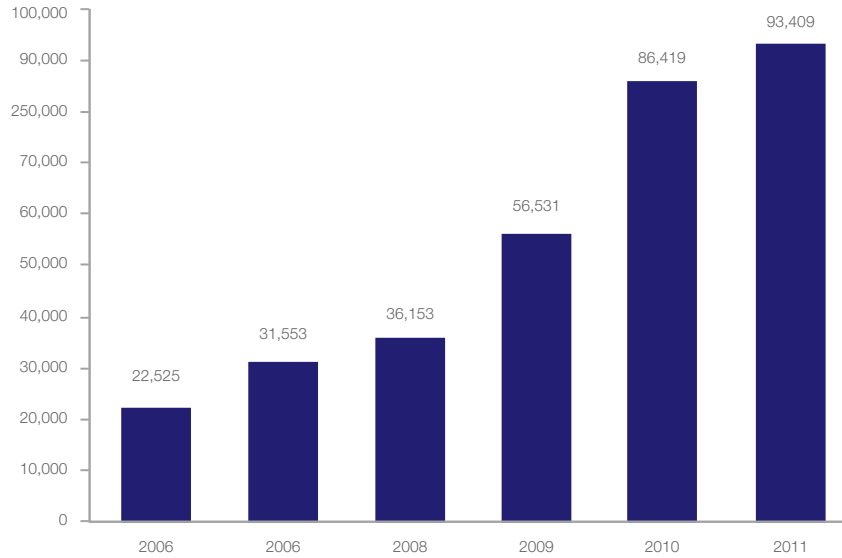


### Net Advances to Deposits

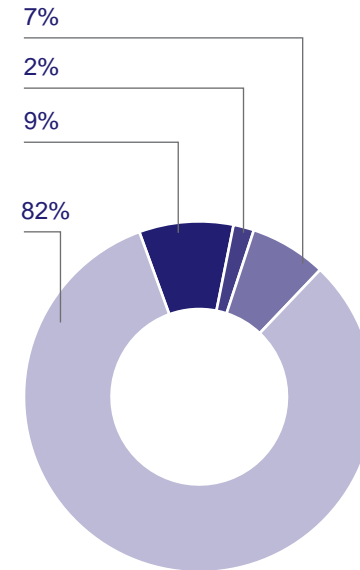


# INVESTMENTS

**Investments  
Rupees in Million**

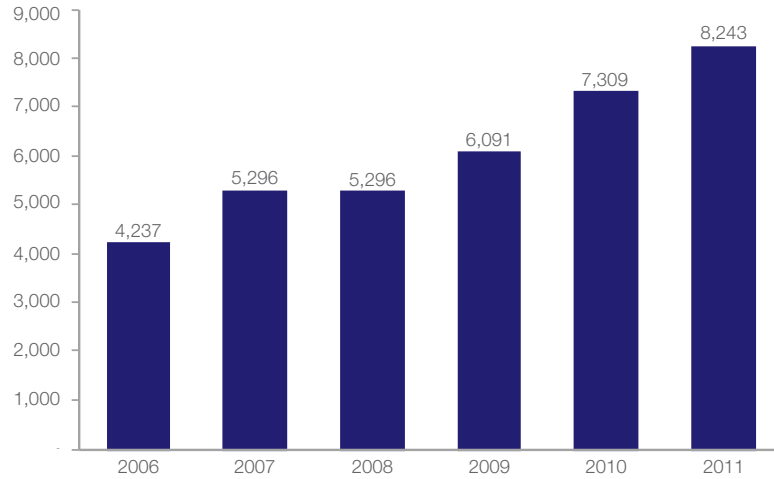


**Breakup of Investments**

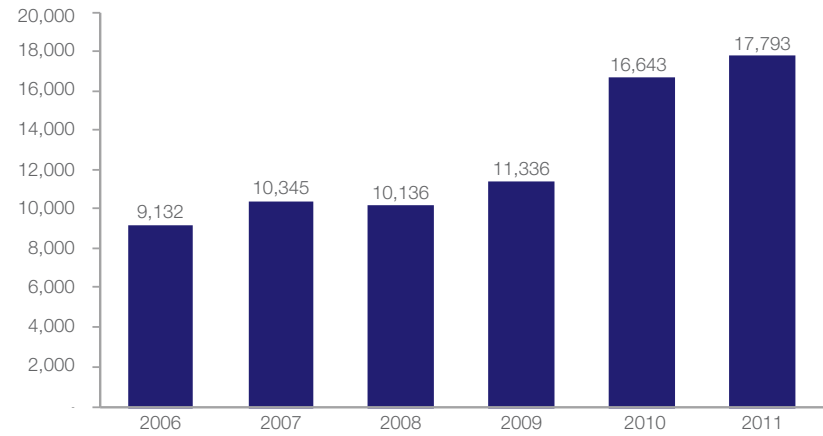


■ Share / Other Units ■ NI(UT) ■ TFCs/Bonds ■ Government Securities

**Paidup Capital**

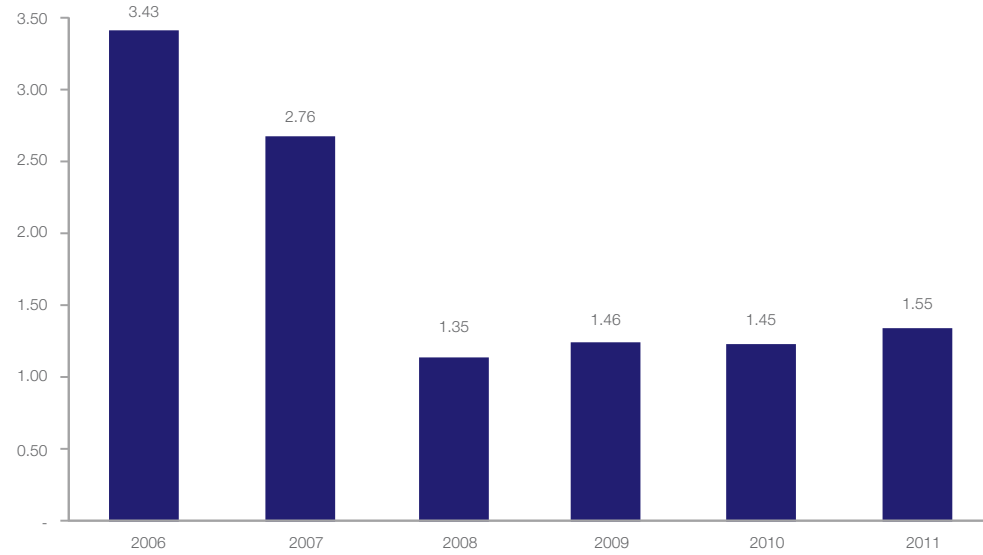


**Shareholders' Equity**

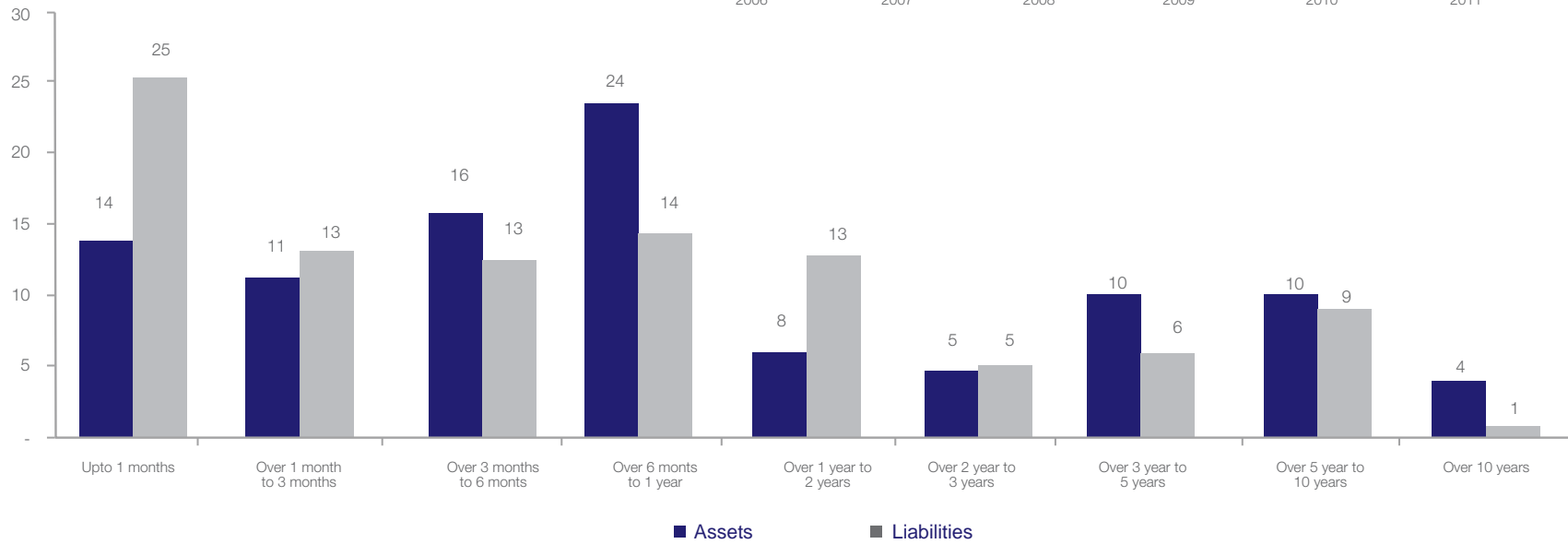




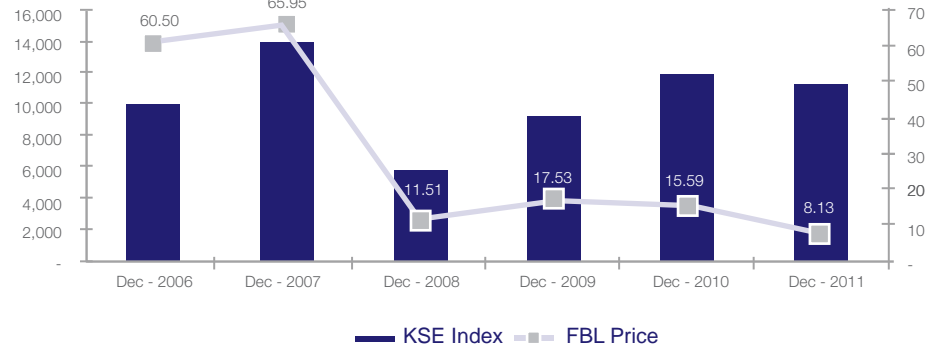
### Earning Per Share In Rupees



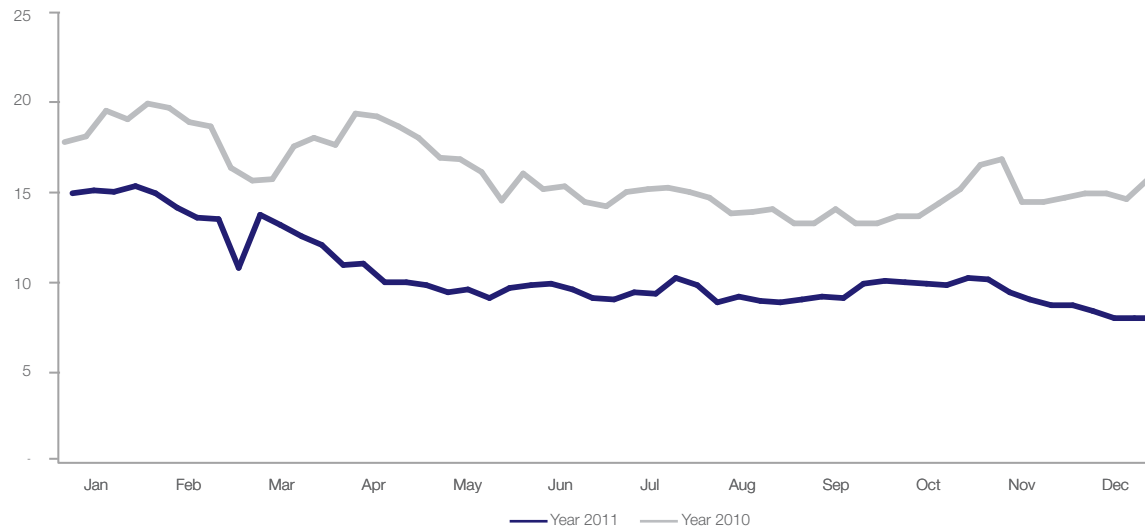
### Maturity Profile Percentage



**FBL PRICE Vs. KSE INDEX  
(2006-2011)**



**FBL Share Price Movement 2011 vs 2010**





## Statement of Financial Position

	2011	2010	2009	2008	2007	2006	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005
	Rupees in Million						Variance %					
<b>ASSETS</b>												
Cash and balances with treasury banks	18,445	17,429	8,427	8,928	6,872	7,208	6	107	(6)	30	(5)	8
Balances with other banks	4,686	5,728	509	877	3,708	2,883	(18)	1,025	(42)	(76)	29	41
Lendings to financial institutions	-	-	15,018	2,861	7,078	4,608	-	(100)	425	(60)	54	(57)
Investments	93,409	86,419	56,531	36,153	31,553	22,525	8	53	56	15	40	(8)
Advances	148,162	133,707	91,346	83,512	87,346	74,469	11	46	9	(4)	17	19
Operating fixed assets	10,850	8,726	2,788	2,647	2,515	2,239	24	213	5	5	12	30
Deferred tax assets - net	5,188	5,017	1,280	-	-	-	3	292	100	-	-	-
Other assets	11,828	10,295	4,966	3,264	2,204	1,538	15	107	52	48	43	(34)
	<b>292,568</b>	<b>267,321</b>	<b>180,865</b>	<b>138,242</b>	<b>141,276</b>	<b>115,470</b>	<b>9</b>	<b>48</b>	<b>31</b>	<b>(2)</b>	<b>22</b>	<b>5</b>
<b>LIABILITIES</b>												
Bills payable	3,076	3,219	1,465	1,537	2,407	4,516	(4)	120	(5)	(36)	(47)	279
Borrowings	39,697	34,636	34,986	13,027	9,996	14,965	15	(1)	169	30	(33)	(2)
Deposits and other accounts	214,615	195,315	123,655	102,777	102,067	74,414	10	58	20	1	37	(0)
Sub-ordinated loans	4,395	4,595	999	1,000	1,000	-	(4)	360	(0)	-	100	-
Liabilities against assets subject to finance lease	-	-	-	4	8	14	-	-	(100)	(50)	(43)	(42)
Deferred tax liabilities - net	-	-	-	2,483	2,691	1,840	-	-	(100)	(8)	46	45
Other liabilities	11,572	13,038	6,977	6,642	6,951	5,924	(11)	87	5	(4)	17	69
	<b>273,355</b>	<b>250,803</b>	<b>168,082</b>	<b>127,470</b>	<b>125,120</b>	<b>101,673</b>	<b>9</b>	<b>49</b>	<b>32</b>	<b>2</b>	<b>23</b>	<b>6</b>
	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>13,797</b>	<b>16</b>	<b>29</b>	<b>19</b>	<b>(33)</b>	<b>17</b>	<b>(3)</b>
<b>REPRESENTED BY</b>												
Share capital (including proposed shares to be issued)	8,243	7,337	6,091	5,296	5,296	4,237	12	20	15	-	25	15
Reserves	6,591	7,355	4,030	3,790	3,567	3,080	(10)	83	6	6	16	22
Unappropriated profit	2,959	1,951	1,215	1,050	1,482	1,816	52	61	16	(29)	(18)	(5)
	<b>17,793</b>	<b>16,643</b>	<b>11,336</b>	<b>10,136</b>	<b>10,345</b>	<b>9,133</b>	<b>7</b>	<b>47</b>	<b>12</b>	<b>(2)</b>	<b>13</b>	<b>13</b>
Surplus on revaluation of assets	1,420	(125)	1,447	636	5,811	4,664	(1,236)	(109)	128	(89)	25	(24)
	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>13,797</b>	<b>16</b>	<b>29</b>	<b>19</b>	<b>(33)</b>	<b>17</b>	<b>(3)</b>

# HORIZONTAL ANALYSIS

## Profit and Loss Account

	2011	2010	2009	2008	2007	2006	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005
	Rupees in Million						Variance%					
Mark-up / return / interest earned	28,825	19,710	16,958	13,404	11,611	9,728	46	16	27	15	19	53
Mark-up / return / interest expensed	19,619	13,919	11,968	8,455	7,459	6,089	41	16	42	13	22	84
Net mark-up / interest income	9,206	5,791	4,990	4,949	4,152	3,639	59	16	1	19	14	20
(Reversal)/ Provision against non-performing loans and advances - net	330	1,906	1,966	1,544	1,797	517	(83)	(3)	27	(14)	248	(2,821)
(Reversal)/ Provision for consumer loans - general	(77)	(90)	(27)	(105)	75	105	(14)	233	(74)	(240)	(29)	275
Provision for diminution in the value of investments	409	287	252	608	207	-	43	14	(59)	194	100	(100)
Bad debts written off directly	33	99	-	-	-	-	(67)	-	-	-	-	-
	695	2,202	2,191	2,047	2,079	622	(68)	1	7	(2)	234	(301)
Net mark-up / interest income after provisions	8,511	3,589	2,799	2,902	2,073	3,017	137	28	(4)	40	(31)	(10)
<b>Non mark-up / interest income</b>												
Fee, commission and brokerage income	1,773	1,141	885	814	743	604	55	29	9	10	23	4
Dividend income	619	335	668	1,207	1,221	1,249	85	(50)	(45)	(1)	(2)	61
Income from dealing in foreign currencies	851	519	400	347	314	121	64	30	15	11	160	27
Gain / (Loss) on sale of securities	(256)	1,340	825	(134)	1,116	330	(119)	62	(716)	(112)	238	(46)
Unrealized (loss) on revaluation of investments classified as held for trading	(58)	68	(46)	(3)	3	-	(185)	(248)	1,433	-	100	-
Other income	1,141	609	81	79	44	448	87	652	3	80	(90)	44,700
Total non mark-up / interest income	4,070	4,012	2,813	2,310	3,441	2,752	1	43	22	(33)	25	33
	12,581	7,601	5,612	5,212	5,514	5,769	66	35	8	(5)	(4)	7
<b>Non mark-up / interest expenses</b>												
Administrative expenses	10,814	6,644	4,284	3,258	2,800	1,866	63	55	31	16	50	31
Other provisions	225	62	(6)	97	6	-	263	(1,133)	(106)	1,517	100	-
Other charges	64	68	33	61	10	33	(6)	106	(46)	510	(70)	1,550
Total non mark-up / interest expenses	11,103	6,774	4,311	3,416	2,816	1,899	64	57	26	21	48	33
	1,478	827	1,301	1,796	2,698	3,870	79	(36)	(28)	(33)	(30)	(2)
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit before taxation</b>	1,478	827	1,301	1,796	2,698	3,870	79	(36)	(28)	(33)	(30)	(2)
Taxation - Current	393	239	1,157	156	282	383	64	(79)	642	(45)	(26)	(44)
- Prior years	289	192	2,823	100	(48)	93	51	(93)	2,723	(308)	(152)	(110)
- Deferred	(484)	(794)	(3,880)	426	192	577	(39)	(80)	(1,011)	122	(67)	(49)
	198	(363)	100	682	426	1,053	(155)	(463)	(85)	60	(60)	17
<b>Profit after taxation</b>	1,280	1,190	1,201	1,114	2,272	2,817	8	(1)	8	(51)	(19)	(8)
<b>Basic/ Diluted earnings per share - Rupees</b>	1.55	1.45	1.6	1.53	3.11	3.85	7	(12)	8	(51)	(19)	(8)

## Statement of Financial Position

	2011	2010	2009	2008	2007	2006	2011	2010	2009	2008	2007	2006
	Rupees in Million						Variance %					
<b>ASSETS</b>												
Cash and balances with treasury banks	18,445	17,429	8,427	8,928	6,872	7,208	6	7	5	6	5	6
Balances with other banks	4,686	5,728	509	877	3,708	2,883	2	2	0	1	3	2
Lendings to financial institutions	-	-	15,018	2,861	7,078	4,608	-	-	8	2	5	4
Investments	93,409	86,419	56,531	36,153	31,553	22,525	32	32	31	26	22	20
Advances	148,162	133,707	91,346	83,512	87,346	74,469	51	50	51	60	62	64
Operating fixed assets	10,850	8,726	2,788	2,647	2,515	2,239	4	3	2	2	2	2
Deferred tax assets - net	5,188	5,017	1,280	-	-	-	2	2	1	-	-	-
Other assets	11,828	10,295	4,966	3,264	2,204	1,538	4	4	3	2	2	1
	<b>292,568</b>	<b>267,321</b>	<b>180,865</b>	<b>138,242</b>	<b>141,276</b>	<b>115,470</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>LIABILITIES</b>												
Bills payable	3,076	3,219	1,465	1,537	2,407	4,516	1	1	1	1	2	4
Borrowings	39,697	34,636	34,986	13,027	9,996	14,965	14	13	19	9	7	13
Deposits and other accounts	214,615	195,315	123,655	102,777	102,067	74,414	73	73	68	74	72	64
Sub-ordinated loans	4,395	4,595	999	1,000	1,000	-	2	2	1	1	1	-
Liabilities against assets subject to finance lease	-	-	-	4	8	14	-	-	-	0	0	0
Deferred tax liabilities - net	-	-	-	2,483	2,691	1,840	-	-	-	2	2	2
Other liabilities	11,572	13,038	6,977	6,642	6,951	5,924	4	5	4	5	5	5
	<b>273,355</b>	<b>250,803</b>	<b>168,082</b>	<b>127,470</b>	<b>125,120</b>	<b>101,673</b>	<b>93</b>	<b>94</b>	<b>93</b>	<b>92</b>	<b>89</b>	<b>88</b>
	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>13,797</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>11</b>	<b>12</b>
<b>REPRESENTED BY</b>												
Share capital	8,243	7,337	6,091	5,296	5,296	4,237	3	3	3	4	4	4
Reserves	6,591	7,355	4,030	3,790	3,567	3,080	2	3	2	3	3	3
Unappropriated profit	2,959	1,951	1,215	1,050	1,482	1,816	1	1	1	1	1	2
	<b>17,793</b>	<b>16,643</b>	<b>11,336</b>	<b>10,136</b>	<b>10,345</b>	<b>9,133</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>8</b>
Surplus on revaluation of assets	1,420	(125)	1,447	636	5,811	4,664	0	(0)	1	0	4	4
	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>13,797</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>11</b>	<b>12</b>

# VERTICAL ANALYSIS

## Profit and Loss Account

	2011	2010	2009	2008	2007	2006	2011	2010	2009	2008	2007	2006
	Rupees in Million						Variance %					
Mark-up / return / interest earned	28,825	19,710	16,958	13,404	11,611	9,728	100	100	100	100	100	100
Mark-up / return / interest expensed	19,619	13,919	11,968	8,455	7,459	6,089	68	71	71	63	64	63
Net mark-up / interest income	9,206	5,791	4,990	4,949	4,152	3,639	32	29	29	37	36	37
(Reversal)/ Provision against non-performing loans and advances - net	330	1,906	1,966	1,544	1,797	517	1	10	12	12	15	5
(Reversal)/ Provision for consumer loans - general	(77)	(90)	(27)	(105)	75	105	(0)	(0)	(0)	(1)	1	1
Provision for diminution in the value of investments	409	287	252	608	207	-	1	1	1	5	2	-
Bad debts written off directly	33	99	-	-	-	-	-	1	-	-	-	-
Net mark-up / interest income after provisions	695	2,202	2,191	2,047	2,079	622	2	11	13	15	18	6
	8,511	3,589	2,799	2,902	2,073	3,017	30	18	17	22	18	31
<b>Non mark-up / interest income</b>												
Fee, commission and brokerage income	1,773	1,141	885	814	743	604	6	6	5	6	6	6
Dividend income	619	335	668	1,207	1,221	1,249	2	2	4	9	11	13
Income from dealing in foreign currencies	851	519	400	347	314	121	3	3	2	3	3	1
Gain / (Loss) on sale of securities	(256)	1,340	825	(134)	1,116	330	(1)	7	5	(1)	10	3
Unrealized (loss) on revaluation of investments classified as held for trading	(58)	68	(46)	(3)	3	-	(0)	0	(0)	(0)	0	-
Other income	1,141	609	81	79	44	448	4	3	0	1	0	5
Total non mark-up / interest income	4,070	4,012	2,813	2,310	3,441	2,752	14	20	17	17	30	28
	12,581	7,601	5,612	5,212	5,514	5,769	44	39	33	39	47	59
<b>Non mark-up / interest expenses</b>												
Administrative expenses	10,814	6,644	4,284	3,258	2,800	1,866	38	34	25	24	24	19
Other provisions	225	62	(6)	97	6	-	1	0	(0)	1	0	-
Other charges	64	68	33	61	10	33	0	0	0	0	0	0
Total non mark-up / interest expenses	11,103	6,774	4,311	3,416	2,816	1,899	39	34	25	25	24	20
	1,478	827	1,301	1,796	2,698	3,870	5	4	8	13	23	40
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit before taxation</b>	1,478	827	1,301	1,796	2,698	3,870	5	4	8	13	23	40
Taxation - Current	393	239	1,157	156	282	383	1	1	7	1	2	4
- Prior years	289	192	2,823	100	(48)	93	1	1	17	1	(0)	1
- Deferred	(484)	(794)	(3,880)	426	192	577	(2)	(4)	(23)	3	2	6
	198	(363)	100	682	426	1,053	1	(2)	1	5	4	11
<b>Profit after taxation</b>	1,280	1,190	1,201	1,114	2,272	2,817	4	6	7	8	20	29

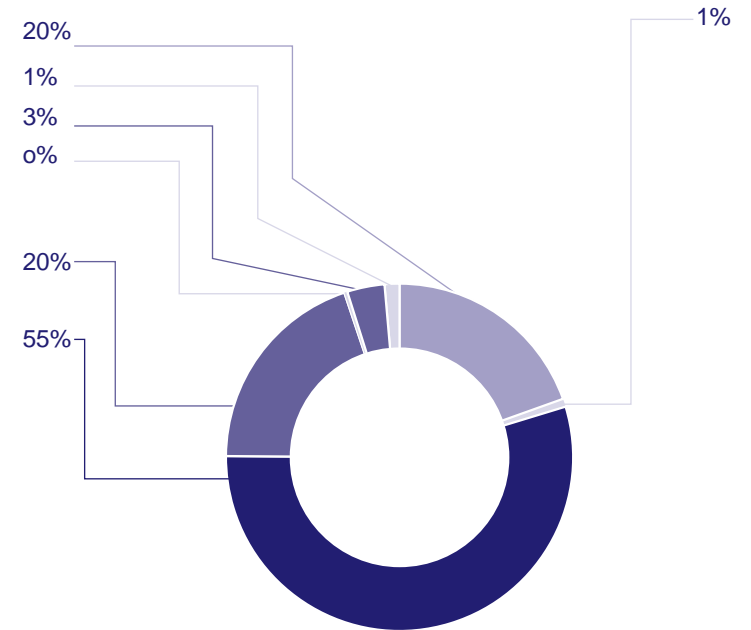
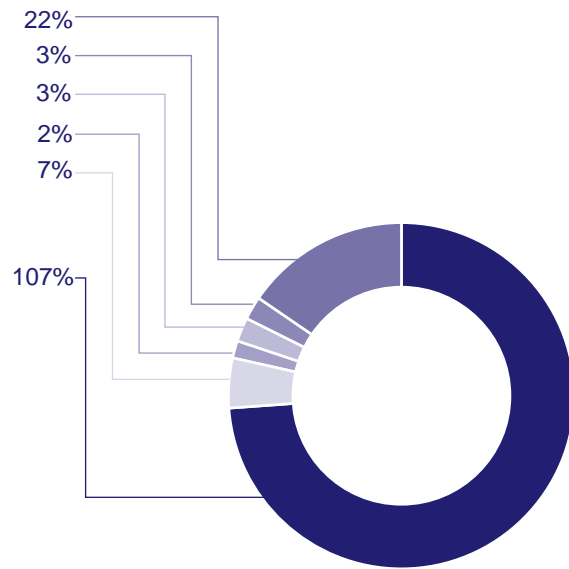
# STATEMENT OF VALUE ADDED

	2011		2010	
	Rs□000	%	Rs□000	%
Mark-up / return / interest earned - net of provisions	28,130,204	107	17,508,636	98
Fee, commission and brokerage income	1,773,198	7	1,140,802	6
Dividend income	618,764	2	334,885	2
Income from dealing in foreign currencies	850,833	3	518,618	3
Derivative income, gain on sale of investments etc.	827,574	3	2,018,033	11
	32,200,573	122	21,520,974	121
Administrative expenses	5,887,540	(22)	3,674,792	(21)
<b>Value Added</b>	<b>26,313,033</b>	<b>100</b>	<b>17,846,182</b>	<b>100</b>
Distributed as follows:				
To Employees				
As remuneration	5,140,741	20	3,076,436	17
To Government				
As income tax	197,795	1	(363,275)	(2)
To Depositors				
As profit on investments	14,426,061	55	10,682,289	60
To Financial Institutions				
As profit on borrowings	5,193,034	20	3,236,967	18
To Society				
As donations	75,106	0	23,436	0
To Shareholders				
As dividends / bonus	915,902	3	1,218,182	7
Retained in Business				
As reserves and retained profits	364,394	1	(27,853)	(0)
	26,313,033	100	17,846,182	100



# STATEMENT OF VALUE ADDED

	Rs□000					
	Public Sector		Private Sector		Total	
	2011	2010	2011	2010	2011	2010
Advances	17,702,339	9,896,164	141,310,245	141,310,245	159,012,584	151,206,409
Investments	176,904,720	67,334,625	11,009,430	20,579,525	87,914,150	87,914,150
Placements / Lendings	13,996,903	13,742,392	9,133,923	9,414,441	23,130,826	23,156,833
	<u>108,603,962</u>	<u>90,973,181</u>	<u>161,453,598</u>	<u>171,304,211</u>	<u>270,057,560</u>	<u>262,277,392</u>



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

- To Employees
- To Society
- To Government
- To Share Holders
- To Depositors
- To Financial Institutions
- Retained in Business

Where we come from often hinders where we are going. As much as the universe favours the will of an ambitious heart, everything stands in the way of anything that attempts to challenge the status quo. The only way to break away from the shackles that hold one back is faith in one's own self.

BARRIERS BROKEN



غلاری میں نہ کام آتی ہیں شمشیریں نہ تدبیریں  
جو ہوشوقِ یقین پیدا تو کٹ جاتی ہیں زنجیریں



## NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of Faysal Bank Limited ( FBL ) will be held on March 28, 2012 at 10:00 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 16th Annual General Meeting held on April 28, 2011.
2. To receive and adopt Annual Audited Accounts, Statement of Compliance with Code of Corporate Governance of FBL for the year ended December 31, 2011 together with the Directors and Auditors Reports thereon.
3. To consider and approve 12.5% interim Bonus shares approved by the Board of Directors for the third quarter ended September 30, 2011 issued to the Shareholders on December 12, 2011 now placed for Post Facto approval by the Shareholders.
4. To appoint External Auditors for the ensuing financial year 2012 at a mutually agreed rate of remuneration. The present Auditors, A.F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.
5. Any other business with the permission of the Chair.

### SPECIAL BUSINESS:

6. To consider and approve FBL's investment of up to PKR 1.0 billion into certain funds of Faysal Asset Management Limited (FAML) as seed money and pass the following Special Resolutions as required by Section 208 of the Companies Ordinance 1984 with or without modifications:-

RESOLVED that subject to all regulatory approvals, investment of FBL up to PKR 1.0 billion as seed money in the funds of FAML, 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 Acting Company Secretary 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.

7. To approve disposal of fractional shares created out of the issuance of 12.5% Interim Bonus shares by the Bank for the third quarter ended September 30, 2011 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 Acting 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 Waqf Faisal .

For the purpose of giving effect of the foregoing, the Acting 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.

8. 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, 2011 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 37 of the Audited Financial Statements of the Bank for the year ended December 31, 2011, be and is hereby approved.

Karachi dated: March 6, 2012

By the order of the Board



Nasir Islam

Acting Company Secretary

## Notes:

1. The Share Transfer Books of the Bank shall remain closed from March 21, 2012 to March 28, 2012 (both days inclusive). Transfer received at the Registrar and Share Transfer Agent of the Bank, by the close of business on March 20, 2012 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, First 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, First 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 the Special Business referred to in Clause 6 of the Notice above:

This statement sets out the material facts concerning the following Special Business to be transacted at the Annual General Meeting of Shareholders of FBL will be held on March 28, 2012.

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

FBL from time to time makes investment in funds launched by its associated company, FAML. For this purpose approval of PKR 1.0 billion is sought from shareholders.

The Statement of material facts as required under the SRO 27(I)/2012 dated January 16, 2012 appears herein below:

1. Name of the associated company along with criteria on which the associated relationship is established

Investment in new funds to be launched by FAML. Associated relationship established due to 30% shareholding of FBL in FAML.

2. Purpose, benefits and period of investment

This seed money investment will enable FAML to launch new funds and grow its business, the benefits of which will flow to FBL in the form of dividends on this investment in funds and also on investment in FAML equity.

3. Maximum amount of investment

Investment of up to PKR 1.0 Billion

4. Maximum price at which securities will be acquired

Face value

5. **Maximum number of securities to be acquired**  
Dependent upon number of funds launched by FAML.
  6. **Number of securities and percentage thereof held before and after the proposed investment**  
Not applicable
  7. **Fair market value of securities**  
Not applicable
  8. **Break-up value of securities intended to be acquired on the basis of the latest Audited financial statements**  
Not applicable
  9. **Earning per share of the associated company for the last three years**  
Not applicable
  10. **Source of funds from which securities will be acquired**  
Units will be purchased from FBLs own sources.
  11. **Salient features of the agreements(s) if any, entered into with the associated company with regards to the proposed investment**  
Not applicable
  12. **Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company or the transaction**  
There is no personal interest of the directors, sponsors, majority shareholders or their relatives.
- II) **To approve disposal of fractional shares created out of the issuance of 12.5% Interim Bonus shares by the Bank for the third quarter ended September 30, 2011 on Post facto basis.**
- Any member holding fraction of a share, the Acting 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 Waqf Faisal .
- III) **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, 2011**
- 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 in 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.

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, 2011.



Chartered Accountants

Dated: March 5, 2012

Karachi

**Name of Company: Faysal Bank Limited****Year Ended: 31 December 2011**

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. No casual vacancy occurred in the Bank during the year 2011.
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 Chairman who is Non-Executive Director. The Board of Directors have met five times in the year 2011. 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. The Pakistan Institute of Corporate Governance has awarded two of the Board Members Certified Director .
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 as required by 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 five (05) 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 they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan; that 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 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: February 28, 2012



Naved A. Khan  
President & CEO

When the heart is set, the tides favouring and passion at its peak, a man by virtue of his ambition is capable of moving mountains. An ambition's evolution rises above an individual and becomes a collective revolution.

PASSION PERFORMS



ہزار چستے تیری سنگ راہ سے پھوٹے  
خودی میں ڈوب کے ضربِ کلیم پیرا کر





On behalf of the Board of Directors, I am pleased to present the Seventeenth Annual Report of Faysal Bank Limited along with the audited financial statements and the Auditor's Report thereon for the year ended December 31, 2011.

## Economic Update

Fiscal Year 2012 started with a significant shift in the policy bias towards jump starting economic growth. This policy bias was prompted by a multiplicity of considerations; an anemic GDP growth of 2.4% in FY 11 (against an initial estimate of 4%) was too low against an estimated 7% required to absorb new entrants into the work force and a protracted cycle of high interest rates subsequent to joining the IMF program in 2009 had led to the crowding out of private sector credit, the investment to GDP for FY 11 had hit 13.7% - the lowest since 1974. As for forward looking measures the external current account deficit was expected to be moderate (emanating from a surplus in FY 11) and there was a high probability of meeting the 12% CPI target set forth by the SBP. These considerations prompted the SBP to aggressively slash the policy rate by a cumulative 200 bps in the first two monetary policy decisions of FY 12. The Ministry of Finance on its part displayed strong will to curtail its borrowings from the SBP in 1Q-FY 12 and internalized 391 billion worth of circular debt — a cohesive action aimed towards facilitating private sector credit on one end (by freeing up liquidity for more productive activities) and addressing the issue of energy shortages aimed at freeing up the productive capacity and re-igniting economic growth. By the end of 2Q-FY 12 the faster than anticipated deterioration in fiscal and the external current account deficit is again prompting the economic managers to re-assess their policy bias.

The most heartening economic development in FY 11 for Pakistan's economy was improvement in the current account balance which was positive for the first time in six years (\$268 million) owing largely to higher cotton prices and a stellar performance in home remittances. Given the rigidities in our trade account and vulnerabilities in our financial account sustaining this performance in FY 12 was always going to be difficult, but the pace at which the current account deteriorated in first half FY 12 by -1.8% (USD 2.154 billion vs. a surplus of USD 8 million during the same period last year) is rather disconcerting. This is attributable mainly to bulky oil payments and a seasonal pause in remittances in the first quarter compounded by a dry up in financial flows which in turn lead to this deficit to be financed largely by drawing down on FX reserves - which subsequently depleted to USD 17.026 billion by the end of 2Q-FY 12 vs. USD 18.234 billion at the start of FY 12. These developments in turn took their toll on the PKR/USD parity which depreciated by 5.2% during H1- FY 12. The GOP aims to curtail the full FY 12 current account deficit within 1.5%-2.5% of GDP which is largely contingent upon; the timely realization of coalition support funds, receipt of \$800 million outstanding from Etisalat and successful auctioning of 3G licensees.

The lax fiscal policy and its financing mix are a source of primary concern and the monetary policy is becoming subservient to fiscal considerations. The provisional estimate for H1-FY 12 shows a deficit of 2.5% of GDP (PKR 532 billion) and from here on containing the deficit to the annual target of 4.7% of GDP is going to be a herculean task despite a 27.1% increase in tax collection. To make matters worse external sources of financing during H1-FY 12 had dried up and on the domestic front a lack of diversified and sustainable financing source shifted the bulk of the incremental financial requirements on to the banking system. The GOP hence borrowed substantially from the SBP by end of H1-FY 12 (PKR 197 billion yoy growth). If these fiscal issues are not addressed in time, the strong inter-linkages between fiscal vulnerabilities and financial stability may tend to spill over to other sectors, disrupting productive economic activities.

The most heartening economic development of H1-FY 12 has been the sharp deceleration witnessed in CPI which was recorded at 10.9% against 13.7% during FY 11. This improved performance was mainly due to; change in the base year for calculations, moderation in aggregate demand and improvements in domestic supplies of food items. The SBP now expects full year FY 12 CPI in the range of 11%-12% which implies an uptick in inflation in H2-FY 12.

The main reasons for this assessment are; an increase in administered prices of energy (electricity & gas) and wheat, rising international oil prices, impact of exchange rate pass through and resurgence in the Q2-FY 12 of GOP borrowings from the SBP (i.e. monetization of the fiscal deficit).

Going forward key challenges facing Pakistan's economy still emanate from long standing structural issues which have continued to depress growth. GDP growth for FY 12 is again expected to be in the vicinity of 3.5%, against an initial estimate of 4.5%. Here a break away from the past policy making is imperative to place Pakistan on a higher and more inclusive growth path. On the fiscal front, public finances need to be strengthened through revenue mobilization, elimination of untargeted subsidies and restructuring of PSEs. On the other hand the GOP needs to address the issue of energy shortages and implement policies that reduce inflation and protect the external position.

### Bank's Performance

The acquisition of RBS Pakistan franchise has turned out to be an outstanding decision in terms of timing, price, synergies and complementarity of businesses (especially retail and commercial banking) and size and scale. The successful integration during the very first year of acquisition has largely nullified the foremost risk in any M&A transaction particularly against the backdrop of an extremely turbulent external political and economic environment. We are now ideally poised to realize our fullest potential and ambition. Rest assured, your Bank will deliver outstanding value and results in the coming years.

Your Bank delivered a solid performance during 2011. Profit before tax at Rs. 1.478 billion was 79% higher than last year. Last year the bank booked a one off tax credit due to which profit after tax increased from 827 million to Rs. 1.190 billion. Current year's profit after tax at Rs. 1.280 billion was 8% higher than last year.

2011 marks the first year in existence of the merged entity after the acquisition of the Royal Bank of Scotland. The outgoing year proved to be a challenging one, not only on account of external factors but the Integration Agenda post RBS acquisition was a daunting task in itself. We remained committed to ensuring that this acquisition unlocks synergies that translate into superior returns to all our stakeholders. We are pleased to inform you that your bank has been able to successfully integrate RBS operations and turn RBS losses into profits. Synergies with RBS operations identified at the time of its acquisition were capitalized on in the very first year of its acquisition — something that has never happened in this country.

The integration agenda continued to remain in focus during the period post RBS acquisition. The following major integration related activities were completed during 2011:

- A comprehensive exercise was conducted whereby policies and procedures were aligned and best practices adopted.
- Disengagement and replacement of the RBS Global back-end technology platform was achieved and Alternative Delivery Channel (ADC) platforms were consolidated and upgraded.
- The entire products suite was evaluated and aligned ensuring that the products offered cater to the varying needs of our clients.
- The HR function conducted in-house training sessions to ensure that all staff are aware and comprehend the revised policies, procedures and systems. Following the acquisition, with an objective of increasing staff engagement, awareness and bonding various functions and sports events were held.

Key developments during the year are outlined below:

## Customer Franchise

### Corporate and Investment Banking

During 2011, the corporate & Investment banking group (CIBG) continued to improve the quality of assets and expand its total trade and fee business. A number of landmark transactions were concluded including a debt restructuring where the bank acted as a Lead advisor. The debt restructured was PKR 22 billion with close to 70 creditor institutions involved. You bank being an active player in the credit market of the bank provided financing for a number of projects contributing to the economic development of the country. These projects included:

- FBL was mandated by Pakistan's first locally owned container terminal for re-financing of USD 27million loans extended by multi-lateral agencies, originally undertaken to develop and build container handling facilities.
- FBL extended PKR 1,200 million to Pakistan's only integrated power entity against SBLCs from A-rated foreign Banks.
- Extended a PKR 1,000 million working capital facility to a major Independent Power Producer's new venture.
- FBL extended a unique structured letter of credit facility of USD 65 million for one of the growing oil marketing companies of Pakistan.
- Initiation of relationship through disbursement of PKR 2,000 million working capital facility to one of the largest oil marketing companies of Pakistan.
- FBL participated in a project finance transaction of PKR 2,600 million for setting up a BoPET film manufacturing plant.
- Incremental finance facility of PKR 6,000 million to one of the leading oil refinery for meeting working capital requirements.
- FBL, in its capacity as Joint Lead Advisor and Arranger, managed to arrange a debt syndicate facility of PKR 11,023 million for Pakistan's first ever wind power project
- FBL closed a joint mandated as Lead Advisor and Arranger for a PKR 10,000 million 5-year Syndicated Long Term Finance Facility for the largest integrated gas company in Pakistan.
- FBL has been mandated to act as sole Advisor and Arranger to meet the local-currency funding requirement equivalent to USD 35 million to set-up Pakistan's first dedicated Coal and Clinker Terminal.
- FBL has been jointly mandated to arrange LCY Financing of up to PKR 3,000 million for a Wind Power Project. The rest of the funding is being arranged by multilaterals
- FBL jointly mandated with other large local banks to arrange financing for a Wind Power Project. Total funding requirement is PKR 10,000 million to set-up the Wind Farm
- FBL was mandated to act as Lead Advisor and Arranger for a PKR 2,500 million permanent Syndicate Working Capital Financing facility to be extended to a specialized farm.
- The Bank acted as Co- Arranger to arrange syndicated financing of PKR 2,400 million for a sugar mill in order to set-up an 8,000 tpd sugar manufacturing facility.
- FBL was mandated to act as one of the underwriters to the IPO of a food business. FBL was underwriter for 11 million shares out of the total offering of 27 million shares.

### Retail Banking

Following the acquisition of RBS, the bank has rationalized the overlap of conventional branches by relocating them to other areas while utilizing their current premises for Islamic branches or as a second option choosing new sites. The Bank continued aggressively in enhancing its footprint in new cities. We opened 27 new branches and upgraded a sub branch, in the process; in line with our strategy we expanded our footprint to 10 new cities. With an enhanced branch network at its disposal, the bank is concentrating on increasing proportion of individual current and saving accounts in the deposit mix. The Bank grew its individual accounts portfolio by more than PKR 16 billion whilst lowering cost of funds through effective rate management initiatives.

Siebel Sales Force Automation solution was implemented during the last quarter. Siebel Sales Force Automation solution brings Faysal Bank's pre-sales and sales activities onto the Customer Relationship Management platform. This enables tracking, monitoring, planning executing and supervising the sales process for Branch Banking, Islamic Banking, Consumer Finance, Wealth Management and Business Development Unit. The purpose of the system is to reduce the Turn Around Time for a sales lead to enter processing, as well as document all sales activities onto a single system.

Faysal Bank's ATM network was expanded from 118 to 217 ATM and 12 cash deposit machines were added during the year to take the total to 15. The integration of electronic banking platform of Faysal Bank and RBS enabled the bank to offer its customers consistent and unified e-banking products and services across all channels.

### Islamic Banking

Barkat Islamic Banking delivered on its aggressive growth strategy by increasing its foot print across Pakistan from 13 branches in 8 cities to 45 branches in 20 cities during 2011. To complement distribution growth, innovative Islamic products and services were added to product menu during the year. In addition to alignment of Ex RBS and Barkat Islamic Banking products, Barkat Islamic Banking Auto finance and Export financing products including Islamic Export Refinance was launched for Islamic customers.

### Treasury

During the year Treasury reaped rich rewards of the considerable investment made in infrastructure and business development in the previous year.

In terms of pre-set goals we achieved some major mile stones in 2011; the foremost of which was our successful application for the Authorized Derivative Status wherein we are now the only mid-tier bank in this group of six. This status was awarded to FBL by the SBP on the basis of our proven record of managing our existing derivative portfolio and conducting fresh transactions. Having already received the Primary Dealer license in 2010 FBL's product suit is now at par with any Treasury in Pakistan, enabling us to provide balance sheet solutions to our ever growing and sophisticated customer base.

In our first year as a Primary Dealer we managed to secure 4th ranking, a stellar feat considering the majority of our peers have been in this business since its inception. This ranking was secured on the back of our secondary market turnover and customer volume. FBL is now a dominant price maker in the interbank market and 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 customer centric vision, Treasury embarked upon a home grown automation process which was implemented in January 10 with the installation of the Smart Treasury System. The scope of this system was further enhanced in 2011 to keep up with changing business requirements to incorporate modules for; Islamic banking, Non-Compete bids, IPS accounts and a SUKUK/TFC module wherein we have now fully automated the entire banks listed and privately placed corporate bond portfolio. This infrastructure upgrade enables us to churn greater volumes with increased efficiency as have done in 2011.

### Special Assets Management

Recovery of Non-Performing Loans of RBS Pakistan was identified as an opportunity at the time of making decision for RBS acquisition. We are pleased to inform you that we have been able to take full benefit of this opportunity and during the first year of the merged entity operations total reversals of over PKR 1,800 million were taken to income.

### Cash Management

Carrying forward the vision to achieve excellence in our product offer and attaining higher service levels through product innovation, Cash Management developed a web-based Remittance processing and payment system for Home Remittance transactions. This product was developed with a vision to facilitate inward home remittance business through formal banking channels. It is a straight-through processing system capturing the complete acquisition and disbursement end of the transaction under one umbrella in the form of this system.

### Bancassurance

This year proved to be yet another successful year for Bancassurance business, both in terms of revenue growth and development of new products. With the aim to increase insurance penetration and provide customers a one stop solution, a total of four products were launched during the year; Saving Plus - a more flexible and customer centric insurance and investment product, Takaful Saving Plan - an Islamic insurance product designed to provide a Shariah compliant alternative to our customers, Cash Withdrawal Insurance and All-Rounder - small ticket insurance solutions. Coverage for cash and homes were also made available through the telesales unit.

The signing of the agreements with two new partners was a major milestone enabling Bancassurance team to further expand their already established product portfolio. It has also enabled Faysal Bank to become one of the few banks to have an Islamic insurance product in its product range which is a testimony of the commitment towards providing innovative Life and General insurance products to its customers.

### People

During the year HR conducted in-house training session in coordination with all segments to ensure that staff is aware of the new products, policies, procedures and systems. Following the acquisition, with an objective of increasing engagement, awareness and bonding various functions and sports events were held for staff.

The CEO club was launched in June 2011. This is a program designed to recognize top performers from across the bank with incentive for sustainable top performance.

Credit Skills Development Pre Assessment Certification program was rolled out in conjunction with The Institute of Bankers Pakistan (IBP). It is a recognized worldwide certification program aimed to help lenders learn and develop commercial/corporate lending skills. It is the foundation step towards making sound credit decisions consistently and efficiently.

### Risk Management

2011 began with key focus as a merged entity, well poised to withstand any major market turbulence and macro-economic challenges head on as a bigger and stronger institution. The Risk Management Group (RMG) and its sub units spearheaded the integration process after acquisition of RBS 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. in conformity with the requirements and high quality standards of the merged entity.

The Credit Risk Management Framework continues to evolve and address business segment-specific risk through specialized Risk Management functions under the umbrella of Risk Management Group (RMG). Accordingly, Credit Risk Management (comprising of Corporate Risk Management, Commercial Risk Management and Retail SME & Agri. Risk Management) and Retail Risk Management, all report into the Chief Risk Officer (CRO) to monitor, control and manage Credit risk on an independent as well as integrated basis. 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.

With the induction of specialized Retail Risk Management Unit in RMG, a structured approach was adopted to manage Consumer Finance business. Detailed Product Programs including Risk Policies and SOP Manuals were successfully revamped and revised in accordance to the market scenarios. Significant milestones were achieved in terms of portfolio migration. Overall portfolio health has improved considerably with drastic reduction in loss numbers.

As part of the Bank-wide exercise, policies and procedures for Market, Liquidity, and Operational risks and Capital Management were revised after a thorough review of the prevalent policy and procedural framework at ex-RBS Pakistan and Faysal Bank with the objective of adopting best of both and industry best practices.

Derivatives risk management was expanded to additional measures such as Interest Rate Delta (yield curve risk) and Delta Basis (basis risk). Market and Credit Risk Limits have been defined to manage interest and exchange rate movement, and settlement and pre-settlement risks for derivatives exposures. End-to-end derivatives system was implemented to measure the risks associated with derivative products. Derivative limits are being monitored on real time basis to ensure that risks are within appetite.

Operational Risk Management framework was updated to reflect consolidation of ex-RBS operational loss database and re-alignment of country wide operational loss data collection process. Risk & Control Self Assessments for all business and support areas were completed in order to manage and monitor material operational risks that exist from day-to-day operations of the Bank.

Liquidity Risk Management framework was refined in view of the industry best practices and regulatory requirements. A behavioral analysis for volatile funding was conducted to get a factual picture of expected maturities. Individual limits were defined for conventional and Islamic banking which are being monitored to closely scrutinize market conditions.

The Risk Policy unit was successfully set up in support of the CRO's holistic risk oversight responsibilities as part of the Risk Management Group (RMG). The Unit also encompasses 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.

### Support Services

Acquisition of RBS posed special challenges on IT front. The first challenge was to disengage and replace RBS Global back end system by April 15, 2011. This target was achieved with the specified time without any disruption in business activities. Alternate Delivery Channel (ADC) platforms of the two banks was consolidated and upgraded, resulting not only in alignment but also in enhancement in the range of services provided to customers. The bank also acquired and implemented an end to end derivative system from SunGard for handling its derivative portfolio. In the Q3, 2011 IT started work on consolidation of Data Centers and Communication Network. As a result the number of data centers has decreased from 27 to 11 which will be further reduced to 3 once the project is completed in 2012, resulting in drop in hardware and network requirements and reducing maintenance costs.

During the year the bank focused on optimizing cost synergies and as result significant cost reductions were achieved in the areas of branch rentals, optimum utilization of available office space, technology and premises maintenance cost and utilities. Our focus is to eliminate wastages and manage our operations in the most cost efficient manner.

### Financial Perspective

Post RBS acquisitions, revamping of in-house developed MIS set up was a formidable challenge. The bank's internal MIS set up was aligned with new technology and business acquired from RBS by developing interfaces. RBS customers were tagged to the business as per new business structure and a reliable segment and customer wise MIS was developed for monitoring performances and tracking trends. In Q4, 2011, the bank acquired a cost effective MIS tool by the name of QlikView, the implementation of which is underway. After implementation of this tool in 2012, the MIS development process will become fully automated and all businesses and branches will have access to reliable MIS on a daily basis.

The bank's annual report for 2010 was awarded 4th position in the Best Corporate Reports Award in the financial sector category. These awards are organized by the Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) to give honor and recognition to the best presented annual reports in terms of international best practices and local corporate laws.

### Future Outlook

In 2012 the bank will focus to further develop on the synergies of the merged entities. We will continue to grow our assets with a sharp focus on Commercial, Consumer and Agri segments. On the liability side our focus would remain on small tickets core deposits which provide reliable liquidity to the bank. Islamic branches coverage will be further enhanced and Islamic assets products will be launched.

Revenue will also be enhanced through top class management and recovery of Non-Performing loan portfolio.

On the technology front, further consolidation will be achieved after migrating to upgraded version of core banking system. This will also enable us to streamline operating processes. Going forward the focus will be on realizing synergies of the merger especially with a view of enhancing revenue and reducing costs.

### Corporate Social Responsibility (CSR)

From the bank's allocated fund of Rs. 50 million for flood relief, Faysal Bank has partnered with The Citizens Foundation through a donation of Rs. 30 million to establish and run two schools in the flood-affected areas of Mianwali and Khushab. The construction of these schools is underway and classes are expected to commence from April 2012. Additionally, from this fund, 5,000 food ration packs worth over Rs. 9 million were distributed to flood-affected people in Badin, Tando Muhammad Khan and Tando Allah Yar.

As part of a 5-year commitment for an academic chair in Executive MBA Programme, Faysal Bank donated Rs. 10 million to the Institute of Business Administration, Karachi.

The bank donated an amount of Rs. 24.4 million to Waqf Faysal (Trust) which is a non-profit organization established by the bank, engaged in charitable activities in the areas of health, education and poverty alleviation.

### Corporate Brand Promotion

During the year two major events of the domestic cricket calendar were sponsored by the bank i.e. Faysal Bank T20 tournaments held in Faisalabad and Karachi. Both the tournaments generated tremendous public enthusiasm and response. The Iqbal Stadium, Faisalabad and National Stadium, Karachi were jam-packed for most of the matches, while millions followed the games live on TV, Radio and Social Media. The publicity generated through the promotion of the events on mass and outdoor media, and the public goodwill created by offering wholesome entertainment to the masses, have gone a long way in building the Faysal Bank brand equity.

# DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

## Financial Highlights

	2011	2010
	Rs. in million	
Operating profit	2,173	3,029
Provision for non performing advances	(286)	(1,915)
Provision for diminution in value of investments	(409)	(287)
	(695)	(2,202)
Profit before tax	1,478	827
Reversal / (charge) of provision for taxation	(198)	363
Profit after tax	1,280	1,190
Un-appropriated profit brought forward	1,951	1,215
	3,231	2,405
Amounts recognized directly in equity:		
Reversal of deferred tax liability	-	765
	3,231	3,170
Appropriations		
Transfer capital market reserve to un-appropriated profit	-	390
Issue of bonus shares – September '11 @ 12.5% ('10 @ 20%)	(916)	(1,218)
Transfer to statutory reserve	(256)	(391)
	(1,172)	(1,219)
Transfer from statutory reserve to un-appropriated profit	900	-
Un-appropriated Profit carried forward	2,959	1,951
Earning per share – Rupees	1.55	1.45

Your bank has posted an impressive performance in the first year of RBS acquisition. It has successfully turned RBS losses into profit and as a result profit before tax showed a growth of 79% from Rs. 827 million in 2010 to Rs. 1,478 million in 2011.

RBS acquisition had a very positive impact on all areas of bank's operations evident from the fact that all streams of income showed stellar growth over last year. Net margins were up by 59%, commission income by 55%, foreign exchange income by 64% and other income by 87%.

Non markup income of PKR 4,070 million included loss on sale of securities of Rs. 256 million which mainly represents losses from dealing in equity market.

A significant feature of 2011 performance was reversal / recovery of provisions for non-performing loans of Rs. 1.8 billion. This coupled with additional FSV benefit of Rs. 1 billion contributed positively to the profitability of the bank as net charge for NPLs reduced from Rs. 1,915 million in 2010 to Rs. 286 million this year. Consequently, your bank's earning per share in 2011 was Rs. 1.55.

On the balance sheet side, your bank continued to grow at a steady pace. Despite challenging economic environment advances grew by Rs.14.5 billion or 11%. Deposits also showed an impressive growth of Rs. 19.3 billion, most of which was in the core individual deposits category, a source of reliable liquidity to the bank. Total assets grew by Rs. 25.24 billion i.e. from Rs. 267.32 billion to Rs. 292.56 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, 2011:

Long-Term	AA
Short-Term	A1+

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

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, 2011. 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. 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.
  - 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. 781 million and Rs. 366 million respectively as per the unaudited financial statement;
  - j. The details of Board Meetings held and attended by the directors form 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 are approved by the Board of Directors and procedures are approved by the Senior Management. The bank's Internal Audit function keeps monitoring compliance with these policies and procedures and regularly apprises the management and the Board on the same through Board's Audit Committee. Similarly, financial performance is also regularly reviewed by the Board. 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. 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

Risk Management Group (RMG) as organized under the Chief Risk Officer (CRO), has been authorized by the Board of Directors (BoD) to implement a Risk Management framework across the bank which is built around the principles of Integrated Risk Management for managing Credit Risk, Market Risk, Liquidity Risk and Operational Risk.

The salient features of the Risk Management Framework include:

- Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control.
- A well constituted Risk organizational structure defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it.
- The Bank, in addition to risk management functions for various risk categories, has also setup committees for strategic oversight of risk management activities, including the Board Risk Management Committee (BRMC), Country Credit Committee (CCC), Enterprise Risk Management Committee (ERMC), Asset & Liability Management Committee (ALCO) & Fraud Risk Management Committee (FRMC).
- The individuals responsible for risk review, internal audit, compliance etc. are independent from risk taking units.
- The effectiveness of the management information system is paramount to ensure flow of information from operational level to top management and a system to address any exceptions is meticulously observed based on clearly spelt out procedures to address such deviations.
- The framework emphasizes ongoing review of risk policies and procedures.



The Risk Management framework is built on the following elements:

### Comprehensive risk governance

- Credit and counterparty - limits on country, industry, portfolio products/segments, risk ratings and group & single name exposures.
- Market risk - limits on Market Value Exposure (MVE) and stress testing.
- Liquidity and funding risk - limits for liquid assets, liability diversification, credit and liquidity commitments and cash flow mismatches.
- Operational Risk Framework - built around the concept of event, effect and cause categorization.

### Risk Processes

Rigorous Risk processes, under holistic oversight of RMG and subject to periodic review by Internal Audit/ Compliance & facilitation by Fraud Risk Management are used across the Bank to:

- Develop & update policies and limits for approval by senior management /Board.
- Monitor policy compliance.
- Maintain contingency plans.
- Track variables for changing risk conditions & provide timely reports to senior management.
- Generate a healthy critique on Asset Portfolio Quality & Credit Management Process.
- Prevent and detect fraud incidents & investigate reported operational loss events due to acts intended to defraud, misappropriate property of the Bank or circumvent regulation, laws or bank policy.

The Bank's realigned Risk Management Framework has culminated in strengthened Risk Management controls through a renewed focus on overall Portfolio Management including Special Assets Management.

## 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 2011 FMSL earned profit before tax of Rs. 20.15 million (2010: Rs. 12.42 million), whereas profit after tax amounted to Rs.19.99 million (2010: Rs. 9.42 million), FMSL declared dividends of Rs.7.2 million (2010: Rs. 13.1 million) during the year. During 2010 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.

## Auditors

The present auditors, Messrs A. F. Ferguson & Co. Chartered Accountants will retire on the date of next Annual General Meeting. 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 2012.

## 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  
Karachi  
Dated: February 28, 2012

We have audited the annexed statement of financial position of Faysal Bank Limited (the bank) as at December 31, 2011 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 (herein-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 five 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.

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 disclosed in note 7.6 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, 2011, and its true balance of profit, its comprehensive income, 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.



Chartered Accountants

Engagement Partner: Salman Hussain

Dated: March 5, 2012

Karachi

# STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Note	2011 Rupees '000	2010
<b>ASSETS</b>			
Cash and balances with treasury banks	8	18,445,108	17,428,924
Balances with other banks	9	4,685,718	5,727,909
Lendings to financial institutions		-	-
Investments	10	93,409,187	86,418,549
Advances	11	148,161,995	133,706,769
Fixed assets	12	10,849,607	8,726,406
Deferred tax assets - net	13	5,188,126	5,017,202
Other assets	14	11,828,085	10,295,164
		<u>292,567,826</u>	<u>267,320,923</u>
<b>LIABILITIES</b>			
Bills payable	15	3,075,642	3,218,859
Borrowings	16	39,696,986	34,635,904
Deposits and other accounts	17	214,614,731	195,315,204
Sub-ordinated loans	18	4,395,197	4,595,395
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	19	11,572,111	13,037,791
		<u>273,354,667</u>	<u>250,803,153</u>
<b>NET ASSETS</b>		<u>19,213,159</u>	<u>16,517,770</u>
<b>REPRESENTED BY</b>			
Share capital	20	8,243,118	7,309,094
Proposed shares to be issued on amalgamation		-	28,253
Reserves	21	6,591,131	7,354,688
Unappropriated profit		2,959,178	1,950,843
		<u>17,793,427</u>	<u>16,642,878</u>
Surplus / (deficit) on revaluation of assets	22	1,419,732	(125,108)
		<u>19,213,159</u>	<u>16,517,770</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes 1 to 47 and Annexures I to IV form an integral part of these financial statements.



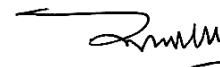
PRESIDENT & CEO



DIRECTOR



DIRECTOR



DIRECTOR

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		Rupees '000	
Mark-up / return / interest earned	25	28,825,449	19,710,460
Mark-up / return / interest expensed	26	19,619,095	13,919,256
Net mark-up / interest income		9,206,354	5,791,204
Provision against non-performing loans and advances - net	11.4	330,088	1,906,379
Reversal of provision for consumer loans - general	11.5	(77,361)	(89,730)
Provision for diminution in the value of investments - net	10.3	409,483	287,255
Bad debts written off directly	11.7	33,035	97,920
Net mark-up / interest income after provisions		695,245	2,201,824
		8,511,109	3,589,380
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,773,198	1,140,802
Dividend income		618,764	334,885
Income from dealing in foreign currencies		850,833	518,618
(Loss) / gain on sale of securities	27	(255,978)	1,339,817
Unrealised (loss) / gain on revaluation of investments classified as held for trading		(57,534)	67,967
Other income	28	1,141,086	610,249
Total non mark-up / interest income		4,070,369	4,012,338
		12,581,478	7,601,718
<b>Non mark-up / interest expenses</b>			
Administrative expenses	29	10,813,919	6,644,072
Other provisions - net	14.3	224,999	61,777
Other charges	30	64,469	68,815
Total non mark-up / interest expenses		11,103,387	6,774,664
		1,478,091	827,054
Extraordinary / unusual Items		-	-
<b>Profit before taxation</b>		1,478,091	827,054
Taxation - Current	31	392,522	239,124
Taxation - Prior years	31	289,016	191,736
Taxation - Deferred	31	(483,743)	(794,135)
		197,795	(363,275)
<b>Profit after taxation</b>		1,280,296	1,190,329
Unappropriated profit brought forward		3,170,560	1,980,231
Unappropriated profit carried forward		4,450,856	3,170,560
<b>Basic earnings per share - Rupees</b>	32	1.55	1.45

The annexed notes 1 to 47 and Annexures I to IV form an integral part of these financial statements.



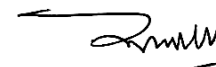
PRESIDENT & CEO



DIRECTOR



DIRECTOR



DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	Rupees '000	
<b>Profit for the year</b>	1,280,296	1,190,329
<b>Components of comprehensive income not reflected in equity</b>		
Deficit on revaluation of available for sale securities	(512,501)	(1,737,877)
Deferred tax asset on revaluation of available for sale securities	139,209	166,176
	(373,292)	(1,571,701)
<b>Total comprehensive income for the year</b>	<u>907,004</u>	<u>(381,372)</u>

The annexed notes 1 to 47 and Annexures I to IV form an integral part of these financial statements.



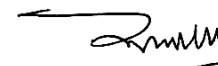
PRESIDENT & CEO



DIRECTOR



DIRECTOR



DIRECTOR

# CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		Rupees '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,478,091	827,054
Less: dividend income		(618,764)	(334,885)
		<u>859,327</u>	<u>492,169</u>
<b>Adjustments for non-cash and other items:</b>			
Depreciation		1,047,250	660,631
Amortisation		131,932	157,251
Workers' Welfare Fund		38,433	16,879
Provision against non-performing loans and advances - net		330,088	1,906,379
Reversal of provision for consumer loans - general		(77,361)	(89,730)
Provision for diminution in value of investments		409,483	287,255
Provision for other assets		224,999	61,777
Unrealised loss / (gain) on revaluation of investments classified as held for trading		57,534	(67,967)
Net profit on disposal of property and equipment		(262,301)	(28,709)
Fixed assets written off		-	21,803
Charge for defined benefit plan		120,953	70,609
Bad debts written off directly		33,035	97,920
		<u>2,054,045</u>	<u>3,094,098</u>
		2,913,372	3,586,267
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		-	16,218,809
Held for trading securities		(2,319,354)	(2,087,123)
Advances		(14,740,988)	(7,517,841)
Other assets (excluding advance taxation)		(1,785,246)	(583,776)
		<u>(18,845,588)</u>	<u>6,030,069</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		(143,217)	650,383
Borrowings		4,947,226	(4,492,957)
Deposits and other accounts		19,299,527	4,862,373
Other liabilities		(967,080)	701,388
		<u>23,136,456</u>	<u>1,721,187</u>
		7,204,240	11,337,523
Income tax paid		(1,171,638)	(2,385,005)
Contribution to gratuity fund		(120,956)	(70,620)
<b>Net cash generated from operating activities</b>		<u>5,911,646</u>	<u>8,881,898</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available for sale securities		(10,217,797)	297,473
Net investment in held to maturity securities		4,566,995	(935,365)
Net cash inflow on acquisition		-	2,743,998
Dividend income received		608,029	311,001
Investment in operating fixed assets		(1,153,162)	(542,870)
Proceeds realised on disposal of operating fixed assets		353,493	175,840
<b>Net cash (used in) / generated from investing activities</b>		<u>(5,842,442)</u>	<u>2,050,077</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of sub-ordinated loan		(200,198)	3,003,359
Dividends paid		(8,869)	645
<b>Net cash (used in) / generated from financing activities</b>		<u>(209,067)</u>	<u>3,004,004</u>
<b>(Decrease) / increase in cash and cash equivalents</b>		(139,863)	13,935,979
Cash and cash equivalents at beginning of the year		23,150,426	9,214,447
Cash and cash equivalents at end of the year		<u>23,010,563</u>	<u>23,150,426</u>

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The annexed notes 1 to 47 and Annexures I to IV form an integral part of these financial statements.



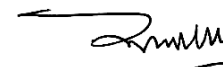
PRESIDENT & CEO



DIRECTOR



DIRECTOR



DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Share capital	Proposed shares to be issued on amalgamation	Reserves						Unappropriated profit	Total	
			Capital			Statutory reserve	Revenue	Total			
			Reserve for issue of bonus shares	Share premium	Non-distributable capital reserve - gain on bargain purchase		Reserve arising on amalgamation				Capital market reserve
----- Rupees '000 -----											
<b>Balance as at January 1, 2010</b>	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	-	28,253	-	-	-	-	-	-	-	-	28,253
Reserve arising on acquisition and amalgamation of non-controlling interest in the RBS	-	-	-	-	-	23,952	-	-	23,952	-	23,952
Gain on bargain purchase (note 21.2)	-	-	-	-	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 21.1)	-	-	-	-	-	-	391,076	-	391,076	(391,076)	-
<b>Balance as at December 31, 2010</b>	7,309,094	28,253	-	-	3,299,146	23,952	4,031,590	-	7,354,688	1,950,843	16,642,878
Shares issued upon amalgamation	18,122	(28,253)	-	10,131	-	-	-	-	10,131	-	-
Transfer to reserve for issue of bonus shares	-	-	915,902	-	-	-	-	-	915,902	(915,902)	-
Bonus shares issued	915,902	-	(915,902)	-	-	-	-	-	(915,902)	-	-
Amortisation of intangible asset - customer relationship - net of deferred tax (note 21.2)	-	-	-	-	(129,747)	-	-	-	(129,747)	-	(129,747)
Profit after tax for the year ended December 31, 2011	-	-	-	-	-	-	-	-	-	1,280,296	1,280,296
Transfer to statutory reserve (note 21.1)	-	-	-	-	-	-	256,059	-	256,059	(256,059)	-
Transfer from statutory reserve to unappropriated profit	-	-	-	-	-	-	(900,000)	-	(900,000)	900,000	-
<b>Balance as at December 31, 2011</b>	<b>8,243,118</b>	<b>-</b>	<b>-</b>	<b>10,131</b>	<b>3,169,399</b>	<b>23,952</b>	<b>3,387,649</b>	<b>-</b>	<b>6,591,131</b>	<b>2,959,178</b>	<b>17,793,427</b>

The annexed notes 1 to 47 and Annexures I to IV form an integral part of these financial statements.



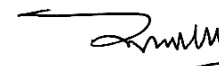
PRESIDENT & CEO



DIRECTOR



DIRECTOR



DIRECTOR



### 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 257 branches (2010: 226); including 45 Islamic banking branches (2010: 13); and Nil sub-branch (2010: 2).

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

Ithmaar Bank B.S.C., a Bahrain based retail bank, is the parent company of the Bank, holding, directly and indirectly through subsidiaries 66.94% 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 Based on the financial statements of the Bank for the year ended December 31, 2010, 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+'.
- 1.3 The Securities and Exchange Commission of Pakistan (SECP) vide letter EMD/233/12/2002-55 dated July 15, 2011 has granted exemption to the Bank from the preparation of consolidated financial statements of the Bank and its subsidiary company namely Faysal Management Services (Private) Limited with effect from June 30, 2011, subject to the disclosure of Statement of Financial Position, Profit and Loss account of the subsidiary, nature of auditor's opinion and certain other matters. The disclosures required by the SECP are given in notes 10.7 to 10.9 to these financial statements.

### 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, IFAS notified by the SECP 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, IFAS notified by the SECP 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 also 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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**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 the 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**

The following revised 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 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 Bank has adopted the above amendment with effect from January 1, 2011. The Bank's current policy and disclosures are in line with the requirements prescribed by SBP as described in note 3.4 and accordingly, the above amendment does not 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. 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 revised standard does not have any effect on the Bank's financial statements.

(c) IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – 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 on or after January 1, 2011. The amendments does not have any impact on the Bank's financial statements.

There are other new and amended standards and interpretations that are mandatory for the 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.

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

The following amendment to existing standards has been published and is mandatory for the Bank's accounting period beginning on or after January 1, 2012.

(a) IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Because of the circumstances described in note 3.4 above, this amendment will not have any impact on the Bank's financial statements.

(b) IAS 19, 'Employee benefits' was amended in June 2011 and is applicable for periods beginning on or after January 1, 2013. The impact on the Bank will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest

cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined liability / asset. The management is currently assessing the full impact of the amendments.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2012 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 fixed assets are carried at revalued amounts and certain investments and derivative contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefit is carried at present value.

#### **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 are disclosed in note 39 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 21.2 to these financial statements, the gain on bargain purchase arising on acquisition made in 2010 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 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 lending. 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.

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 a cumulated impairment losses, if any. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted 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 / deficit on revaluation of securities on the statement of financial position below equity is removed there from 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.

### 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 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) Change in accounting policy

During the year the Bank has changed its accounting policy in respect of measurement of the carrying amount of its freehold land, leasehold land, buildings on freehold land and buildings on leasehold land subsequent to initial recognition. In this respect the Bank has decided to follow the revaluation model as allowed under International Accounting Standard 16: 'Property, Plant and Equipment'. In accordance with the new policy the land and buildings of the Bank shall be carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluation of these assets shall be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Previously, the land and buildings were carried at their cost less accumulated depreciation and accumulated impairment losses. In the opinion of the management, the revised policy will result in a more realistic reflection of the value of these assets in the financial statements and is also in line with the policy generally followed by banking companies in Pakistan. In addition, the Bank shall also be able to avail the benefit of revaluation surplus in its capital adequacy calculation as specified by the SBP. The impacts of this change have been disclosed in note 12.3 to these financial statements.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. This account is shown below equity in the Statement of Financial Position. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. Any deficit in excess of the surplus previously recognised is charged to the profit and loss account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to the unappropriated profit.

**(b) Tangible assets - owned**

Fixed assets other than for freehold land and buildings on freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. As noted above freehold land and building on freehold land are now carried at revalued amount less any accumulated depreciation and subsequent impairment losses.

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 12.2 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 expenditure 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 except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

**(c) 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. As noted above, leasehold land and building on leasehold land are subsequently revalued pursuant to the change in Bank's accounting policy. 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.

**(d) 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.

**(e) Intangibles**

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation except for customer relationship is charged as disclosed in note 12.4 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 specified in note 12.4 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 of. 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 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/ fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS-12) Income Taxes.

#### 7.9 Non-current assets held for sale

The Bank classified 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 recognised 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 recognised 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.

### 7.10 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.

### 7.11 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.

### 7.12 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 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.

### 7.13 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 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 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.

#### 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.

#### 7.16 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.

#### 7.17 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.

#### 7.18 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 using appropriate valuation techniques. 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.

#### 7.19 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, 2011

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## 7.20 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.

	Note	2011	2010
		Rupees '000	
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		3,416,920	3,202,543
- foreign currencies		1,012,656	479,829
With the State Bank of Pakistan in			
- local currency current accounts	8.1	8,414,064	8,572,050
- foreign currency current accounts	8.2	956,985	1,041,817
- foreign currency deposit accounts	8.3	2,886,350	3,084,020
With the National Bank of Pakistan in			
- local currency current accounts		1,739,504	1,044,505
National Prize Bonds		18,629	4,160
		<u>18,445,108</u>	<u>17,428,924</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

- 8.1** 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.
- 8.2** 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. 14 and 15 dated June 21, 2008.
- 8.3** This represents special cash reserve of 15% 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 under the requirements of BSD Circular No. 15 of 2008 dated June 21, 2008. Profit rates on these balances are fixed on monthly basis by the SBP. The SBP has not remunerated any return on these deposits during the current and the last year.

	Note	2011 Rupees '000	2010
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- Current accounts		1,872,679	558,987
Outside Pakistan			
- Current accounts		424,981	2,676,894
- Deposit account	9.1	2,388,058	2,492,028
		<u>4,685,718</u>	<u>5,727,909</u>

- 9.1** This represent deposit of USD 26.6 million (2010: 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 at the rate of 0.10% (2010: 0.18%) per annum. The deposit balance varies according to the outstanding balance of the derivative contracts and will be released completely on maturity of last derivative contract in September 2014.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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## 10 INVESTMENTS

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

### 10.1 Investments by type

	Note	2011			2010		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- Rupees '000 -----							
<b>Held for trading securities</b>							
Market Treasury Bills	10.2.1	2,645,477	-	2,645,477	2,497,865	-	2,497,865
Pakistan Investment Bonds	10.2.2	16,058	-	16,058	-	-	-
Fully paid up ordinary shares / certificates of closed end mutual funds		921,136	-	921,136	718,952	-	718,952
Ijara Sukuk Bonds	10.2.3	2,253,500	-	2,253,500	300,000	-	300,000
		5,836,171	-	5,836,171	3,516,817	-	3,516,817
<b>Available for sale securities</b>							
Market Treasury Bills	10.2.1	29,611,270	21,834,936	51,446,206	44,273,115	10,724,483	54,997,598
Pakistan Investment Bonds	10.2.2	13,355,470	-	13,355,470	8,587,713	-	8,587,713
Ijara Sukuk Bonds	10.2.3	7,039,259	-	7,039,259	1,461,287	-	1,461,287
Units of open ended mutual funds							
- National Investment (Unit) Trust LOC Holders' Fund	10.2.4	-	-	-	420,009	-	420,009
- National Investment (Unit) Trust		2,200,000	-	2,200,000	-	-	-
- NIT Income Fund		50,000	-	50,000	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		208,228	-	208,228	208,230	-	208,230
- Faysal Islamic Savings Growth Fund		425,000	-	425,000	100,000	-	100,000
- Faysal Money Market Fund		1,100,000	-	1,100,000	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	27,888	-	27,888
- JS KSE 30 Index Fund		3,702	-	3,702	3,709	-	3,709
- Al-Meezan Mutual Fund		35,263	-	35,263	-	-	-
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds		6,250,378	-	6,250,378	5,629,153	-	5,629,153
Fully paid up preference shares		414,368	-	414,368	415,969	-	415,969
Term finance certificates	10.3.2 & 10.3.3	1,364,107	-	1,364,107	1,589,537	-	1,589,537
		62,365,307	21,834,936	84,200,243	63,257,963	10,724,483	73,982,446
<b>Held to maturity securities</b>							
Term finance certificates	10.3.3	3,545,546	-	3,545,546	7,765,875	-	7,765,875
Sukuk Bonds	10.3.3 & 10.3.4	2,360,830	-	2,360,830	2,707,496	-	2,707,496
		5,906,376	-	5,906,376	10,473,371	-	10,473,371
<b>Associate</b>							
Fully paid up ordinary shares of:							
- Faysal Asset Management Limited		45,000	-	45,000	45,000	-	45,000
<b>Subsidiary</b>							
Fully paid up ordinary shares of:							
- Faysal Management Services (Private) Limited	10.6	108,000	-	108,000	108,000	-	108,000
<b>Investments at cost</b>		74,260,854	21,834,936	96,095,790	77,401,151	10,724,483	88,125,634
Less: Provision for diminution in the value of investments	10.3	(1,905,084)	-	(1,905,084)	(1,495,601)	-	(1,495,601)
<b>Investments (net of provisions)</b>		72,355,770	21,834,936	94,190,706	75,905,550	10,724,483	86,630,033
(Deficit) / surplus on revaluation of held for trading securities - net	10.5	(38,651)	-	(38,651)	18,883	-	18,883
(Deficit) / surplus on revaluation of available for sale securities - net	22.2	(798,937)	56,069	(742,868)	(193,500)	(36,867)	(230,367)
<b>Total investments</b>		71,518,182	21,891,005	93,409,187	75,730,933	10,687,616	86,418,549

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	Rupees '000	
<b>10.1.1 Strategic Investments</b>		
<b>Available for sale securities - Listed</b>		
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	1,558,140	467,271
Units of open ended mutual funds	143,526	108,262
<b>Available for sale securities - Unlisted</b>		
Fully paid up ordinary shares	784,250	794,250
<b>Associate</b>	45,000	45,000
<b>Subsidiary</b>	108,000	108,000
<b>Provision for diminution in the value of investments</b>	2,638,916	1,522,783
	(731,418)	(509,285)
	1,907,498	1,013,498
<b>(Deficit) / surplus on revaluation of available for sale securities</b>	(62,142)	96,873
	<u>1,845,356</u>	<u>1,110,371</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. 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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## 10.2 Investments by segments

	Note	2011	2010
		Rupees '000	
<b>Federal Government Securities</b>			
- Market Treasury Bills	10.2.1	54,091,683	57,495,463
- Pakistan Investment Bonds	10.2.2	13,371,528	8,587,713
- Ijara Sukuk Bonds	10.2.3	9,292,759	1,761,287
		76,755,970	67,844,463
<b>Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units</b>			
- Listed companies / modarabas / mutual funds		6,340,151	5,528,929
- Unlisted companies		984,363	972,176
		7,324,514	6,501,105
<b>Fully Paid up Preference Shares</b>			
- Listed companies		314,368	315,969
- Unlisted companies		100,000	100,000
		414,368	415,969
		7,738,882	6,917,074
<b>Term Finance Certificates</b>			
- Listed	10.3.3	801,215	1,065,122
- Unlisted	10.3.2	4,108,438	8,290,290
		4,909,653	9,355,412
<b>Units of Open ended Mutual Funds</b>		4,330,455	1,301,189
<b>Sukuk Bonds</b>	10.3.3 & 10.3.4	2,360,830	2,707,496
<b>Total investments at cost</b>		96,095,790	88,125,634
Less: Provision for diminution in the value of investments	10.3	(1,905,084)	(1,495,601)
<b>Investments (net of provisions)</b>		94,190,706	86,630,033
(Deficit) / surplus on revaluation of investments classified as held for trading	10.5	(38,651)	18,883
Deficit on revaluation of investments classified as available for sale	22.2	(742,868)	(230,367)
<b>Total investments</b>		93,409,187	86,418,549

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

- 10.2.1** Market Treasury Bills have tenures ranging from three months to one year. The Bank's yield on these instruments ranges from 11.6% to 13.9% per annum (2010: 12.2% to 13.3% per annum) with maturities up to November 2012.
- 10.2.2** 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 (2010: 4.6% to 14.3% per annum) with maturities from June 2012 to August 2021.
- 10.2.3** Ijara sukuk bonds have tenure of three years with maturities upto December 2014. The Bank's return on these investments ranges from 11.79% to 14.05% per annum (2010: 12.64% to 13.11% per annum).
- 10.2.4** During the year, these units were redeemed and the Bank had recognised a gain of Rs 168.202 million upon redemption of these units.

**10.3 Particulars of provision for diminution in the value of investments**

	2011	2010
	Rupees '000	
Opening balance	1,495,601	1,140,082
Charge for the year	695,824	531,941
Reversals	(286,341)	(244,686)
	409,483	287,255
Provision against investments transferred from amalgamated entity	-	68,264
Closing balance	<u>1,905,084</u>	<u>1,495,601</u>

**10.3.1 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	471,179	324,779
- Unlisted companies	548,392	469,094

**Fully Paid up Preference Shares**

- Listed companies	227,459	180,562
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**Units of Open ended Mutual Funds**

	38,353	19,140
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**Term Finance Certificates**

- Listed	32,263	4,204
- Unlisted	461,052	342,495

**Held to maturity securities**

**Term Finance Certificates**

- Unlisted	126,386	80,327
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**Sukuk Bonds**

	-	75,000
	<u>1,905,084</u>	<u>1,495,601</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

- 10.3.2** 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 Banks to maintain provision at least at the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. The Bank as per the above directive has availed the relaxation and maintained a provision of Rs 450 million against this investment. Had the provision been made as per the time based criteria specified in the Prudential Regulations issued by the SBP, the provision for diminution in the value of investments for the year ended December 31, 2011 would have been higher by Rs 50 million (2010: Rs 170 million) and the profit before taxation for the year ended December 31, 2011 would have been lower by Rs 50 million (2010: Rs 170 million).
- 10.3.3** This investment includes the term finance certificates and Sukuk Bonds of Rs 1,117.661 million (2010: Rs 1,117.689 million) and Rs 500 million (2010: Rs 500 million) respectively issued by 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 11.4.1 to these financial statements.
- 10.3.4** This investment includes the Sukuk Bonds of Rs 309.473 million issued by Maple Leaf Cement Factory Limited (MLCFL). The SBP vide its letter No. BSD/BRP/-1/34166/274/12 dated January 6, 2012 has allowed banks not to classify their exposure in these Sukuks till February 28, 2012. However, in the event MLCFL fails to fulfill its due obligations, then banks should classify the exposure as per ageing criteria laid down in Prudential Regulations, in their financial statements for the quarter ending March 31, 2012. However, unrealised mark-up on this exposure should be kept in memorandum account instead of crediting to income account. Had the exemption not been provided by the SBP, the provision against investments would have been higher by Rs 77.368 million and the profit before taxation for the current year would have been lower by the same amount.

## 10.4 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.

## 10.5 Surplus / (deficit) on revaluation of investments classified as held for trading

	2011	2010
	Rupees '000	
Market Treasury Bills	(1,423)	(223)
Pakistan Investment Bonds	(163)	-
Fully paid up ordinary shares / certificates of closed end mutual fund	(37,065)	18,356
Ijara Sukuk Bonds	-	750
	<u>(38,651)</u>	<u>18,883</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

- 10.6** 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] decided to voluntarily wind up the company and accordingly, resolved to initiate proceedings of winding up by the members of FMSL under the Companies Ordinance, 1984.
- 10.7** The external auditors of FMSL have added an emphasis of matter paragraph in their auditors report on the financial statements of FMSL for the year ended December 31, 2011 on the grounds that the management of FMSL has initiated winding-up process. However, the management of FMSL believes that no adjustment is required in the financial statements of FMSL due to aforesaid winding-up as the stated value of assets and liabilities approximate to their respective realisable / settlement amounts.
- 10.8** An extract of the audited statement of financial position as at December 31, 2011 and the profit and loss account for the year ended December 31, 2011 of FMSL is as follows:

## STATEMENT OF FINANCIAL POSITION

	2011	2010
	Rupees '000	
<b>ASSETS</b>		
<b>Current assets</b>		
Investments available for sale - at fair value	180,220	180,176
Advance income tax - net	456	535
Bank balances	20,618	9,250
	<u>201,294</u>	<u>189,961</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
Authorised Capital 3,000,000 (2010: 3,000,000) ordinary shares of Rs.100 each	<u>300,000</u>	<u>300,000</u>
<b>Issued, subscribed and paid-up capital</b>		
1,800,000 (2010: 1,800,000) ordinary shares of Rs.100 each fully paid in cash	180,000	180,000
Unappropriated profit	20,794	8,007
Unrealised gain on revaluation of investments	220	176
	<u>201,014</u>	<u>188,183</u>
<b>Current liabilities</b>		
Accrued and other liabilities	280	1,778
	<u>201,294</u>	<u>189,961</u>
<b>PROFIT AND LOSS ACCOUNT</b>		
Operating expenses	777	2,095
Other income	20,931	14,773
Other charges	-	254
<b>Profit before taxation</b>	<u>20,154</u>	<u>12,424</u>
Taxation	167	3,007
<b>Profit after taxation</b>	<u>19,987</u>	<u>9,417</u>
<b>Earnings per share - basic and diluted</b>	<u>11.10</u>	<u>5.23</u>

- 10.9** The annual audited financial statements of the subsidiary are available for inspection at registered office of the Bank, and would be available to the members on request without any cost.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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## 11 ADVANCES

	Note	2011	2010
		Rupees '000	
Loans, cash credits, running finances, etc. – in Pakistan	11.4.1	156,045,856	140,249,441
Net investment in finance lease – in Pakistan	11.2	6,684,270	8,689,093
		<u>162,730,126</u>	<u>148,938,534</u>
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		1,563,551	645,235
Payable outside Pakistan		1,061,453	1,284,440
		<u>2,625,004</u>	<u>1,929,675</u>
Margin financing / reverse repo transactions		128,200	338,200
Gross advances		165,483,330	151,206,409
Provision against non-performing advances	11.4	(17,062,123)	(17,163,067)
Provision against consumer loans - general	11.5	(259,212)	(336,573)
Advances - net of provision		<u>148,161,995</u>	<u>133,706,769</u>
<b>11.1 Particulars of advances (Gross)</b>			
<b>11.1.1 In local currency</b>		163,076,639	146,029,423
In foreign currencies		2,406,691	5,176,986
		<u>165,483,330</u>	<u>151,206,409</u>
<b>11.1.2 Short term (upto one year)</b>		94,979,847	82,364,588
Long term (over one year)		70,503,483	68,841,821
		<u>165,483,330</u>	<u>151,206,409</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011				2010			
	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
<b>11.2 Net investment in finance lease</b>	----- Rupees '000 -----							
Lease rentals receivable	2,268,455	2,535,801	-	4,804,256	4,197,618	2,611,384	-	6,809,002
Residual value	884,895	1,484,408	-	2,369,303	988,893	1,939,721	-	2,928,614
Minimum lease payment	3,153,350	4,020,209	-	7,173,559	5,186,511	4,551,105	-	9,737,616
Finance charge for future period	(380,971)	(108,318)	-	(489,289)	(481,168)	(567,355)	-	(1,048,523)
Present value of minimum lease payment	2,772,379	3,911,891	-	6,684,270	4,705,343	3,983,750	-	8,689,093

**11.3** Advances includes Rs. 26,044 million (2010: Rs. 24,708 million) which have been placed under non-performing status as detailed below:

	2011								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees '000 -----								
<b>Category of classification</b>									
Other Assets Especially									
Mentioned (Agri financing)	194,859	-	194,859	-	-	-	-	-	-
Substandard	2,415,055	-	2,415,055	302,021	-	302,021	302,021	-	302,021
Doubtful	2,501,583	-	2,501,583	557,278	-	557,278	557,278	-	557,278
Loss	20,932,622	-	20,932,622	16,202,824	-	16,202,824	16,202,824	-	16,202,824
	26,044,119	-	26,044,119	17,062,123	-	17,062,123	17,062,123	-	17,062,123

	2010								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees '000 -----								
<b>Category of classification</b>									
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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011			2010		
	Specific	General (excluding consumer loan)	Total	Specific	General (excluding consumer loan)	Total
<b>11.4 Particulars of provision against non-performing advances</b>	----- Rupees '000 -----					
Opening balance	17,163,067	-	17,163,067	6,664,336	184,058	6,848,394
Charge for the year	2,750,540	-	2,750,540	2,506,79	-	2,506,791
Transfer from / to general provision	-	-	-	184,058	(184,058)	-
Reversals during the year	(2,420,452)	-	(2,420,452)	(600,412)	-	(600,412)
Net charge	330,088	-	330,088	2,090,437	(184,058)	1,906,379
Amounts written off - note 11.7.1	(431,032)	-	(431,032)	(829)	-	(829)
Provision against advances transferred from amalgamated entity	-	-	-	8,409,123	-	8,409,123
Closing balance	17,062,123	-	17,062,123	17,163,067	-	17,163,067

**11.4.1** This includes classified advances of Rs 429.012 million and Rs 310.153 million disbursed to Agritech Limited and Azgard Nine Limited respectively. In addition, as disclosed in note 10.3.3 the Bank has also made investments in term finance certificates and sukuk bonds of Rs 1,117.661 million and Rs 500 million issued by Agritech Limited and Azgard Nine Limited respectively. The financing facilities disbursed to Agritech Limited and Azgard Nine Limited have been restructured / agreed to be restructured as a result of financial difficulties / repayment problems being faced by these companies. The State Bank of Pakistan vide its letter no. BSD/BRP-1/000776/2012 dated January 18, 2012 has allowed extension for withholding provisioning against the exposure of Agritech Limited till February 28, 2012. In addition, the SBP vide its letter no. BSD/BRP-1/001485/2012 dated February 2, 2012 has also allowed extension for withholding provisioning against the exposure of Azgard Nine Limited till February 29, 2012. These extensions have been allowed 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 (as more fully explained in note 10.3.3 to these financial statements) would have been higher by Rs 394.050 million and Rs 1,617.599 million respectively and the profit before taxation for the current year would have been lower by Rs 2,011.649 million.

**11.4.2** During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 1 dated October 21, 2011 (effective from September 30, 2011). Under the revised guidelines issued by the SBP, banks have been allowed to avail the benefit of forced sales value (FSV) of assets held as collateral against non-performing loans and advances as follows:

**a. Prudential Regulation R-8 for Corporate / Commercial Banking and Prudential Regulation R-11 for SME Financing:**

**Category of Asset**

Mortgaged residential, commercial, and industrial properties (land and building only)

**Benefit of FSV allowed from the date of classification**

75% for first year  
60% for second year  
45% for third year  
30% for fourth year, and  
20% for fifth year

Plant and Machinery under charge

30% for first year  
20% for second year, and  
10% for third year

Pledged stock

40% for three years

**b. Prudential Regulations R-22 for Consumer Financing:**

Mortgaged residential property

75% for first and second year  
50% for third and fourth year, and  
30% for fifth year

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 mortgaged residential, commercial and industrial properties held as collateral against all non-performing loans for 3 years (4 years for open plot of land) from the date of classification for calculating provisioning requirement. However, the benefit of Forced Sales Value of plant and machinery was not allowed to banks for determining provisioning requirement. However, as per the circular the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks, mortgaged residential, commercial and industrial properties and plant and machinery would not be available for payment of cash or stock dividend.

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, 2011 would have been lower by approximately Rs 1,152.229 million.

**11.4.3** The additional profit arising from availing the FSV benefit - net of tax at December 31, 2011 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs 2,590.464 million (2010: Rs 1,466.175 million).

**11.4.4 Particulars of provision against non-performing advances:**

	2011			2010		
	Specific	General	Total	Specific	General	Total
	Rupees '000					
In local currency	17,062,123	-	17,062,123	17,163,067	-	17,163,067
In foreign currencies	-	-	-	-	-	-
Total	17,062,123	-	17,062,123	17,163,067	-	17,163,067

**11.5 Particulars of provision against consumer loans - general**

	2011	2010
	Rupees '000	
Opening balance	336,573	190,075
Reversals during the year	(77,361)	(89,730)
General provision against consumer loans transferred from amalgamated entity	-	236,228
Closing balance	259,212	336,573

**11.5.1** 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 SBP.

**11.6** 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.

**11.7 Particulars of write-offs**

	2011	2010
	Rupees '000	
<b>11.7.1</b> Against provisions	431,032	829
Directly charged to profit and loss account	33,035	97,920
	464,067	98,749
<b>11.7.2</b> Write-offs of Rs. 500,000 and above	94,132	13,400
Write-offs below Rs. 500,000	369,935	85,349
	464,067	98,749

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 11.8 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, 2011 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.

## 11.9 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  
Loans granted during the year  
Repayments during the year  
Balance at end of the year  
Loans transferred from amalgamated entity

	2011	2010
	Rupees '000	
	3,339,495	619,457
	492,435	686,229
	(1,044,551)	(406,235)
	2,787,379	899,451
	-	2,440,044
	<u>2,787,379</u>	<u>3,339,495</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  
Repayments during the year  
Balance at end of year  
Loans transferred from amalgamated entity

	2,014,168	-
	1,132,279	1,999,374
	(1,093,600)	(44,714)
	2,052,847	1,954,660
	-	59,508
	<u>2,052,847</u>	<u>2,014,168</u>

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

Balance at beginning of the year  
Loans granted during the year  
Repayments during the year  
Balance at end of the year

	802,195	802,558
	-	1,750
	(487)	(2,113)
	<u>801,708</u>	<u>802,195</u>

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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

	Note	2011	2010
		Rupees '000	
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		<u>3,339,495</u>	<u>3,339,495</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		<u>2,052,847</u>	<u>2,014,168</u>
Debts due by subsidiaries, controlled firms, managed modarabas and other related parties		<u>802,195</u>	<u>802,195</u>
<b>12 FIXED ASSETS</b>			
Capital work-in-progress	12.1	575,735	187,234
Tangible fixed assets	12.2	7,793,705	5,867,444
Intangible assets	12.4	<u>2,480,167</u>	<u>2,671,728</u>
		<u>10,849,607</u>	<u>8,726,406</u>
<b>12.1 Capital work-in-progress</b>			
Civil works		156,300	75,627
Equipments		134,215	81,515
Advances to suppliers and contractors		<u>285,220</u>	<u>30,092</u>
		<u>575,735</u>	<u>187,234</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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## 12.2 Tangible fixed assets

----- 2011 -----										
COST				ACCUMULATED DEPRECIATION				Book value at December 31, 2011	Rate of depreciation (%)	
As at January 1, 2011	Additions/ adjustments*/ revaluation surplus	Deletions	As at December 31, 2011	As at January 1, 2011	Additions	On deletions/ adjustments*/ revaluation surplus	As at December 31, 2011			
----- (Rupees in 000) -----										
<b>Owned</b>										
Freehold land	889,173	-	-	1,260,795	-	-	-	-	1,260,795	-
		(11,724)								
	383,346									
Leasehold land	1,680,540	-	(61,904)	2,253,080	19,206	-	(2,272)	-	2,253,080	-
		85,818					-			
		548,626					(16,934)			
Building on freehold	485,424	-	-	234,796	83,712	40,085	-	79,341	155,455	5
		(239,419)					(23,786)			
		(11,209)					(20,670)			
Building on leasehold land (note 12.2.2)	-	-	-	3,236,587	-	-	-	267,096	2,969,491	5
		1,986,732					498,897			
		1,249,855					(231,801)			
Leasehold property and improvement	2,934,377	242,199	-	1,355,169	1,232,414	305,667	-	1,062,970	292,199	5 to 20
		(1,821,407)					(475,111)			
		-								
Office furniture, fixtures, equipment and computers	4,059,982	379,763	(3,634)	4,436,111	2,977,255	671,714	(2,974)	3,645,995	790,116	20 to 33.33
Vehicles	284,441	2,718	(74,102)	213,057	153,906	29,784	(43,202)	140,488	72,569	20
Total Owned	10,333,937	624,680	(139,640)	12,989,595	4,466,493	1,047,250	(48,448)	5,195,890	7,793,705	
		-					-			
		2,170,618					(269,405)			

\*During the year the Bank has carried out a detailed exercise to reconcile its fixed assets records. Adjustments represent inter-category transfers identified as a result of this exercise. The adjustments have no net impact on the carrying value of fixed assets. In addition, building on leasehold land is now shown as a separate category. Previously, it was merged in other categories.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

----- 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	Additions / on assets transferred from amalgamated entity	On deletions / writeoffs			As at December 31, 2010
----- (Rupees in 000) -----										
<b>Owned</b>										
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, equipment 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	-			
<b>Total Owned</b>	<b>4,278,059</b>	<b>397,073</b>	<b>(229,779)</b>	<b>10,333,937</b>	<b>1,782,261</b>	<b>660,631</b>	<b>(82,648)</b>	<b>4,466,493</b>	<b>5,867,444</b>	
		<b>6,263,904</b>	<b>(375,320)</b>			<b>2,470,658</b>	<b>(364,409)</b>			

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

- 12.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 3,140.432 million (2010: Rs. 1,416.693 million).
- 12.2.2** One of these properties is encumbered to the extent of Rs. 34 million on account of a claim by a Bank.
- 12.3** As more fully explained in note 7.6 to the financial statements, during the year, the Bank has changed its accounting policy for subsequent measurement of the carrying value of freehold land, leasehold land, buildings on freehold land and leasehold land from cost model to revaluation model. The freehold land, leasehold land, buildings on freehold land and buildings on leasehold land of the Bank were revalued on December 31, 2011 by an independent valuer Iqbal A. Nanjee on the basis of professional assessments of the market values. The revaluation resulted in a surplus of Rs 2,440.023 million over the book value of Rs 4,198.798 million which has been recognised by the Bank. Had there been no revaluation, the net book value of freehold land, leasehold land, buildings on freehold land and buildings on leasehold land as at December 31, 2011 would have been as follows:

	<b>2011</b> <b>Rupees '000</b>
Freehold land	877,449
Leasehold land	1,687,520
Building on freehold land	145,994
Building on leasehold land	1,487,835

As the revaluation is earned out as at December 31, 2011, the change of policy did not have any impact on the profit for the current year. Surplus arising on revaluation of these assets is reflected in note 22.1 to these financial statements along with the related deferred tax impact thereon.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 12.4 Intangible assets

----- 2011 -----										
COST				ACCUMULATED DEPRECIATION				Book value at December 31, 2011	Rate of amortisation % per annum	
As at January 1, 2011	Additions	Deletions	As at December 31, 2011	As at January 1, 2011	Charge / transferred to equity*	Charge on deletions	As at December 31, 2011			
----- (Rupees in 000) -----										
Computer software	700,968	139,981	-	840,949	545,889	131,932	-	677,821	163,128	20 to 33.33
Customer Relationship	2,557,167	-	-	2,557,167	40,518	-	-	240,128	2,317,039	Note 12.4.2
						199,610 *				
	3,258,135	139,981	-	3,398,116	586,407	131,932	-	917,949	2,480,167	
						199,610 *				

----- 2010 -----										
COST				ACCUMULATED DEPRECIATION				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			
Computer software	401,784	23,596	-	700,968	174,998	116,733	-	545,889	155,079	20 to 33.33
		306,707	(31,119) **			274,385	(20,227) **			
Customer Relationship	-	2,557,167 *		2,557,167	-	40,518	-	40,518	2,516,649	Note 12.4.2
	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) **			

12.4.1 Intangible assets include fully amortised items still in use having cost of Rs. 436.195 million (2010: Rs. 293.846 million).

12.4.2 The intangible asset representing customer relationship is being amortised over the life expectancy of these deposits.

12.4.3 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 disclosed in Annexure IV to these financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

13 DEFERRED TAX ASSETS - NET	Note	2011	2010
		Rupees '000	
<b>Deferred credits arising due to:</b>			
- Accelerated tax depreciation		(82,956)	(236,216)
- Surplus on revaluation of securities		-	(73,019)
- Fair value adjustments relating to net assets acquired upon amalgamation		(797,159)	(852,596)
- Surplus on revaluation of fixed assets	22.1	(521,891)	-
<b>Deferred debits arising due to:</b>			
- Net investment in finance leases		11,659	16,534
- Provision against non-performing advances		5,016,746	4,672,350
- Provision for diminution in the value of investments		680,308	534,664
- Provision against other assets		99,637	20,887
- Minimum tax		524,068	195,014
- Unused tax losses (including unabsorbed depreciation)		13,246	561,306
- Deficit on revaluation of available for sale securities		244,468	105,259
		<u>5,188,126</u>	<u>5,017,202</u>
<b>14 OTHER ASSETS</b>			
Income / mark-up accrued in local currency		5,280,826	4,328,120
Income / mark-up accrued in foreign currencies		16,887	28,750
Advances, deposits, advance rent and other prepayments		666,531	820,369
Taxation (payments less provisions)		1,264,173	1,302,237
Branch adjustment account		29,862	-
Non-banking assets acquired in satisfaction of claims - classified as held for sale	14.1	1,879,327	1,808,226
Credit cards and other products fee receivable		241,340	294,153
Suspense account		5,138	131
Unrealised gain on revaluation of forward foreign exchange contracts		230,732	-
Dividend receivable		97,614	86,879
Receivable from brokers against sale of shares		640,473	180,632
Prepaid employee benefits	14.2	881,327	1,192,575
Advance against islamic financing		332,713	-
Others		708,068	475,019
		<u>12,275,011</u>	<u>10,517,091</u>
Less: Provision held against other assets	14.3	(446,926)	(221,927)
Other assets (net of provisions)		<u>11,828,085</u>	<u>10,295,164</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		Rupees '000	
<b>14.1</b> Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuer		2,337,601	2,290,577
<b>14.2</b> The movement of prepaid staff benefits is as follows			
Prepaid employee benefits acquired / at beginning of the year		1,192,575	1,232,828
Employee benefits expensed during the year		(311,248)	(40,253)
Prepaid employee benefits at the end of the year		881,327	1,192,575
<b>14.3 Provision against other assets</b>			
Opening balance		221,927	101,589
Charge for the year		282,941	62,621
Reversals		(57,942)	(844)
		224,999	61,777
Provision against other assets transferred from amalgamated entity		-	58,561
Closing balance		446,926	221,927
<b>15 BILLS PAYABLE</b>			
In Pakistan		3,060,015	3,108,933
Outside Pakistan		15,627	109,926
		3,075,642	3,218,859
<b>16 BORROWINGS</b>			
In Pakistan		39,578,109	34,633,828
Outside Pakistan		118,877	2,076
		39,696,986	34,635,904
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		39,578,109	34,633,828
In foreign currencies		118,877	2,076
		39,696,986	34,635,904
<b>16.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - Part I and II	16.3	12,640,578	14,248,560
- under scheme for long term financing for export oriented projects - (LTF-EOP)	16.4	1,093,443	1,602,302
- under long term financing facility (LTFF)	16.5	2,528,769	789,733
- Agri Finance (Flood affected)	16.6	20,270	-
- Under scheme of financing facility for storage of agricultural produce	16.7	118,639	-
Repurchase agreement borrowings	16.8	21,875,024	10,681,859
		38,276,723	27,322,454
<b>Unsecured</b>			
Call borrowings	16.9	1,300,000	7,307,043
Overdrawn nostro accounts		120,263	6,407
		1,420,263	7,313,450
		39,696,986	34,635,904

- 16.3** In accordance with the ERF scheme, the Bank has entered into agreements for financing with the 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 is 10% per annum (2010: 7.5% to 9% per annum) payable on quarterly basis with maturities upto 180 days from the date of borrowing.
- 16.4** These represent borrowings from the SBP under scheme for Long Term Financing for Export Oriented Projects at 5% per annum (2010: 4% to 5% per annum) with maturities upto December 2016. As per the terms of the agreement, the Bank has granted the SBP a right to recover the outstanding amount from the Bank at the maturity dates of finances by directly debiting the current account of the Bank maintained with the SBP.
- 16.5** These represent borrowings from the SBP under scheme for Long Term Financing facility at rates ranging from 6.5% to 11% per annum (2010: 6.50% to 8.80% per annum), with maturities upto December 2018. As per the terms of the agreement, the Bank has granted the 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 the SBP.
- 16.6** These represent borrowings from the SBP under scheme for Revival of SME and Agricultural Activities in Flood Affected Areas at 5% per annum markup payable on quarterly or half yearly basis with maturities upto December 2012. As per the agreement, the Bank has granted the 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.
- 16.7** These represent borrowings from the SBP under scheme of Financing Facility For Storage of Agricultural produce at rates ranging from 5.5% to 6.5% per annum markup payable on half yearly basis and maturities upto May 2018. As per the agreement, the Bank has granted the 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.
- 16.8** This represents collateralized borrowings against market treasury bills at rates ranging from 11.57% to 11.75% per annum (2010: 12.75% to 13.75% per annum) maturing upto January 2012.
- 16.9** These borrowings are from institutions in the interbank market, made at rates ranging from 10.75% to 11.90% per annum (2010: 12.50% to 13.50% per annum) maturing up to January 2012.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 17 DEPOSITS AND OTHER ACCOUNTS

	2011	2010
	Rupees '000	
<b>Customers</b>		
Fixed deposits	96,237,516	86,153,050
Saving deposits	57,364,512	61,531,285
Current accounts – Remunerative	727,714	29,471
Current accounts – Non-remunerative	47,204,322	39,670,673
Margin accounts	2,143,056	2,405,061
	<u>203,677,120</u>	<u>189,789,540</u>
<b>Financial Institutions</b>		
Remunerative deposits	10,710,579	5,208,242
Non-remunerative deposits	227,032	317,422
	<u>10,937,611</u>	<u>5,525,664</u>
	<u>214,614,731</u>	<u>195,315,204</u>
<b>17.1 Particulars of deposits</b>		
In local currency	195,472,637	175,607,886
In foreign currencies	19,142,094	19,707,318
	<u>214,614,731</u>	<u>195,315,204</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 18 SUB-ORDINATED LOANS

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

	2011	2010
	Rupees '000	
Outstanding amount	<u>4,395,197</u>	<u>4,595,395</u>
Total issue amount	<u>4,800,000</u>	<u>4,800,000</u>

Particulars	TFC ( issue date: 12-11-2007)	TFC ( issue date: 27-12-2010)	TFC ( issue date: 10-02-2005)
<b>Outstanding amount</b>	Rs. 998.4 million (2010: Rs 998.8 million)	Rs. 2,998.8 million (2010: Rs 3,000 million)	Rs. 399.2 million (carrying value Rs 398 million) (2010: Rs 598.8 million (carrying value Rs 596.6 million))
<b>Issue amount</b>	Rs. 1,000 million	Rs. 3,000 million	Rs. 800 million
<b>Rating</b>	“AA-” (Double A Minus) by JCR-VIS	“AA-” (Double A Minus) by JCR-VIS	“Rated A” (Single A) by PACRA
<b>Listing</b>	Listed	Unlisted	Listed
<b>Rate</b>	Base Rate Plus 1.40% 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.	Base Rate Plus 2.25% 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.	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.
<b>Subordination</b>	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.
<b>Date of issue</b>	November 2007	October 2010	February 2005
<b>Tenure and maturity</b>	7 years from the date of issue.	7 years from the date of issue.	8 years from the date of issue.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Particulars	TFC ( issue date: 12-11-2007)	TFC ( issue date: 27-12-2010)	TFC ( issue date: 10-02-2005)
<b>Principal Repayment</b>	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.
<b>Profit Payment</b>	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.

19 OTHER LIABILITIES	Note	2011	2010
		Rupees '000	
Mark-up / return payable in local currency		3,330,768	2,610,750
Mark-up / return payable in foreign currencies		6,756	16,300
Unearned commission / income		64,180	57,451
Accrued expenses		868,000	1,237,315
Taxation (provisions less payments)		-	489,731
Unclaimed dividends		39,260	48,129
Branch adjustment account		-	918
Unrealised loss on revaluation of forward foreign exchange contracts		-	321,094
Fair value of derivative contracts	24.3	2,405,123	3,334,626
Withholding tax payable		105,475	56,876
Federal Excise Duty payable		32,139	24,984
Security deposits against finance leases	19.1	2,382,733	2,928,841
Payable to brokers against purchase of shares		253,847	504,560
Others		2,083,830	1,406,216
		<u>11,572,111</u>	<u>13,037,791</u>

19.1 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.

## 20 SHARE CAPITAL

### 20.1 Authorised Share capital

2011	2010		2011	2010
Number of shares			Rupees '000	
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10 each	<u>12,000,000</u>	<u>12,000,000</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 20.2 Issued, subscribed and paid-up capital

2011	2010	Ordinary shares	2011	2010
Number of Shares			Rupees '000	
201,451,420	201,451,420	Fully paid in cash	2,014,514	2,014,514
605,388,154	513,797,952	Issued as bonus shares	6,053,882	5,137,980
17,472,226	15,660,000	Issued on amalgamation	174,722	156,600
<u>824,311,800</u>	<u>730,909,372</u>		<u>8,243,118</u>	<u>7,309,094</u>

20.3 As at December 31, 2011, Ithmaar Bank B.S.C. (the ultimate holding company of the Bank) through its subsidiaries and nominees held 550,452,306 ordinary shares of Rs. 10 each (2010: 489,290,941 ordinary shares).

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

	Number of shares	Rupees '000
Opening balance at January 1, 2011	730,909,372	7,309,094
Bonus shares issued during the year	91,590,202	915,902
Shares issued on amalgamation	1,812,226	18,122
Closing balance at December 31, 2011	<u>824,311,800</u>	<u>8,243,118</u>

	Note	2011	2010
		Rupees '000	
<b>21 RESERVES</b>			
<b>Statutory reserve</b>	21.1	3,387,649	4,031,590
<b>Capital reserve</b>			
Reserve arising on amalgamation		23,952	23,952
Share premium		10,131	-
Non-Distributable Capital Reserve - gain on bargain purchase	21.2	3,169,399	3,299,146
		<u>6,591,131</u>	<u>7,354,688</u>

21.1 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, 2011

**21.2** As per the directive of the State Bank of Pakistan (SBP) vide letter BPRD (R&P -02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operation of Royal Bank of Scotland (RBS Pakistan) was credited directly into equity as Non-Distributable Capital Reserve. The SBP allowed the Bank the option to adjust amortisation of intangible asset against the portion of reserve which arose on account of such asset. Accordingly, amortisation of intangible asset during the current year amounting to Rs 129.747 million (net of tax) has been adjusted against this reserve. The directives of SBP further specified that any subsequent provision / deficit identified by the Banking Inspection Department (BID) of SBP in the acquired portfolio of RBS Pakistan will be adjusted against this reserve. The balance amount of reserve after incorporation of such adjustment as identified by BID and amortisation of intangible asset will be available for distribution only as stock dividend and after the prior approval of the SBP. As the SBP has not finalised its inspection so far, this amount is currently not available for distribution.

	Note	2011	2010
Rupees '000			
<b>22 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (deficit) arising on revaluation of:			
- Fixed assets	22.1	1,918,132	-
- Available for sale securities	22.2	(498,400)	(125,108)
		<u>1,419,732</u>	<u>(125,108)</u>
<b>22.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets at January 1		-	-
Surplus on revaluation of fixed assets recognised during the year	12.3	2,440,023	-
		2,440,023	-
Related deferred tax liability on surplus		(521,891)	-
		<u>1,918,132</u>	<u>-</u>
<b>22.2 Surplus / (deficit) on available for sale securities</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills		156,007	(86,934)
- Pakistan Investment Bonds		(35,752)	(399,950)
- Ijara Sukuk Bonds		28,495	(22,954)
<b>Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds</b>			
- Listed companies / modarabas / mutual funds		(547,402)	113,968
<b>Fully Paid up Preference Shares</b>			
- Listed companies		39,114	(8,091)
<b>Term Finance Certificates</b>			
- Listed		(22,990)	(48,266)
<b>Units of Open ended Mutual Funds</b>		(360,340)	221,860
		(742,868)	(230,367)
<b>Related deferred tax asset</b>		244,468	105,259
		<u>(498,400)</u>	<u>(125,108)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

23 CONTINGENCIES AND COMMITMENTS	2011	2010
	Rupees '000	
<b>23.1 Direct credit substitutes</b>		
<b>Contingent liability in respect of guarantees favouring:</b>		
i) Government	-	-
ii) Banking companies and other financial institutions	3,275	3,275
iii) Others	-	833,770
	3,275	837,045
<b>Acceptances</b>		
i) Government	-	-
ii) Banking companies and other financial institutions	-	-
iii) Others	9,875,957	1,659,850
	9,875,957	1,659,850
<b>23.2 Transaction-related contingent liabilities</b>		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
i) Government	10,391,648	7,748,465
ii) Banking companies and other financial institutions	2,810,032	11,774,727
iii) Others	1,431,547	4,938,603
	14,633,227	24,461,795
<b>23.3 Trade-related contingent liabilities</b>		
Letters of credit		
i) Government	3,968,244	3,067,558
ii) Banking companies and other financial institutions	-	-
iii) Others	14,650,767	10,893,659
	18,619,011	13,961,217
<b>23.4 Other Contingencies</b>		
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	32,976,476	26,959,996

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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

iv) Income tax assessments of the Bank have been finalised upto the tax year 2011 (Accounting year 2010).

The department and the Bank have disagreements on various matters for tax years from 1994 to 2011. 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 allocation of expenses 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 2,126.110 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.

## 23.5 Commitments in respect of forward lending / purchase

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.

	2011	2010
	Rupees '000	
<b>23.6 Commitments in respect of forward exchange contracts</b>		
Purchase		
- Customers	1,898,402	1,043,656
- Banks	24,112,367	23,244,880
	26,010,769	24,288,536
Sale		
- Customers	289,437	-
- Banks	6,503,424	5,224,327
	6,792,861	5,224,327
<b>23.7 Commitments for the acquisition of operating fixed assets</b>	147,586	82,108
<b>23.8 Commitments in respect of repo transactions</b>		
Repurchase	21,948,460	10,699,230
Resale	271,781	421,320
<b>23.9 Other Commitments</b>		
Interest rate swaps and cross currency swaps (notional principal)	39,741,708	53,231,890

### 24 DERIVATIVE INSTRUMENTS

Derivatives instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and FX Options, are forward transactions that provides a hedge against the adverse movement of interest and exchange rates. Derivatives business provides risk solutions for the existing and potential customers of the Bank. All Derivative transactions are governed by the Financial Derivatives Business Regulations (FDBR) issued by the State Bank of Pakistan (SBP).

#### 24.1 Derivative Risk Management

The Bank's derivatives risk management function is an independent unit reporting into the Chief Risk Officer. The risk management policies are governed by regulatory and internal guidelines. 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.

There are a number of risks undertaken by the Bank, which need to be monitored and assessed. The 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 derivative instruments are market risk and credit risk. The Bank uses state of the art system to measure and manage these risks which provides end-to-end capability with respect to transaction life cycle.

##### **Market risk**

The risk that the value of a derivative contract will be adversely affected by movements in equity prices, interest rates, currency exchange rates and commodity prices. The authority for approving policies, limits and periodic reviews rests with Board of Directors. The critical measures used to manage market risks are Interest Rate Delta, Currency Delta Basis and Value-at-Risk. These measures 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**

The risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivatives transactions; 1) settlement, and 2) pre-settlement risk. These risks are monitored on a daily basis. Risk Management sets the policies and limits for counterparty risk based on a pre-defined criteria linked with the internal risk rating of the customer.

##### **Liquidity risk**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 24.2 Product Analysis

	2011		2010	
	Interest Rate and Cross Currency Swaps		Interest Rate and Cross Currency Swaps	
	No. of Contracts	Notional Principal Rupees '000	No. of Contracts	Notional Principal Rupees '000
<b>Counterparties</b>				
<b>With Banks for</b>				
Hedging	21	15,193,850	36	20,304,317
Market Making	-	-	-	-
<b>With other entities for</b>				
Hedging	-	-	-	-
Market Making	65	24,547,857	77	32,927,573
<b>Total</b>				
Hedging	21	15,193,850	36	20,304,317
Market Making	65	24,547,857	77	32,927,573
	<u>86</u>	<u>39,741,707</u>	<u>113</u>	<u>53,231,890</u>

## 24.3 Maturity Analysis

### Interest Rate Swaps and Cross Currency Swaps

#### Remaining Maturity

	2011				
	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
			Rupees '000		
Upto 1 month	-	-	-	-	-
1 to 3 months	5	1,311,818	(131,390)	-	(131,390)
3 to 6 months	4	173,581	(27,528)	-	(27,528)
6 months to 1 Year	14	1,431,291	(41,613)	16,103	(25,510)
1 to 2 Years	44	8,649,281	(1,215,885)	5,461	(1,210,424)
2 to 3 Years	17	27,598,357	(2,386,317)	1,368,584	(1,017,733)
3 to 5 Years	2	577,380	-	7,462	7,462
5 to 10 years	-	-	-	-	-
	<u>86</u>	<u>39,741,708</u>	<u>(3,802,733)</u>	<u>1,397,610</u>	<u>(2,405,123)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## Remaining Maturity

	No. of Contracts	Notional Principal	2010		
			Mark to Market		
			Negative	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	-	-	-	-	-
	<u>113</u>	<u>53,231,890</u>	<u>(5,162,406)</u>	<u>1,827,780</u>	<u>(3,334,626)</u>

**24.4** As at December 31, 2011 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.

## 25 MARK-UP / RETURN / INTEREST EARNED

	2011	2010
	Rupees '000	
a) On financing to:		
i) customers	20,291,499	13,240,019
ii) financial institutions	110,232	52,141
b) On investments in:		
i) held for trading securities	261,930	84,521
ii) available for sale securities	6,955,822	4,771,339
iii) held to maturity securities	1,069,805	1,160,505
c) On deposits with treasury bank and financial institutions	54,908	34,417
d) On securities purchased under resale agreements	81,253	332,128
e) On call money lending	-	35,390
	<u>28,825,449</u>	<u>19,710,460</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

26	MARK-UP / RETURN / INTEREST EXPENSED	2011	2010
		Rupees '000	
	Deposits	14,426,061	10,682,289
	Securities sold under repurchase agreements	1,380,028	890,969
	Other short term borrowings	1,708,024	1,263,933
	SBP borrowings	1,414,731	814,859
	Long term borrowings	-	4,794
	Sub-ordinated loans	690,251	262,412
		19,619,095	13,919,256
27	<b>GAIN / (LOSS) ON SALE OF SECURITIES</b>		
	<b>Federal Government Securities</b>		
	- Market Treasury Bills	215,093	9,627
	- Pakistan Investment Bonds	8,764	8,862
	- Ijara Sukuk Bonds	50,971	4,213
	Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds	(699,477)	(223,849)
	Units of Open end Mutual Funds	168,671	1,540,964
		(255,978)	1,339,817
28	<b>OTHER INCOME</b>		
	Rent on property	84,778	76,879
	Maintenance charges on property rented	19,127	16,521
	Net profit on disposal of property and equipment	262,301	28,709
	Income on interest rate and cross currency derivative contracts	641,577	455,158
	Others	133,303	32,982
		1,141,086	610,249

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		Rupees '000	
<b>29 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other employee benefits	29.1	4,880,477	2,920,838
Charge for defined benefit plan		120,953	66,257
Contribution to defined contribution plan		139,311	89,341
Non-executive directors' fees		22,264	10,314
Rent, taxes, insurance, electricity, etc.		1,636,816	784,211
Legal and professional charges		123,700	106,538
Communications		216,552	242,323
Repairs and maintenance		759,496	275,991
Stationery and printing		211,584	113,463
Advertisement and publicity		176,781	101,267
Donations	29.2	75,106	23,436
Auditors' remuneration	29.3	16,302	8,671
Depreciation	12.2	1,047,250	660,631
Amortisation	12.4	131,932	157,251
License and technical fee		244,815	112,079
Travelling, conveyance and entertainment		112,049	64,849
Vehicle running expenses		192,270	86,595
Books, periodicals and subscription		75,458	40,431
Brokerage and commission		62,632	146,358
Others		568,171	633,228
		<u>10,813,919</u>	<u>6,644,072</u>

**29.1** This includes charge amounting to Rs 311.248 million (2010: Rs 40.253 million) in respect of fair valuation of staff loans.

**29.2** Donations made during the year were as follows:

### Donee

The Citizens Foundation	30,000	-
Karachi Relief Trust	-	40
Flood Relief affectees supply of Hampers	9,116	-
Prime Minister's Flood Relief Fund	1,617	1,653
District Government Bahawalpur	-	25
Institute of Business Administration (IBA)	10,000	10,000
Waqf Faisal (Trust) - This is a charitable public welfare project	24,373	11,718
	<u>75,106</u>	<u>23,436</u>

Directors or their spouse have no interest in any of the donee other than Waqf Faisal (Trust) where the President and CEO of the Bank is the managing trustee.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 29.3 Auditors' remuneration

	2011	2010
	Rupees '000	
Statutory audit fee	2,250	1,600
Fee for quarterly and annual group reporting	4,950	2,500
Fee for the review of the half yearly financial statements	600	400
Fee for the provident and gratuity funds	50	46
Tax services	7,340	3,300
Special certifications and sundry advisory services	712	475
Out-of-pocket expenses	400	350
	<u>16,302</u>	<u>8,671</u>
<b>30 OTHER CHARGES</b>		
Penalties imposed by the State Bank of Pakistan	1,858	11,117
Workers' Welfare Fund	38,433	16,879
Fixed assets written off	-	21,803
Others	24,178	19,016
	<u>64,469</u>	<u>68,815</u>
<b>31 TAXATION</b>		
<b>For the year</b>		
Current	392,522	239,124
Deferred	(135,460)	(468,690)
	257,062	(229,566)
<b>For prior years</b>		
Current	289,016	191,736
Deferred	(348,283)	(325,445)
	(59,267)	(133,709)
	<u>197,795</u>	<u>(363,275)</u>
<b>31.1 Relationship between tax expense and accounting profit</b>		
Profit before tax	<u>1,478,091</u>	<u>827,054</u>
Tax calculated at the rate of 35% (2010: 35%)	517,332	289,469
Effect of:		
- permanent differences	(83,479)	10,915
- income chargeable to tax at reduced rate	(153,003)	(493,003)
- prior year reversal	(59,267)	(133,709)
- others	(23,788)	(36,947)
Tax charge for the year	<u>197,795</u>	<u>(363,275)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 32 EARNINGS PER SHARE

	2011	2010
	Rupees '000	
Profit after tax for the year	<u>1,280,296</u>	<u>1,190,329</u>
	In thousands	
Weighted average number of ordinary shares outstanding during the year	<u>824,312</u>	<u>822,273</u>
	Rupees	
Earnings per share - basic	<u>1.55</u>	<u>1.45</u>

32.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2011 and December 31, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

	Note	2011	2010
		Rupees '000	
<b>33 CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	8	18,445,108	17,428,924
Balances with other banks	9	4,685,718	5,727,909
Overdrawn nostros	16.2	(120,263)	(6,407)
		<u>23,010,563</u>	<u>23,150,426</u>
<b>34 STAFF STRENGTH</b>			
Permanent		3,416	3,547
Temporary / on contractual basis		19	35
Bank's own staff strength at the end of the year		<u>3,435</u>	<u>3,582</u>
Outsourced	34.1	3,007	2,287
Total Staff Strength		<u>6,442</u>	<u>5,869</u>

34.1 Outsourced staff represent employees hired by an outside contractor / agency and posted in the Bank to perform various tasks / activities of the Bank.

## 35 DEFINED BENEFIT PLAN

### 35.1 General description

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, 2011.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 35.2 Principal actuarial assumptions

	Note	2011	2010
Discount factor used (% per annum)		13.0	14.5
Expected long term rate of return on plan assets (% per annum)		13.0	14.5
Expected rate of salary increase (% per annum)		13.0	14.5
Normal retirement age (years)		60	60

## 35.3 Reconciliation of receivable from defined benefit plan

		2011	2010
Rupees '000			
Present value of defined benefit obligations	35.4	374,945	277,157
Fair value of plan assets	35.5	(368,641)	(245,286)
		6,304	31,871
Net actuarial loss not recognized		(6,657)	(32,221)
		(353)	(350)

## 35.4 Movement in present value of defined benefit obligation

Opening balance		277,157	229,961
Current service cost		111,236	59,120
Interest cost		46,830	32,229
Gain on defined benefit obligation		(38,924)	(24,523)
Actual benefits paid during the year		(21,354)	(19,630)
Closing balance		374,945	277,157

## 35.5 Movement in fair value of plan assets

Opening balance		245,286	168,135
Expected return on plan assets		39,261	24,884
Contribution made		120,956	70,620
Benefits paid by the fund		(21,354)	(19,630)
(Loss) / gain on plan assets		(15,508)	1,277
Closing balance		368,641	245,286

### 35.5.1 Plan assets consist of the following:

Balances with banks and financial institutions		3,002	155,428
Units of open ended mutual funds		-	82,562
Term finance certificates		3,971	7,296
Government securities		361,668	-
		368,641	245,286

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 35.6 Movement in amount receivable from defined benefit plan

	Note	2011	2010
Rupees '000			
Opening balance		(350)	(339)
Charge for the year	35.7	120,953	70,609
Contribution to fund made during the year		(120,956)	(70,620)
Closing balance		<u>(353)</u>	<u>(350)</u>

## 35.7 Charge for defined benefit plan

Current service cost		111,236	59,120
Interest cost		46,830	32,229
Expected return on plan assets		(39,261)	(24,884)
Amortization of loss		2,148	4,144
		<u>120,953</u>	<u>70,609</u>
<b>35.8 Actual return on plan assets</b>		<u>37,380</u>	<u>26,655</u>

## 35.9 Historical information

	2011	2010	2009	2008	2007
----- Rupees '000 -----					
Defined benefit obligation	(374,945)	(277,157)	(229,961)	(167,125)	(123,141)
Fair value of plan assets	368,641	245,286	168,135	107,351	97,739
Deficit	<u>(6,304)</u>	<u>(31,871)</u>	<u>(61,826)</u>	<u>(59,774)</u>	<u>(25,402)</u>
Experience adjustments on plan liabilities	<u>38,924</u>	<u>24,523</u>	<u>(6,124)</u>	<u>(30,928)</u>	<u>(2,818)</u>
Experience adjustments on plan assets	<u>(15,508)</u>	<u>1,277</u>	<u>64</u>	<u>(5,477)</u>	<u>(2,745)</u>

## 36 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	----- Rupees '000 -----					
Managerial remuneration (including bonus)	173,882	125,554	-	-	746,345	764,264
Fees	-	-	22,264	10,314	-	-
Charge for defined benefit plan	-	800	-	-	66,068	40,322
Contribution to defined contribution plan	3,297	2,956	-	-	71,911	48,391
Rent and house maintenance	9,556	1,645	-	-	363,041	213,029
Utilities	852	736	-	-	75,653	50,377
Medical	201	189	-	-	53,556	27,080
Leave fare assistance	-	-	-	-	112,969	57,423
Others	523	1,957	-	-	821,086	211,459
	<u>188,311</u>	<u>133,837</u>	<u>22,264</u>	<u>10,314</u>	<u>2,310,629</u>	<u>1,412,345</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>770</u>	<u>789</u>

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 38 FAIR VALUE OF FINANCIAL INSTRUMENTS

	Book Value		Fair Value	
	2011	2010	2011	2010
----- Rupees '000 -----				
<b>On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash balances with treasury banks	18,445,108	17,428,924	18,445,108	17,428,924
Balances with other banks	4,685,718	5,727,909	4,685,718	5,727,909
Investments	93,409,187	86,418,549	93,253,818	86,030,744
Advances	148,161,995	133,706,769	148,161,995	133,706,769
Other assets	7,053,666	6,215,982	7,053,666	6,215,982
	<u>271,755,674</u>	<u>249,498,133</u>	<u>271,600,305</u>	<u>249,110,328</u>
<b>Liabilities</b>				
Bills payable	3,075,642	3,218,859	3,075,642	3,218,859
Borrowings	39,696,986	34,635,904	39,696,986	34,635,904
Deposits and other accounts	214,614,731	195,315,204	214,614,731	195,315,204
Sub-ordinated loans	4,395,197	4,595,395	4,395,197	4,595,395
Other liabilities	8,965,194	12,892,534	8,965,194	12,892,534
	<u>270,747,750</u>	<u>250,657,896</u>	<u>270,747,750</u>	<u>250,657,896</u>
<b>Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	<u>26,010,769</u>	<u>24,288,536</u>	<u>26,010,769</u>	<u>24,288,536</u>
Forward agreements for borrowings	<u>21,948,460</u>	<u>10,699,230</u>	<u>21,948,460</u>	<u>10,699,230</u>
Forward sale of foreign exchange	<u>6,792,861</u>	<u>5,224,327</u>	<u>6,792,861</u>	<u>5,224,327</u>
Forward agreements for lending	<u>271,781</u>	<u>421,320</u>	<u>271,781</u>	<u>421,320</u>

The carrying 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 44.6 and 44.7.1 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.

### 39 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 10).
- ii) income taxes (notes 7.8, 13 and 31).
- iii) classification and provisioning against advances (notes 7.5 and 11).
- iv) depreciation / amortisation of operating fixed assets (notes 7.6 and 12).
- v) accounting for defined benefit plan (notes 7.11 and 35).
- vi) fair value of derivative financial instruments (notes 7.18 and 24)
- vii) impairment of intangible assets (note 7.7).

### 40 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
- Corporate & Commercial Banking

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Coporate Finance	Trading & Sales	Retail Banking	Corporate & Commercial Banking	Total
	----- Rupees'000 -----				
<b>December 31, 2011</b>					
Total income - net	187,400	1,043,963	8,497,921	3,547,439	13,276,723
Total expenses	(41,729)	(523,359)	(10,309,239)	(924,305)	(11,798,632)
Net income / (loss)	<u>145,671</u>	<u>520,604</u>	<u>(1,811,318)</u>	<u>2,623,134</u>	<u>1,478,091</u>
Segment assets (Gross)	-	93,137,280	61,603,043	157,500,848	312,241,171
Segment non performing loans	-	-	5,507,984	20,536,135	26,044,119
Segment provision required against loans	-	-	(2,286,174)	(15,035,161)	(17,321,335)
Segment liabilities	(13,994)	(35,461,389)	(191,942,987)	(45,936,297)	(273,354,667)
Segment return on assets (ROA) (%) *	-	0.66%	4.85%	1.70%	
Segment cost of funds (%) *	-	13.03%	7.20%	11.45%	
<b>December 31, 2010</b>					
Total income - net	208,042	1,835,115	4,017,459	3,742,926	9,803,542
Total expenses	(81,316)	(796,897)	(5,454,973)	(2,643,302)	(8,976,488)
Net income / (loss)	<u>126,726</u>	<u>1,038,218</u>	<u>(1,437,514)</u>	<u>1,099,624</u>	<u>827,054</u>
Segment assets (Gross)	-	91,138,328	54,372,094	140,932,322	286,442,744
Segment non performing loans	-	670,924	9,967,685	14,069,149	24,707,758
Segment provision required against loans	-	(48,245)	(6,308,972)	(11,142,423)	(17,499,640)
Segment liabilities	(21,220)	(30,063,645)	(170,805,323)	(49,912,965)	(250,803,153)
Segment return on assets (ROA) (%)	-	2.65%	0.30%	2.90%	
Segment cost of funds (%)	-	13.36%	7.42%	7.06%	

\* These percentages have been computed based on average balances.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2011

### 41 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.

### 42 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 and loans to executives are given in note 11.9 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, 35 and 36 to these financial statements for the details of the plans). Remuneration to executives (including key management personnel) of the Bank is disclosed in note 37 to these financial statements. Such remuneration is determined in accordance with the terms of their employment.

	2011				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies (including associated undertakings)
	----- Rupees '000 -----				
<b>Deposits</b>					
Balance at the beginning of the year	77,365	1,645,448	492	479	533,884
Placements during the year	1,741,336	2,478,007	500	413,456	53,499,950
Withdrawals during the year	(1,713,164)	(4,110,955)	(512)	(410,795)	(54,003,963)
Balance at end of the year	<u>105,537</u>	<u>12,500</u>	<u>480</u>	<u>3,140</u>	<u>29,871</u>
<b>Advances</b>					
Balance at the beginning of the year	50,788	-	-	-	2,816,363
Disbursements during the year	5,667	-	-	-	1,132,279
Repayments during the year	(16,189)	-	-	-	(1,094,087)
Balance at end of the year	<u>40,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,854,555</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2010				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies (including associated undertakings)
	Rupees '000				
<b>Deposits</b>					
Balance at the beginning of the year	39,485	350,367	188,070	399	2,208,613
Placements during the year	662,295	2,417,003	552,779	249,939	42,860,295
Withdrawals during the year	(686,384)	(1,768,478)	(740,357)	(249,859)	(44,535,024)
Balance arises upon 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>533,884</u>
<b>Advances</b>					
Balance at the beginning of the year	33,576	-	-	-	802,558
Disbursements during the year	6,000	-	-	-	2,015,918
Repayments during the year	(148,261)	-	-	-	(2,113)
Balance arises upon amalgamation	159,473	-	-	-	-
Balance at end of the year	<u>50,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,816,363</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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies
	----- Rupees '000 -----				
Shares / Units purchased during the year	-	-	-	-	1,038,444
Shares / Units sold during the year	-	-	-	-	940,111
Profit paid / accrued	2,749	52,258	-	813	67,137
Profit return / earned	2,370	-	-	-	179,439
Dividend income from subsidiary / associate	-	-	999	16,875	-
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	386,601	-	-	-	-
Post-employment benefits	21,854	-	-	-	-
Contribution to staff retirement benefits	-	260,264	-	-	-
Guarantees issued favouring related parties or on their behalf	-	-	-	-	29,397
	-----				
	2010				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies
	----- 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	120,804
Profit return / earned	1,839	-	-	-	114,006
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 favouring related parties or on their behalf	-	-	-	-	25,000

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

### 43 CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

#### 43.1 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. 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 State Bank of Pakistan 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:

- a) complies with the capital requirements set by the State Bank of Pakistan;
- b) 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
- c) 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 implemented by the State Bank of Pakistan. The required information is submitted to the State Bank of Pakistan on 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:

- 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 provision and unrealized gains arising on the fair valuation of equity instruments held as available for sale and surplus on revaluation of fixed assets; and
- c) 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 10.1 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 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. 8 billion for all Banks to be achieved by December 31, 2011. The required minimum Capital Adequacy Ratio (CAR) is 10%.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010 Restated
		Rupees'000	
<b>43.2 Capital Structure</b>			
<b>Tier I Capital</b>			
Share Capital		8,243,118	7,309,094
Proposed shares to be issued on amalgamation		-	28,253
Balance in share premium account		10,131	-
Reserves		6,581,000	7,354,688
Unappropriated profit		2,959,178	1,950,843
		17,793,427	16,642,878
Less: Book value of intangible assets	43.4	1,669,204	1,790,901
Shortfall / relaxation in provision	43.5 & 43.6	77,368	-
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
		1,823,072	2,097,768
Total Tier I Capital		15,970,355	14,545,110
<b>Tier II Capital</b>			
Subordinated debt (upto 50% of total Tier 1 Capital)		3,477,759	3,837,918
General provisions subject to 1.25% of total Risk Weighted Assets		259,212	336,573
Revaluation reserve (upto 45%)		763,720	-
		4,500,691	4,174,491
Less: Other deductions (represents 50% of the majority or significant minority interest in subsidiaries and associates)		76,500	76,500
Total Tier II Capital		4,424,191	4,097,991
<b>Eligible Tier III Capital</b>		-	-
<b>Total Regulatory Capital Base</b>		20,394,546	18,643,101

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

43.3 Capital Adequacy	Note	Capital Requirements		Risk Weighted Assets	
		2011	2010 Restated	2011	2010 Restated
----- Rupees in '000 -----					
<b>Credit Risk</b>					
Public sector enterprises		280,688	211,170	2,806,877	2,111,698
Financial institutions		309,864	505,460	3,098,636	5,054,602
Corporates		8,919,471	8,692,523	89,194,710	86,925,231
Retail		1,819,662	1,885,177	18,196,620	18,851,768
Past due loans		1,363,782	1,046,104	13,637,820	10,461,038
Others	43.4	2,550,042	2,299,594	25,500,421	22,995,942
<b>Total Credit Risk</b>		<b>15,243,508</b>	<b>14,640,028</b>	<b>152,435,084</b>	<b>146,400,279</b>
<b>Market Risk</b>					
<u>Capital requirement for portfolios subject to standardized approach</u>					
Interest rate risk		814,669	128,208	8,146,687	1,282,075
Equity position risk		528,555	533,815	5,285,545	5,338,150
Foreign exchange risk		5,549	30,690	55,485	306,900
<b>Total Market Risk</b>		<b>1,348,773</b>	<b>692,713</b>	<b>13,487,717</b>	<b>6,927,125</b>
<b>Operational Risk</b>					
<u>Capital requirement for operational risks</u>					
<b>Total Operational Risk</b>		<b>2,564,936</b>	<b>2,755,058</b>	<b>25,649,360</b>	<b>27,550,577</b>
		<b>19,157,217</b>	<b>18,087,798</b>	<b>191,572,161</b>	<b>180,877,981</b>
<b>Capital Adequacy Ratio</b>					
Total eligible regulatory capital held	43.2	20,394,546	18,643,101		
Total risk weighted assets		191,572,161	180,877,981		
Capital adequacy ratio	43.5	10.65%	10.31%		

**43.4** 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.



- 43.5** 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. However, the Bank has not made deductions on account of shortfall in provision against outstanding facilities extended to Agritech, Azgard Nine and Dewan Group based on relaxation provided by SBP vide its letter No. BSD/BAI-3/615/5296/2011 dated April 26, 2011 in line with relaxation already given for maintaining provisions against these entities. Further, the SBP vide its letter No. BSD/BAI-3/608/7356/2011 dated June 8, 2011 clarified that the above mentioned relaxation will be effective from the date of relaxation granted by the SBP for maintaining provision against these customers. Accordingly, the management has restated the CAR for the year ended December 31, 2010.
- 43.6** As more fully disclosed in note 10.3.4 to these financial statements, the SBP has given a relaxation to the Bank in maintaining provision against outstanding facilities extended to Maple Leaf Cement Factory Limited. In accordance with 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 77.368 million has been deducted from the Bank's Tier-I Capital.
- 43.7** The benefit of FSV allowed by the SBP has not been deducted from Tier I capital of the Bank based on a 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.

#### **44 RISK MANAGEMENT**

Risk Management Group (RMG) has been organized under the Chief Risk Officer (CRO). It has been authorized by the Board of Directors (BOD) to monitor the implementation of various risk policies via implementation of an integrated risk management framework across the Bank. As an ongoing exercise to integrate Risk related functions, RMG has been expanded, strengthened and entrusted to monitor the risk areas across the organization, with ultimate adoption of/convergence towards Basel II guidelines on Risk Management.

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

The risk management framework at the Bank encompasses:

- Scope of risks to be managed
- Process, systems and procedures to manage risk, and
- Roles and responsibilities of individuals involved in risk management.

The Bank has adopted an approach that gives an integrated view of the risks faced by the organization. This calls for aligning strategic vision, policy objectives and business processes/procedures with the Risk Management framework. The management of risk is integrated with our management of capital and strategy. This ensures that risks taken in pursuit of the Bank's strategic objectives are consistent with the desired return as well as the Bank's desired credit rating and risk appetite.

With this in view, the Risk Management framework endeavors to be a comprehensive and evolving guideline to cater to changing business dynamics. The Risk Management framework includes:

- Clearly defined risk management policies
- Well constituted organizational structure
- Mechanism for ongoing review of credit policies and procedures and risk exposures

The Risk Management framework is built on the following elements:

- Comprehensive risk governance and
- Effective Risk processes.

Based on the guidelines issued by the SBP and industry best practices, a comprehensive governance and management structure and processes surrounding each risk area, including credit risk, market risk, liquidity risk, capital management and operational risk, have been developed and stand effectively implemented at the Bank.

The essential components which contribute in effective management of all these Risks include and depend on:

- Active Board / Senior Management strategic direction and centralized RMG oversight
- Sufficient policies, procedures and limits
- Adequate risk measurement, monitoring and management information systems
- Comprehensive internal controls

The Board of Directors (BoD) monitoring and oversight is facilitated through the Board Risk Management Committee (BRMC); comprising of 5 Directors including the President & CEO, it is appointed and authorized by the BoD to assist in the design, regular evaluation and timely updating of the Risk Management framework. BRMC has further authorized management committees such as Country Credit Committee (CCC), Enterprise Risk Management Committee (ERM) 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 and Retail SME and Agri. Risk Management) and Retail Risk Management.

The common responsibilities of all three Credit Risk Management Units include:

- Conduct a thorough and independent due diligence of the proposed / existing exposures in the respective Risk portfolios.
- Work with Compliance to ensure conformity to the relevant Government regulations, SBP PRs as well as internal policies.
- Work with Business Units/ Relationship teams to structure exposures such that they mitigate key risks, cater to customer requirements, remain economical in terms of risk weighted assets/ capital allocation and result in maximization of overall returns from the relationship.

Retail Risk Management covers and operates on a Program lending approach to manage, mitigate and approve risk on a portfolio level. Retail Risk Management is responsible for managing the entire retail credit cycle through the Retail Credit Policy and Analytics teams in line with the business strategy on various Key Performance Indicators (KPIs).

Retail credit cycle and its scope include, Product Planning, Credit Acquisition & Underwriting, Portfolio & Account Management, Collections and Recovery.

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 monitoring 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.

#### 44.1 Credit Risk

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

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 — 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 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 the 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.

With a view to develop & effectively manage a diversified credit portfolio within each Business segment (as an integral part of the Credit Risk Management process), the Bank has adopted the concept of an industry/ sector-wise exposure concentration grid which dictates target market exposures. Risk concentration may arise where total exposure to a particular group or industry is high in relation to shareholders' equity.

As part of the Bank's Portfolio strategy and planning activity, these Industry concentration limits are continually overseen by the Management against the Bank's approved exposures in these sectors and reviewed by the Board Risk Management Committee (BRMC) in its quarterly meetings with an aim to monitor the overall risk and to avoid high exposure to a single group or industry.

##### 44.1.1 Segment by class of business

Credit Risk Management (CRM) Framework covers three areas: Corporate Risk Management, Commercial Risk Management and Retail SME and Agri. Risk Management, catering to the approvals of all exposures handled by the three dedicated Risk Teams constituted for Business segments such as, Corporate, Commercial, Retail and Agriculture. respectively. The common responsibilities of all three CRM Units include:

- Conduct a thorough and independent due diligence of the proposed / existing exposures in the respective Risk portfolios.
- Work with Compliance to ensure conformity to the relevant Government regulations, SBP Prudential Regulations as well as internal policies.
- Work with Business Units/ Relationship teams to structure exposures such that they mitigate key risks, cater to customer requirements, remain economical in terms of risk weighted assets/ capital allocation and result in maximization of overall returns from the relationship.

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Retail Risk Management Framework covers and operates on a Program lending approach to manage, mitigate and approve risk on a portfolio level. Retail Risk Management is responsible for managing the entire retail credit cycle through the Retail Credit Policy and Analytics teams in line with the business strategy on various Key Performance Indicators (KPIs).

Retail credit cycle and its scope include, Product Planning, Credit Acquisition & Underwriting, Portfolio & Account Management, Collections and Recovery."

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

	2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and Pharmaceuticals	10,525,198	6.36	3,420,186	1.59	1,864,103	4.28
Agriculture	6,303,311	3.81	5,444,990	2.54	586,073	1.34
Textile	28,438,576	17.19	1,312,801	0.61	2,276,683	5.22
Cement	3,734,227	2.26	71,759	0.03	643,422	1.48
Sugar	2,639,362	1.59	63,319	0.03	251,599	0.58
Construction	2,508,614	1.52	1,762,851	0.82	1,846,575	4.24
Ready made garments	1,255,099	0.76	519,438	0.24	413,048	0.95
Footwear and leather garments	1,254,954	0.76	223,457	0.10	60,583	0.14
Automobile and transportation equipment	366,048	0.22	804,110	0.37	444,966	1.02
Financial	436,299	0.26	12,021,758	5.60	3,926,221	9.01
Oil Refining / Marketing	1,646,115	0.99	4,419,835	2.06	9,337,720	21.42
Distribution / Trading	8,455,715	5.11	13,176,164	6.14	5,897,302	13.53
Electronics and electrical appliances	2,792,618	1.69	876,795	0.41	2,947,994	6.76
Production and transmission of energy	24,399,438	14.74	4,427,996	2.06	1,133,416	2.60
Iron and Steel	5,193,109	3.14	449,723	0.21	1,823,785	4.18
Food and Allied	4,903,041	2.96	1,452,033	0.68	821,391	1.88
Synthetic and Rayon	1,081,209	0.65	64,969	0.03	84,416	0.19
Paper and Board	548,156	0.33	134,737	0.06	35,339	0.08
Individuals	14,654,934	8.86	100,551,282	46.85	494,132	1.13
Telecommunication	5,137,924	3.10	708,997	0.33	2,094,998	4.81
Transportation, Road and Air	6,196,786	3.74	2,861,234	1.33	371,326	0.85
Mining and Quarrying	440,892	0.27	112,232	0.05	-	0.00
Others	32,571,705	19.69	59,734,065	27.84	6,233,921	14.31
	<u>165,483,330</u>	<u>100.00</u>	<u>214,614,731</u>	<u>100.00</u>	<u>43,589,013</u>	<u>100.00</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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2010

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '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	1,509,886	0.77	382,447	0.92
Synthetic and Rayon	1,057,214	0.70	28,944	0.01	75,963	0.18
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	6,611,656	4.37	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	32,950,112	21.79	59,378,985	30.40	5,413,229	13.10
	<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>

2011

## 44.1.2 Segment by sector

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	17,702,339	10.70	18,486,595	8.61	7,738,058	17.75
Private	147,780,991	89.30	196,128,136	91.39	35,850,955	82.25
	<u>165,483,330</u>	<u>100.00</u>	<u>214,614,731</u>	<u>100.00</u>	<u>43,589,013</u>	<u>100.00</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '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

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

	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees in '000			
Chemical and Pharmaceuticals	1,477,648	891,790	1,265,250	844,380
Agriculture	1,024,546	426,656	933,483	236,021
Textile	5,819,163	3,900,135	5,377,745	4,179,663
Cement	594,600	321,653	1,005,109	584,796
Sugar	34,317	34,298	56,920	56,640
Construction	710,654	318,865	273,918	80,822
Ready Made Garments	399,731	227,365	82,496	66,621
Footwear and leather garments	24,345	8,166	32,947	18,529
Automobile and Transport Equipment	154,216	22,464	145,472	134,240
Financial	218,223	112,143	90,014	44,510
Oil Refining / Marketing	204,350	170,406	200,239	85,239
Distribution / Trading	2,008,335	1,368,759	2,061,389	1,405,577
Electronics and electrical appliances	383,512	36,166	439,604	420,893
Production and transmission of energy	3,070,832	3,000,713	3,095,105	2,944,563
Iron and Steel	770,853	663,779	152,172	131,452
Food and Allied	798,353	573,997	826,777	561,892
Synthetic and Rayon	498,423	492,806	372,630	372,630
Paper and Board	191,954	83,606	125,290	78,229
Transportation, Road and Air	243,024	182,786	7,267	5,602
Telecommunications	6,816	6,816	13,031	8,179
Individuals	2,458,845	1,158,518	2,859,486	1,629,843
Others (including manufacturing and real estate)	4,951,379	3,060,236	5,291,414	3,272,746
	26,044,119	17,062,123	24,707,758	17,163,067

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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## 44.1.4 Details of non-performing advances and specific provisions by sector

	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- Rupees in '000 -----			
Public / Government	-	-	-	-
Private	26,044,119	17,062,123	24,707,758	17,163,067
	<u>26,044,119</u>	<u>17,062,123</u>	<u>24,707,758</u>	<u>17,163,067</u>

## 44.1.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	1,478,091	292,567,826	19,213,159	43,589,013
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,478,091</u>	<u>292,567,826</u>	<u>19,213,159</u>	<u>43,589,013</u>

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '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>

**44.2 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 54.66% (2010: 36.26%) of the total exposure, 1.78% (2010: 2.70%) represents claims on PSEs and 12.83% (2010: 8.39%) exposure pertains to claims categorized as retail portfolio.

**44.2.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach**

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the 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, 2011 are as follows;

Exposures	PACRA	JCR-VIS	Standard and Poor’s	Moody’s	Fitch
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns	-	-	-	-	-
SMEs	-	-	-	-	-

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

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



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## 44.1.4 Details of non-performing advances and specific provisions by sector

	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- Rupees in '000 -----			
Public / Government	-	-	-	-
Private	26,044,119	17,062,123	24,707,758	17,163,067
	<u>26,044,119</u>	<u>17,062,123</u>	<u>24,707,758</u>	<u>17,163,067</u>

## 44.1.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	1,478,091	292,567,826	19,213,159	43,589,013
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,478,091</u>	<u>292,567,826</u>	<u>19,213,159</u>	<u>43,589,013</u>

## 44.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '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>

**44.2 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 54.66% (2010: 36.26%) of the total exposure, 1.78% (2010: 2.70%) represents claims on PSEs and 12.83% (2010: 8.39%) exposure pertains to claims categorized as retail portfolio.

**44.2.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach**

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the 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, 2011 are as follows;

Exposures	PACRA	JCR-VIS	Standard and Poor’s	Moody’s	Fitch
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns	-	-	-	-	-
SMEs	-	-	-	-	-

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
		----- Rupees in '000 -----		
- Cash and Cash Equivalent		4,429,576	-	4,429,576
- Corporate	1	19,247,863	-	19,247,863
	2	14,620,139	1,625	14,618,514
	3,4	1,005,134	35,767	969,367
	5,6	949,287	4,829	944,458
	Unrated	61,120,576	994,722	60,125,854
- Public Sector Equities	1	5,471,413	-	5,471,413
	2,3	-	-	-
	Unrated	2,599,115	1,728	2,597,387
- Banks	1,2,3	9,363,347	-	9,363,347
	4,5	42,049	-	42,049
	Unrated	37,487	-	37,487
- Sovereigns etc.		47,416	-	47,416
- Government of Pakistan		37,718,346	-	37,718,346
- SBP		3,795,919	-	3,795,919
- Retail		23,683,116	3,198,134	20,484,982
- Residential Mortgage		5,519,866	1,203	5,518,663
- Past Dues Loans		9,692,966	377,483	9,315,483
- Past Dues against Residential Mortgage		1,493,094	-	1,493,094
- Unlisted Equity Investment		282,971	-	282,971
- Listed Equity		3,133,576	-	3,133,576
- Operating Fixed Assets		8,369,440	-	8,369,440
- Other Assets		13,377,947	-	13,377,947
<b>Total</b>		<b>226,000,643</b>	<b>4,615,491</b>	<b>221,385,152</b>

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.

**44.3 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 recommending market risk policies and strategies for Board approval and its subsequent implementation and quarterly review. The market risk is further divided into various sub-categories, which are defined as follows:

**44.4 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 State Bank of Pakistan. Foreign Exchange Risk exposures are managed by matching future maturities.

Exposure limits such as counterparty, gap, net open position, dealer and bucket-wise currency delta limits are in place in accordance with the Bank's approved policies in order to manage associated risk and concentration at acceptable tolerance levels.

**44.4.1 Currency Risk**

	2011			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	286,582,898	248,238,192	(19,096,504)	19,248,202
United States dollar	5,244,092	20,563,382	15,264,865	(54,425)
Great Britain pound	462,616	2,539,558	2,082,069	5,127
Japanese yen	9,109	6,331	-	2,778
Euro	254,102	2,006,959	1,751,536	(1,321)
Other currencies	15,009	245	(1,966)	12,798
	<u>292,567,826</u>	<u>273,354,667</u>	<u>-</u>	<u>19,213,159</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2010			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----- Rupees in '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>

#### 44.5 Equity position risk

Equity position risk is the risk arising from unfavorable fluctuations in prices of shares in which the Bank carries long positions as part of its trading book. It is a 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 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 position limits imposed by State Bank of Pakistan for overall investment and per scrip exposure. Additionally, there are internal limits set to manage overall earnings in the form of stop loss limits and maintain a diverse portfolio through sector concentration limits.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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

2011											
Exposed to Yield / Interest risk											
Effective Yield / Interest rate	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	Non-interest bearing financial instruments
----- Rupees '000 -----											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	18,445,108	-	-	-	-	-	-	-	-	-	18,445,108
Balances with other banks	4,685,718	2,388,058	-	-	-	-	-	-	-	-	2,297,660
Investments	12.59 93,409,187	8,047,520	3,584,924	13,853,681	39,586,523	3,093,587	4,057,673	-	6,424,381	-	14,760,898
Advances	13.08 148,161,995	35,372,617	55,160,091	32,634,163	6,721,766	2,015,950	1,961,833	2,353,527	1,829,501	1,170,551	8,941,996
Other assets	7,053,666	-	-	-	-	-	-	-	-	-	7,053,666
	<u>271,755,674</u>	<u>45,808,195</u>	<u>58,745,015</u>	<u>46,487,844</u>	<u>46,308,289</u>	<u>5,109,537</u>	<u>6,019,506</u>	<u>2,353,527</u>	<u>8,253,882</u>	<u>1,170,551</u>	<u>51,499,328</u>
<b>Liabilities</b>											
Bills payable	3,075,642	-	-	-	-	-	-	-	-	-	3,075,642
Borrowings	8.62 39,696,986	23,748,407	9,133,482	3,081,047	551,767	705,588	765,016	1,09 8,579	613,100	-	-
Deposits and other accounts	7.33 214,614,731	37,799,744	17,904,570	22,785,866	25,774,500	12,036,094	9,478,399	14,581,712	22,668,929	2,217,905	49,367,012
Sub-ordinated loans	15.52 4,395,197	-	399,200	3,995,997	-	-	-	-	-	-	-
Other liabilities	8,965,194	-	-	-	-	-	-	-	-	-	8,965,194
	<u>270,747,750</u>	<u>61,548,151</u>	<u>27,437,252</u>	<u>29,862,910</u>	<u>26,326,267</u>	<u>12,741,682</u>	<u>10,243,415</u>	<u>15,680,291</u>	<u>23,282,029</u>	<u>2,217,905</u>	<u>61,407,848</u>
<b>On-balance sheet gap</b>	<u>1,007,924</u>	<u>(15,739,956)</u>	<u>31,307,763</u>	<u>16,624,934</u>	<u>19,982,022</u>	<u>(7,632,145)</u>	<u>(4,223,909)</u>	<u>(13,326,764)</u>	<u>(15,028,147)</u>	<u>(1,047,354)</u>	<u>(9,908,520)</u>
<b>Off-balance sheet financial instruments</b>											
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total Yield / Interest Risk Sensitivity Gap</b>		<u>(15,739,956)</u>	<u>31,307,763</u>	<u>16,624,934</u>	<u>19,982,022</u>	<u>(7,632,145)</u>	<u>(4,223,909)</u>	<u>(13,326,764)</u>	<u>(15,028,147)</u>	<u>(1,047,354)</u>	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		<u>(15,739,956)</u>	<u>15,567,807</u>	<u>32,192,741</u>	<u>52,174,763</u>	<u>44,542,618</u>	<u>40,318,709</u>	<u>26,991,945</u>	<u>11,963,798</u>	<u>10,916,444</u>	

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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

2010

Exposed to Yield / Interest risk

Effective Yield / Interest rate	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	Non-interest bearing financial instruments
----- Rupees '000 -----											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	17,428,924	-	-	-	-	-	-	-	-	-	17,428,924
Balances with other banks	5,727,909	2,492,028	-	-	-	-	-	-	-	-	3,235,881
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
	<u>249,345,133</u>	<u>39,707,405</u>	<u>73,685,009</u>	<u>61,594,633</u>	<u>20,768,976</u>	<u>4,042,013</u>	<u>3,683,523</u>	<u>3,381,060</u>	<u>4,145,859</u>	<u>939,899</u>	<u>37,396,756</u>
<b>Liabilities</b>											
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
Sub-ordinated loans	4,595,395	-	-	4,595,395	-	-	-	-	-	-	-
Other liabilities	12,892,534	214,615	513,911	-	-	-	-	-	-	-	12,164,008
	<u>250,657,896</u>	<u>98,639,521</u>	<u>23,904,191</u>	<u>34,315,247</u>	<u>32,547,544</u>	<u>1,504,364</u>	<u>933,833</u>	<u>860,334</u>	<u>175,265</u>	<u>-</u>	<u>57,777,597</u>
<b>On-balance sheet gap</b>	<u>(1,312,763)</u>	<u>(58,932,116)</u>	<u>49,780,818</u>	<u>27,279,386</u>	<u>(11,778,568)</u>	<u>2,537,649</u>	<u>2,749,690</u>	<u>2,520,726</u>	<u>3,970,594</u>	<u>939,899</u>	<u>(20,380,841)</u>
<b>Off-balance sheet financial instruments</b>											
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total Yield / Interest Risk Sensitivity Gap</b>		<u>(58,932,116)</u>	<u>49,780,818</u>	<u>27,279,386</u>	<u>(11,778,568)</u>	<u>2,537,649</u>	<u>2,749,690</u>	<u>2,520,726</u>	<u>3,970,594</u>	<u>939,899</u>	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		<u>(58,932,116)</u>	<u>(9,151,298)</u>	<u>18,128,088</u>	<u>6,349,520</u>	<u>8,887,169</u>	<u>11,636,859</u>	<u>14,157,585</u>	<u>18,128,179</u>	<u>19,068,078</u>	

**44.6.1** 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. It is inherent primarily to the banking book mainly through advances and deposits portfolio.

**44.6.2** 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.

**44.6.3** 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 affecting 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).

#### **44.7 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 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;

Treasury and Capital Market maturities are monitored on periodic basis so as to provide management with 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, 2011

## 44.7.1 Maturities of Assets and Liabilities (based on contractual maturities / expected withdrawal pattern)

	2011									
	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 '000 -----										
<b>Assets</b>										
Cash and balances with treasury banks	18,445,108	6,113,929	1,222,052	1,864,965	2,371,105	2,882,653	1,006,680	1,093,046	1,703,767	186,911
Balances with other banks	4,685,718	4,685,718	-	-	-	-	-	-	-	-
Investments	93,409,187	8,050,370	3,488,003	18,309,537	44,301,092	2,833,966	3,034,321	3,904,068	9,487,830	-
Advances	148,161,995	15,474,215	27,997,860	24,736,694	21,978,203	11,704,274	9,742,869	15,831,378	16,211,181	4,485,321
Operating fixed assets	10,849,607	15,134	13,482	54,167	135,136	320,562	277,220	1,155,975	1,373,525	7,504,406
Deferred tax assets - net	5,188,126	-	-	-	-	-	-	5,188,126	-	-
Other assets	11,828,085	6,446,277	359,024	1,479,286	280,285	22,376	-	2,482,562	758,275	-
	292,567,826	40,785,643	33,080,421	46,444,649	69,065,821	17,763,831	14,061,090	29,655,155	29,534,578	12,176,638
<b>Liabilities</b>										
Bills payable	3,075,642	3,075,642	-	-	-	-	-	-	-	-
Borrowings	39,696,986	23,748,407	9,133,482	3,081,047	551,767	705,588	765,016	1,098,579	613,100	-
Deposits and other accounts	214,614,731	41,812,827	21,634,856	28,690,950	36,355,643	33,793,690	12,642,179	14,581,712	22,668,929	2,433,945
Sub-ordinated loans	4,395,197	-	199,680	1,882	200,320	497,915	500,200	1,498,200	1,497,000	-
Other liabilities	11,572,111	788,966	5,324,189	2,410,141	2,295,646	225,137	293,131	215,225	19,676	-
	273,354,667	69,425,842	36,292,207	34,184,020	39,403,376	35,222,330	14,200,526	17,393,716	24,798,705	2,433,945
<b>Net assets</b>	19,213,159	(28,640,199)	(3,211,786)	12,260,629	29,662,445	(17,458,499)	(139,436)	12,261,439	4,735,873	9,742,693
Share capital	8,243,118									
Proposed shares to be issued on amalgamation	-									
Reserves	6,591,131									
Unappropriated profit	2,959,178									
	17,793,427									
Surplus on revaluation of assets	1,419,732									
	19,213,159									

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## Maturities of Assets and Liabilities (based on contractual maturities / expected withdrawal pattern)

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 '000 -----										
<b>Assets</b>										
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	-	-	-	-	-	-	-	-
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	16,210,161	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	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	1,671,958	1,207,377	2,505,021	777,516	-	-	4,133,292	-	-
	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
<b>Liabilities</b>										
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	-
Other liabilities	13,037,791	3,633,720	1,664,608	623,026	2,258,730	1,041,651	1,946,009	1,870,047	-	-
	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
<b>Net assets</b>	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									
	16,642,878									
Surplus on revaluation of assets	(125,108)									
	16,517,770									

**44.8 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 to Enterprise Risk Management Committee (ERMC) and Board of Directors through Board Risk Management Committee (BRMC).

The Bank has implemented an effective Operational Risk Management framework for managing operational risk. Each department 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. Bank's Operational Risk Management framework consist 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)".

**45 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on February 28, 2012 by the Board of Directors of the Bank.

**46 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

There were no appropriations or distributions made after the reporting date.

**47 GENERAL**

**47.1** 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.

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

**47.3** 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.



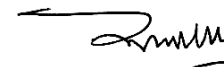
PRESIDENT & CEO



DIRECTOR



DIRECTOR



DIRECTOR

The world today is but a culmination of all those ambitious souls who lived before us. The extent and power of ambition makes individuals define the fates of many and live on long after they are gone. Once we start to have faith in the power of our own will, the future can be whatever we want it to be.

DESTINY DESIRED



افراد کے ہاتھوں میں ہے اقوام کی تقدیر  
ہر فرد ہے مملکت کے مقدر کا ستارہ

تعلیم



# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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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 10.4 to the financial statements.

## 1. Details of investments in fully paid-up shares of listed companies / modaraba certificates / certificates of closed end mutual funds are as follows:

2011	2010	Name of company / modaraba / mutual fund	2011		2010		Quality of Available for Sale Securities	
			At Cost	Market Values	At Cost	Market Values	2011	2010
Ordinary shares / certificates of Rs 10 each			Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
<b>Equity Investment Instruments</b>								
999,950	1,999,950	NAMCO Balanced Fund	10,000	20,000	5,050	8,260		
-	4,006,670	Al-Meezan Mutual Fund +	-	35,348	-	33,295		
<b>Modarabas</b>								
2,990,000	3,018,500	First Habib Modaraba **/ +	22,656	22,829	21,707	20,224	AA-	AA+
-	100,000	First Fidelity Leasing Modaraba	-	288	-	174		BBB
-	199,568	I.B.L Modaraba 1st ***	-	575	-	357		
56,703	56,703	Unicap Modaraba ***	11	11	17	5		
-	101	First Prudential Modaraba	-	1	-	1		
<b>Banks / Financial Services</b>								
Summit Bank Limited (Formerly Atlas Bank Limited)								
455,928	69,922		3,151	217	784	114		
1,762,772	1,762,772	Prudential Investment Bank Limited */***	12,528	12,528	-	-		
525,000	600,000	Arif Habib Corporation	15,825	15,966	13,603	14,934		
-	100,000	Arif Habib Investment Limited	-	1,855	-	1,776	A	A
100,000	15,240	First Capital Securities Corporation Limited	175	129	186	54		
-	16,990	Standard Chartered Leasing Limited	-	49	-	48		AA-
2,203,317	3,827,120	Askari Commercial Bank Limited	42,391	74,849	22,099	67,702	AA	AA
-	20,000	Bank Alfalah Limited	-	230	-	224		AA
11,899,899	8,153,324	Bank AL Habib Limited +	377,703	301,407	339,504	295,641	AA+	AA+
-	192,962	Javed Omer Vohra & Company	-	2,163	-	772		
881,729	85,411	JS Bank Limited	1,587	424	1,455	220	A	A
<b>Balance carried forward</b>			<b>486,027</b>	<b>488,869</b>	<b>404,405</b>	<b>443,801</b>		

\* The bank holds more than 10% of investees' capital in Prudential Investment Bank Limited — 17.10% (2010: 17.10%)

\*\* Shares / certificates of Rs 5 each

\*\*\* Delisted companies

+ Includes 3,994,715 certificates of Al-Meezan Mutual Fund, 2,990,000 certificates of First Habib Modaraba and 11,899,899 shares of Bank AL Habib Limited classified as strategic investment

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

2011	2010	Name of company / modaraba / mutual fund	2011		2010		Quality of Available for Sale Securities	
			At Cost	At Cost	Market Values	Market Values	2011	2010
Ordinary shares / certificates of Rs 10 each			Rupees in '000		Rupees in '000		Medium to Long Term Rating Assigned (where available)	
		<b>Balance brought forward</b>	<b>486,027</b>	<b>488,869</b>	<b>404,405</b>	<b>443,801</b>		
		The Bank of Punjab	-	91,420	-	99,781	AA-	AA-
22,107,923	11,493,620	Habib Metropolitan Bank Limited +	431,326	338,034	373,403	333,200	AA+	AA+
		KASB Bank Limited	-	540	-	251		A-
		Silk Bank Limited	-	3,030	-	2,620		A-
64,366	3,520,045	First Credit & Investment Bank Limited	332	35,200	225	11,475		A-
		National Bank of Pakistan Limited	-	32,437	-	33,300		AAA
		NIB Bank Limited	-	3,361	-	3,287		AA-
43,187	-	MCB Bank Limited	6,256	-	5,813	-	AA+	
		Soneri Bank Limited	-	111,421	-	89,956		AA-
		<b>Construction and Materials</b>						
5,162	9,662	Buxly Paints Limited	95	177	31	140		
		Pioneer Cement Limited	-	7,494	-	5,774		
		Cherat Cement Company Limited	-	718	-	572		
10,665	10,665	Dadabhoy Construction Technology Limited ***	16	16	5	5		
122,791	3,149	EMCO Industries Limited	149	18	237	9		
62,979	280,986	PECTO Cement Limited	648	2,891	246	2,037		
110,411	110,411	Mustehkam Cement Limited	3,292	3,292	1,215	1,590		
975,189	-	Lucky Cement Limited	79,946	-	73,178	-		
		<b>Oil and Gas</b>						
190,177	22,977	Pakistan State Oil Limited	49,653	6,737	43,211	6,782	AA+	AA+
		Burshane LPG Pakistan Limited						
553,664	530,350	(Formerly Shell Gas LPG)	22,648	22,111	12,469	17,942		
		Shell Pakistan Limited	-	11,469	-	11,947		
		Attock Petroleum Limited	-	13,742	-	13,717		
		Pakistan Petroleum Limited	-	54,689	-	54,500		
		<b>Balance carried forward</b>	<b>1,080,388</b>	<b>1,227,666</b>	<b>914,438</b>	<b>1,132,686</b>		

\*\*\* Delisted companies

+ Includes 22,107,923 shares of Habib Metropolitan Bank Limited classified as strategic investment.

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

2011		2010				2011		2010		Quality of Available for Sale Securities	
Ordinary shares / certificates of Rs 10 each		Name of company / modaraba / mutual fund		At Cost		Market Values				Medium to Long Term Rating Assigned (where available)	
				Rupees in '000		Rupees in '000					
		<b>Balance brought forward</b>		<b>1,080,388</b>	<b>1,227,666</b>	<b>914,438</b>	<b>1,132,686</b>				
244,311	310,697	Pakistan Refinery Limited		19,653	23,166	16,542	33,468	AA			
189,674	504,529	Pakistan Oilfields Limited		67,983	150,891	5,713	149,320	AAA		AAA	
62,864	10,000	National Refinery Limited		15,187	2,751	15,256	2,738	AAA		AAA	
14,720	289,874	Mari Gas Company Limited		1,497	41,439	1,192	36,226	AAA			
78,743	-	Oil & Gas Development Company Limited		12,035	-	11,939	-	AAA			
-	100,000	Sui Northern Gas Pipelines Limited		-	2,756	-	2,674			AA	
		<b>Fixed Line Telecommunication</b>									
4,317,350	11,000,000	Pakistan Telecommunication Company Limited		55,876	212,788	44,857	213,620				
-	200,000	Telecard Limited		-	516	-	442				
-	1,126,362	Worldcall Telecom		-	3,613	-	3,266			A -	
		<b>Electricity</b>									
-	110,499	Altern Energy		-	1,214	-	1,109				
9,320,145	12,635,679	Hub Power Company Limited +		367,912	456,821	318,749	472,701	AA+		AA+	
939,372	939,372	Ideal Energy Limited *		28,161	28,161	8,454	9,394				
-	1,304,841	Karachi Electric Supply Company**		-	2,675	-	3,667				
723,000	766,201	Kohinoor Energy Limited +		23,174	24,513	11,402	16,688				
-	40,999	Kohinoor Power Company Limited ***		-	303	-	189				
-	6,612,241	Kot Addu Power Company		-	275,654	-	268,986	AA+			
		<b>Personal Goods</b>									
53,500	53,500	(Colony) Sarhad Textile Limited		27	27	40	21				
74,500	74,500	Accord Textile Limited ***		93	93	14	52				
1,547	58,047	Al-Qaim Textile Mills Limited ***		3	100	1	87				
3,911	3,911	Amazai Textile Mills Limited		2	2	3	3				
141,000	181,000	Asim Textile Mills Limited ***		282	362	282	452				
-	6,220,000	Azgard Nine Limited		-	72,586	-	60,085	D		SD	
-	60,913	Bannu Woollen Mills Limited		-	870	-	816				
-	194,773	Bata Pakistan Limited		-	163,233	-	134,228				
		<b>Balance carried forward</b>		<b>1,672,273</b>	<b>2,692,200</b>	<b>1,408,882</b>	<b>2,542,918</b>				

\* The bank holds more than 10% of investees' capital in Ideal Energy Limited — 11.74% (2010: 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, 2011

2011	2010	Name of company / modaraba/ mutual fund	2011		2010		Quality of Available for Sale Securities	
			At Cost	Market Values	2011	2010	2011	2010
Ordinary shares / certificates of Rs 10 each			Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
		<b>Balance brought forward</b>	<b>1,672,273</b>	<b>2,692,200</b>	<b>1,408,882</b>	<b>2,542,918</b>		
-	1,900	Blessed Textile Mills Limited	-	74	-	88		
347,662	335,070	Crescent Textile Mills Limited	11,662	11,479	2,861	7,948		
178,648	178,648	Crown Textile Mills Limited ***	1,239	1,239	-	-		
19,645	37,584	Dawood Lawrancepur Limited	1,230	2,353	618	1,634		
3,700	3,700	Fateh Industries Limited ***	30	30	20	20		
7,300	7,300	Fateh Sports Wear Limited ***	69	69	69	69		
3,782	3,782	Fateh Textile Mills Limited	1,362	1,362	384	427		
11,151	283	Fazal Textile Mills Ltd.	3,318	128	2,750	113		
10,500	10,500	Globe Textile Mills Limited ***	155	155	100	126		
-	55,548	Gul Ahmed Textile Mills	-	1,499	-	1,624		
15,674	37,800	Gulistan Spinning Mills Limited	119	286	64	260		
-	194,400	Gulshan Spinning Mills Limited	-	1,439	-	1,361		
-	1,500	Hafiz Textile Mills Limited ***	-	24	-	28		
41,612	41,612	Hakkim Textile Mills Limited ***	10	10	10	10		
-	343,846	Ibrahim Fibre Limited	-	12,623	-	14,490		A+
60,473	72,936	Indus Dyeing Manufacturing Company Limited	19,718	14,588	22,999	23,938	A	A
18,360	18,370	International Knitwear Limited	255	255	75	165		
-	57,819	Ishaque Textile Mills Limited ***	-	260	-	398		
26,059	26,059	Itti Textile Mills Limited	25	25	23	23		
-	29,000	Kohinoor Industries Limited	-	74	-	46		
-	300,000	Kohinoor Mills Limited	-	1,587	-	882		
-	84,000	Kohinoor Spinning Mills Limited	-	139	-	100		
-	117,103	Kohinoor Sugar Mills Limited	-	978	-	595		
193,274	413,483	Kohinoor Textile Mills Limited	1,280	3,899	653	2,076		
250,000	259,500	Maqbool Textile Mills Limited	3,363	3,490	1,908	2,232		
168,053	164,753	Masood Textile Mills Limited	5,817	5,766	2,622	3,295		
8,500	8,500	Mehr Dastgir Textile Mills Limited	2	2	17	17		
-	104,400	Mohd Farooq Textile Mills Limited	-	158	-	144		
-	18,780	Moonlite (Pak) Limited	-	242	-	103		
-	3,057,189	Nishat (Chunian) Limited	-	70,200	-	69,459		
		<b>Balance carried forward</b>	<b>1,721,927</b>	<b>2,826,633</b>	<b>1,444,055</b>	<b>2,674,589</b>		

\*\*\* Delisted companies

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

2011		2010		Name of company / modaraba/ mutual fund	2011		2010		Quality of Available for Sale Securities	
Ordinary shares / certificates of Rs 10 each					At Cost		Market Values		2011	2010
					Rupees in '000		Rupees in '000		Medium to Long Term Rating Assigned (where available)	
				<b>Balance brought forward</b>	<b>1,721,927</b>	<b>2,826,633</b>	<b>1,444,055</b>	<b>2,674,589</b>		
-	100,000			Nishat Mills Limited	-	6,572	-	6,417		A +
-	58,289			Olympia Textile Mills Limited	-	152	-	117		
1,157,986	2,000,010			Pakistan Synthetic Limited	22,765	18,695	20,809	18,200		
-	288,510			Paramount Spining Mills Limited	-	2,897	-	3,001		
98,840	117,895			Premium Textile Mills Limited	2,174	2,594	2,250	3,336		
12,000	12,000			Qayyum Spinning Mills Limited	4	4	4	4		
-	38,000			Ravi Textile Mills Limited	-	405	-	57		
128,500	128,500			Redco Textiles Limited ***	127	127	39	114		
-	65,321			Reliance Cotton Spinning Mills Limited	-	1,828	-	2,381		
-	47,250			Reliance Weaving Mills Limited	-	481	-	430		BBB+
99,316	99,326			Ruby Textile Mills Limited	1,067	1,067	45	497		
47,100	260,605			Rupali Polyester Limited	1,743	9,642	1,531	9,382		
8,700	327,276			Saif Textile Mills Limited	69	2,605	43	1,473		
-	40,200			Sana Industries Limited	-	1,407	-	1,851		
-	19,926			Sapphire Fibers Limited	-	2,192	-	2,572		
27,000	27,000			Service (Textile) Industries Limited ***	19	19	14	11		
219,268	219,268			Service Fabircs Limited ***	88	88	53	66		
542,590	280,564			Service Industries	127,261	77,518	105,799	67,347		
-	76,000			Shahtaj Textile Mills Limited	-	1,440	-	1,460		
35,148	57,498			Shams Textile Mills Limited	699	1,144	246	1,437		
17,000	17,000			Siftaq Internatioanal Limited	30	30	17	17		
12,859	12,859			Sind Fine Textile Mills Limited	77	77	102	102		
2,376	2,376			Sunrise Textile Limited ***	-	-	78	78		
69,000	69,000			Sunshine Cotton Mills Limited ***	69	69	23	23		
-	5,000			Suraj Cotton Mills Limited	-	156	-	176		
229,000	229,000			Taj Textile Mills Limited ***	82	82	57	85		
-	42,176			Treet Corporation Limited	-	2,514	-	2,533		AA-
492	601			United Brands Limited	22	27	12	17		
79,306	79,306			Zahoor Cotton Mills Limited ***	22	22	5	71		
2,567,046	2,567,046			Zahoor Textile Mills Limited ***	2,500	2,500	-	-		
-	156,600			Zil Limited	-	9,281	-	8,752		
				<b>Balance carried forward</b>	<b>1,880,745</b>	<b>2,972,268</b>	<b>1,575,782</b>	<b>2,806,596</b>		

\*\*\* Delisted companies

# AANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

2011	2010	Name of company / modaraba/ mutual fund	2011		2010		Quality of Available for Sale Securities	
			At Cost	Market Values	At Cost	Market Values	2011	2010
Ordinary shares / certificates of Rs 10 each			Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
		<b>Balance brought forward</b>	<b>1,880,745</b>	<b>2,972,268</b>	<b>1,575,782</b>	<b>2,806,596</b>		
		<b>Electronic and Electrical Equipment</b>						
86,544	90,400	Johnson And Phillips (Pakistan) Limited	1,320	1,379	606	852		
		<b>Support Services</b>						
-	700,000	TRG Pakistan	-	2,945	-	2,499		
		<b>Non Life Insurance</b>						
948,712	400,000	Adamjee Insurance Company Limited	53,629	35,849	44,125	35,000	AA	A A
-	10,000	EFU General Insurance	-	456	-	440		
2,834,309	-	TPL Direct Insurance Limited	28,647	-	28,570	-		
		<b>Food Producers</b>						
232,077	232,077	Al- Abbas Sugar Mills Limited	21,579	21,579	20,838	22,025	A	A
46,000	1,000	Chashma Sugar Mills Limited	405	10	368	12		
20,000	35,599	Colony Sugar Mills	220	392	30	115		
-	80,000	Crescent Sugar Mills and Distillery Limited	-	515	-	540		
-	425,600	Faran Sugar Mills Limited	-	8,938	-	8,870		
7,270	7,270	Fazal Vegetable Ghee Mills Limited ***	33	33	33	33		
1,247,028	617,500	Habib Sugar Mills Limited ***	32,762	17,004	27,322	20,569		
-	400	Ismail Industries Limited	-	27	-	30		
-	17,389	JDW Sugar	-	1,429	-	1,543		A-
85,700	133,364	Mirpurkhas Sugar Mills Limited	6,512	10,134	3,482	6,882		
9,500	9,500	Morafco Industries Limited ***	126	126	97	88		
9,084	9,084	Mubarik Dairies Limited ***	9	9	5	36		
19,511	580	Nestle Pakistan	85,464	1,363	70,183	1,377		
4,724,930	-	Engro Foods Limited	115,861	-	106,783	-	A	
10,000	10,000	Pak Ghee Industries Limited ***	5	4	3	3		
126,839	126,839	Pangrio Sugar Mills Limited	901	901	351	774		
173,000	173,000	Sanghar Sugar Mills Limited	2,595	2,595	1,817	2,491		
-	382,779	Shahmurad Sugar Mills Limited	-	5,608	-	4,195		BBB+
9,000	130,390	Shahtaj Shugar Mills Limited	846	12,257	803	10,451		
-	1,170,210	Shakarganj Mills Limited	-	9,479	-	6,471		D
9,000	9,000	Suraj Ghee Industries Limited	117	117	90	90		
1	8,205	Unilever Pakistan Limited	5	35,197	6	35,775		
		<b>Balance carried forward</b>	<b>2,231,781</b>	<b>3,140,614</b>	<b>1,881,294</b>	<b>2,967,757</b>		

\*\*\* Delisted companies

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

2011		2010						Quality of Available for Sale Securities	
Ordinary shares / certificates of Rs 10 each		Name of company / modaraba/ mutual fund		2011	2010	2011	2010	2011	2010
				At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
				Rupees in '000		Rupees in '000			
			<b>Balance brought forward</b>	<b>2,231,781</b>	<b>3,140,614</b>	<b>1,881,294</b>	<b>2,967,757</b>		
			<b>Industrial Engineering</b>						
82,360	75,363		Al-Ghazi Tractors **	19,447	18,479	15,882	17,107		
-	71,635		Millat Tractors	-	35,673	-	35,802		
43,152	43,152		Bela Engineering Limited ***	-	-	43	97		
4,716	43,797		Bolan Casting Limited	189	1,752	134	1,931		
119,455	113,973		Hinopak Motors Limited	21,918	21,409	8,367	15,032		
123,946	125,948		K.S.B. Pumps Company Limited	9,219	9,375	3,013	7,571		
			<b>Automobiles and Parts</b>						
-	16,636		Honda Atlas Cars Limited	-	323	-	193		
-	24,921		Indus Motor Company Limited	-	6,358	-	6,292		
-	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		
224,069	247,658		Baluchistan Wheels Limited	7,171	7,417	5,853	8,376		
-	12,204		Exide Pakistan Limited	-	2,481	-	2,395		
934,535	595,017		General Tyre and Rubber Company of Pakistan Limited	23,269	15,192	19,542	13,447		
-	151,317		Pak Suzuki Motor Company Limited	-	14,070	-	10,565		
			<b>Chemicals</b>						
-	157,230		BOC Pakistan Limited	-	20,287	-	14,324		
15,066,665	7,137,000		Agritech Limited	215,641	213,273	142,408	170,574	D	SD
-	252,497		Clariant Pakistan Limited	-	45,194	-	46,207		
13,538,450	1,779,232		Dawood Hercules Chemicals Limited +	737,004	371,980	573,896	352,928		
-	316,676		Dewan Salman Fibre Limited	-	1,083	-	947		
-	200,000		Engro Corporation	-	39,152	-	38,762		AA
76,000	1,374,615		Fauji Fertilizer Company Limited	11,488	100,000	11,365	173,009		
-	3,200,000		Lotte Pakistan Limited	-	45,008	-	43,840		
24,223	24,223		Sardar Chemical Industries Limited ***	46	46	29	22		
101,734	110,942		Sitara Chemical Industries Limited	18,200	19,848	7,345	14,173	A+	AA-
56,764	72,000		United Distributors Pakistan Limited	1,222	1,549	570	726		
7,365,942	-		ICI Pakistan Limited	1,094,032	-	885,902	-		
99,479	101,272		Wah-Nobel Chemicals Limited	5,258	5,353	3,482	3,659		
2,754,481	-		Fatima Fertilizer Company	65,599	-	63,133	-		
			<b>Balance carried forward</b>	<b>4,461,484</b>	<b>4,147,633</b>	<b>3,622,258</b>	<b>3,957,146</b>		

\*\* Shares / certificates of Rs 5 each

\*\*\* Delisted companies

+ Includes 12,250,000 shares of Dawood Hercules Chemicals Limited classified as strategic investment.

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

2011	2010	Name of company / modaraba/ mutual fund	2011		2010		Quality of Available for Sale Securities	
			At Cost	Market Values	2011	2010	2011	2010
Ordinary shares / certificates of Rs 10 each			Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
		<b>Balance brought forward</b>	<b>4,461,484</b>	<b>4,147,633</b>	<b>3,622,258</b>	<b>3,957,146</b>		
		<b>Industrial Metals and Mining</b>						
652,316	516,199	Crescent Steel & Allied Products Limited	19,246	16,080	11,840	14,201		A+
220,137	221,580	Huffaz Seamless Pipe Industries Limited	4,651	4,682	1,781	3,459		
3,571,354	1,252,967	International Industries Limited	166,518	68,811	135,747	74,990		
10,132,371	-	International Steels Limited	145,308	117,637	-	-		
-	16,000	Metropolitan Steel Corporation Limited	-	213	-	106		
1,000	1,000	Quality Steel Works Limited	13	12	11	11		
		<b>Industrial Transportation</b>						
184,555	169,430	Pakistan International Container Terminal Limited	15,121	12,679	12,179	12,326	A+	A
218,635	244,023	Pakistan National Shipping Corporation	9,417	10,424	2,778	9,261	AA-	AA-
		<b>Health Care Equipment and Services</b>						
48,000	48,000	Medi Glass Limited ***	38	38	22	22		
		<b>Pharma and Bio Tech</b>						
498,153	321,353	Abbot Laboratories (Pakistan) Limited	51,458	34,020	49,711	35,265		
270,910	253,620	Ferozsons Laboratories Limited	27,350	25,954	22,212	22,098		
2,236,247	538,033	Glaxosmithkline (Pakistan) Limited	175,528	48,553	150,007	47,449		
-	68,200	Highnoon Laboratories Limited	-	2,244	-	1,974		
17,114	17,114	Otsuka Pakistan Limited	668	668	561	562		
-	20,722	Sanofi-Aventis Pakistan Limited	-	2,942	-	2,943		
-	119,000	Searl Pakistan Limited	-	7,547	-	7,141		BBB+
46,781	21,238	Wyeth Pak Limited	46,137	25,017	38,358	22,336		
		<b>Forestry and Paper</b>						
100,000	100,000	Security Paper Limited	4,871	4,871	3,540	4,486	AAA	
		<b>Beverages</b>						
-	186,315	Shezan International Limited	-	24,638	-	21,670		
52,197	-	Murree Brewery Company Limited	5,650	-	3,315	-		
		<b>Balance carried forward</b>	<b>5,133,458</b>	<b>4,437,026</b>	<b>4,171,957</b>	<b>4,237,446</b>		

\*\*\* Delisted companies

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

2011		2010				Quality of Available for Sale Securities			
Ordinary shares / certificates of Rs 10 each		Name of company / modaraba/ mutual fund		2011	2010	2011	2010	2011	2010
				At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
				Rupees in '000		Rupees in '000			
		<b>Balance brought forward</b>		<b>5,133,458</b>	<b>4,437,026</b>	<b>4,171,957</b>	<b>4,237,446</b>		
		<b>Leisure Goods</b>							
40,000	51,384	Grays of Combridge (Pakistan) Limited		3,140	4,034	920	2,569		
		<b>Media</b>							
1,000	-	Media Times Limited		17	-	13	-		
		<b>Household Goods</b>							
177,399	206,979	Al-Abid Silk Mills Limited		4,946	4,946	4,346	5,959		
835,506	1,089,438	Pak Elektron Limited		14,663	19,120	2,916	15,296	A	A
29,705	-	Tariq Glass Industries Limited		373	-	244	-		
		<b>Tobacco</b>							
400	255,035	Pakistan Tobacco Company		46	29,366	22	28,113		
		<b>General Industrials / Others</b>							
225	225	VISA Incorporation - Class C Shares		-	-	2,067	1,352		
127,000	127,000	Baluchistan Particle Board Limited		127	127	89	152		
102,500	102,500	Fatima Enterprise		1,789	1,789	1,466	1,363		
26,000	26,000	Hashmi Can Company Limited ***		156	156	213	172		
-	40,459	Merit Packaging Limited		-	768	-	991		
-	592,353	Packages Limited		-	77,514	-	76,183	AA	A A
183,396	169,148	Siemens Pakistan Engineering Company Limited		232,784	218,525	193,803	212,028		
2,223	2,223	Syed Match Company Limited ***		31	31	31	29		
162,411	-	Thall Limited **		16,319	-	13,285	-		
-	43,169	Tri-Pack Films Limited		-	5,410	-	5,274		A +
2	25	Pakistan Services Limited		-	3	-	4		
847,000	770,000	Noon Pakistan Limited		11,165	11,162	9,063	12,266		
		<b>Balance carried forward</b>		<b>5,419,014</b>	<b>4,809,977</b>	<b>4,400,435</b>	<b>4,599,197</b>		

\*\* Shares / certificates of Rs 5 each

\*\*\* Delisted companies

Note: The Bank hold various delisted and non-traded shares, certificates of modarabas and units of closed end mutual funds having Nil carrying value which have not been disclosed individually.

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 2. Details of investments in unlisted companies are as follows:

	2011		2010		Quality of Available for Sale Securities	
	At Cost	Market Values	2011	2010	2011	2010
	Rupees in '000		Rupees in '000		Medium to Long Term Rating Assigned (where available)	
<b>Al Hamra Avenue (Private) Limited +</b> 28,812,500 (2010 : 24,375,000 ) ordinary shares of Rs 10 each The bank holds 17.99% (2010 : 15.22%) of investee's capital Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.27 (2010: Rs 9.52) Period of financial statements: June 30, 2011 (audited)	265,938	243,750	Not Applicable			
<b>Al Hamra Hills (Private) Limited * / +</b> 12,500,000 (2010 : 12,500,000 ) ordinary shares of Rs 10 each	125,000	125,000	Not Applicable			
<b>DHA Cogen Limited * / +</b> 32,500,000 (2010 : 32,500,000 ) ordinary shares of Rs 10 each	325,000	325,000	Not Applicable			
<b>First Capital Investment (Private) Limited *</b> 150,000 (2010 : 150,000) ordinary shares of Rs 10 each	750	750	Not Applicable		AM4+	AM4+
<b>Himont Chemical (Private) Limited *</b> 810,000 (2010 : 810,000) ordinary shares of Rs 10 each	1,037	1,037	Not Applicable			
<b>Sukhchayn Gardens (Private) Limited +</b> 218,627 (2010 : 242,785) ordinary shares of Rs 100 each The bank holds 4.97% (2010: 5.52%) of investee's capital Chief Executive: Mr. Shujaat Azeem Break up value per share: Rs. 172.23 (2010: 172.61) Period of financial statements: June 30, 2011 (audited)	90,500	100,500	Not Applicable			
<b>Credit Rating Information Services Limited (Bangladesh)*</b> 260,000 (2010: 260,000) ordinary shares of Taka 10 each	2,452	2,452	Not Applicable			
<b>Khushhali Bank Limited</b> 1,500,000 (2010: 1,500,000) ordinary shares of Rs 10 each The bank holds 0.88% (2010: 0.88%) of investee's capital Chief Executive: Mr. Muhammad Ghalib Nishtar Break up value of share: Rs. 13.00 (2010: 12.18) Period of financial statements: December 31, 2010 (audited)	15,000	15,000	Not Applicable			
<b>Pakistan Export Finance Guarantee Agency Limited *</b> 568,044 (2010: 568,044) ordinary shares of Rs 10 each	5,687	5,687	Not Applicable			
	<b>831,364</b>	<b>819,176</b>				

\* Fully provided investments  
+ Strategic investments

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 3. Preference shares — Listed companies

2011		2010		Name of company	Rate	2011		2010		Quality of Available for Sale Securities	
Share of Rs 10 each						At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
						Rupees in '000		Rupees in '000			
2,249,000	2,249,000	Azgard Nine Limited	8.95% Cumulative	22,490	22,490	-	22,040	D	SD		
24,463,533	24,430,177	Maple Leaf Cement Factory Limited	9.75% Cumulative Convertible	244,248	244,099	117,425	103,096	D	BB		
-	79,998	Nishat (Chunian) 15% NVCCP	15% Cumulative	-	1,750	-	1,680				
4,763,000	4,763,000	Chenab Limited	9.25% p.a.	47,630	47,630	8,097	-				
				<b>314,368</b>	<b>315,969</b>	<b>125,522</b>	<b>126,816</b>				



# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 4. Preference shares — Unlisted companies

2011		2010				Quality of Available for Sale Securities		
Share of Rs 10 each	Name of company	Rate	2011	2010	2011	2010	2011	2010
			At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
			Rupees in '000		Rupees in '000			
2,500,000	2,500,000	Fazal Cloth Mills (Private) Limited Chief Executive: Mr. Sheikh Naseem Ahmad The bank holds 10% (2010 : 10.00%) of investee's capital	25,000	25,000	Not Applicable		A-	A -
7,700,302	7,700,302	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The bank holds 17.13% (2010: 17.13%) of Class A preference shares in investee's capital	75,000	75,000	Not Applicable		A	A
			<b>100,000</b>	<b>100,000</b>				

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

## 5. Details of investments in open ended mutual funds:

2011	2010	Name of company / modaraba/ mutual fund	2011		2010		Quality of Available for Sale Securities	
			At Cost		Market Values		2011	2010
			Rupees in '000		Rupees in '000		Medium to Long Term Rating Assigned (where available)	
<b>Open ended Mutual funds</b>								
1,873,887	1,873,887	Faysal Income Growth Fund	200,000	200,000	195,278	197,227	A(f)	A(f)
2,107,892	2,107,900	Faysal Savings Growth Fund	208,228	208,230	218,314	221,646	A+(f)	A+(f)
4,142,479	1,003,499	Faysal Islamic Savings Growth Fund	425,000	100,000	430,789	105,327	A+(f)	
10,876,409	1,000,000	Faysal Money Market Fund	1,100,000	100,000	1,110,699	100,530	AA+(f)	AA+(f)
143,757	143,758	JS KSE 30 Index Fund	3,702	3,709	3,939	4,262	AM2-	
469,029	281,289	JS Large Capital Fund+	27,888	27,888	21,932	22,849		
-	1,000,000	PICIC Income Fund	-	100,000	-	100,155	A+(f)	
-	20,356	First Habib Income Fund	-	2,043	-	2,089	AA+(f)	AA-(f)
-	20,200	IGI Income Fund	-	2,046	-	2,037	A+(f)	
-	61,634	HBL Income Fund	-	6,064	-	6,198	A(f)	A(f)
-	17,800	KD Income Fund **	-	826	-	851	BBB(f)	BBB(f)
3,994,715	4,006,670	Al-Meezan Mutual Fund	35,263	-	40,826	-	AM2	
1,310,292	1,310,292	Faysal Balanced Growth Fund **/+	80,374	80,374	79,102	99,739	AM2-	
-	22,771,496	National Investment (Unit) Trust - LOC Holder's Fund***	-	420,009	-	588,211	AM2-	3-Star
68,609,203	-	National Investment (Unit) Trust ***	2,200,000	-	1,776,978	-	AM2-	3-Star
5,000,000	5,000,000	NIT Income Fund ***	50,000	50,000	53,906	52,790		
			<b>4,330,455</b>	<b>1,301,189</b>	<b>3,931,763</b>	<b>1,503,911</b>		

\*\* Units of Rs 50 each

\*\*\* Units of Rs 10 each

+ Strategic investment

**ANNEXURE I TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2011

**6. Term Finance Certificates - Listed, Secured**

	2011		2010		Quality of Available for Sale Securities	
	At Cost		Market Values		2011	2010
	Rupees in '000		Rupees in '000		Medium to Long Term Rating Assigned (where available)	
<b>Azgard Nine Limited</b>	118,489	118,489	114,598	111,379	D	A
31,640 (2010: 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						
<b>Bank Al-Habib Limited - Unsecured</b>	66,493	99,760	60,362	90,615	AA	AA
20,000 (2010: 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						
<b>Jahangir Siddiqui &amp; Company Limited - Fourth Tranche</b>	24,955	49,920	25,111	50,149	AA	AA
10,000 (2010: 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						
<b>Balance carried forward</b>	<b>209,937</b>	<b>268,169</b>	<b>200,071</b>	<b>252,143</b>		

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011		2010		Quality of Available for Sale Securities	
	At Cost		Market Values		2011	2010
	Rupees in '000		Rupees in '000		Medium to Long Term Rating Assigned (where available)	
<b>Balance brought forward</b>	<b>209,937</b>	<b>268,169</b>	<b>200,071</b>	<b>252,143</b>		
<b>United Bank Limited - First Issue</b>	166,250	252,093	157,522	232,990	AA	AA
50,000 (2010: 50,535) 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: August 2012						
Chief Executive Officer: Mr. Atif R. Bokhari						
<b>United Bank Limited - Second Issue</b>	99,974	99,978	95,025	87,603	AA	AA
20,000 (2010: 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						
<b>Financial Receivables Securitization Company Limited</b>	48,001	67,201	47,753	66,468	A+	A+
20,000 (2010: 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						
<b>Balance carried forward</b>	<b>524,162</b>	<b>687,441</b>	<b>500,371</b>	<b>639,204</b>		

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011		2010		Quality of Available for Sale Securities	
	2011	2010	2011	2010	2011	2010
	At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
	Rupees in '000		Rupees in '000			
<b>Balance brought forward</b>	<b>524,162</b>	<b>687,441</b>	<b>500,371</b>	<b>639,204</b>		
<b>Telecard Limited</b>	129,053	129,053	96,790	123,503	D	BBB
70,233 (2010 : 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: May 2015 Chief Executive Officer: Mr. Shams ul Afreen						
<b>Pakistan Mobile Communication Limited</b>	-	12,480	-	12,478	A+	A+
Nil (2010: 3,000) 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						
<b>Askari Bank Limited - Second Issue</b>	-	14,970	-	14,665	AA-	AA-
Nil (2010: 3,000) 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						
<b>Balance carried forward</b>	<b>653,215</b>	<b>843,944</b>	<b>597,161</b>	<b>789,850</b>		

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011		2010		Quality of Available for Sale Securities	
	At Cost		Market Values		2011	2010
	Rupees in '000		Rupees in '000		Medium to Long Term Rating Assigned (where available)	
<b>Balance brought forward</b>	<b>653,215</b>	<b>843,944</b>	<b>597,161</b>	<b>789,850</b>		
<b>Pak Arab Fertilizers Limited</b>	-	3,248	-	3,150	AA	AA
Nil (2010: 691) 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						
<b>Bank Alfalah Limited - Second Issue</b>	-	29,931	-	29,584	AA-	AA-
Nil (2010: 6,000) 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. Atif Aslam Bajwa						
	<b>653,215</b>	<b>877,123</b>	<b>597,161</b>	<b>822,584</b>		
<b>7. Term Finance Certificates - Unlisted</b>						
<b>Dewan Cement Limited (formerly Pakland Cement Limited)</b>	500,000	500,000		Not applicable	D	D
The TFC has not currently been issued.						
Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui						
<b>Bank Alfalah Limited - Fourth Issue</b>	199,840	199,919	200,640	201,989	AA-	AA
40,000 (2010: 40,000) certificates of Rs. 5,000 each						
Mark-up: 2.50% above six months KIBOR rate with no floor and cap						
<b>Balance carried forward</b>	<b>699,840</b>	<b>699,919</b>	<b>200,640</b>	<b>201,989</b>		

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011		2010		Quality of Available for Sale Securities	
	At Cost	Market Values	2011	2010	2011	2010
	Rupees in '000	Rupees in '000			Medium to Long Term Rating Assigned (where available)	
<b>Balance brought forward</b>	<b>699,840</b>	<b>699,919</b>	<b>200,640</b>	<b>201,989</b>		
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. Atif Aslam Bajwa						
<b>Dewan Sugar Mills Limited</b>	11,052	12,495	Not applicable			
10,000 (2010: 10,000) 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						
	<u>710,892</u>	<u>712,414</u>	<u>200,640</u>	<u>201,989</u>		
<b>8. Details of investment in an Associate:</b>						
<b>Faysal Asset Management Limited</b>	45,000	45,000	Not Applicable		AM2-	AM2-
4,500,000 (2010 : 4,500,000) ordinary shares of Rs 10 each The bank holds 30% (2010: 30%) of investee's capital. Chief Executive: Mr. Salman Haider Shaikh Break up value of share: Rs. 16.67 (2010: Rs 17.85) Period of financial statements: December 31, 2011						
	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>-</u>		
<b>9. Details of investment in a Subsidiary:</b>						
<b>Faysal Management Services (Private) Limited</b>	108,000	108,000	Not Applicable			
1,080,000 (2010 : 1,080,000) ordinary shares of Rs 100 each The bank holds 60% (2010: 60%) of investee's capital. Chief Executive: Mr. Nauman Ansari Break up value of share: Rs 111.67 (2010: Rs. 104.55) Period of financial statements: December 31, 2011						
	<u>108,000</u>	<u>108,000</u>	<u>-</u>	<u>-</u>		
+ Strategic investments						

# ANNEXURE II TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2011 as referred in note 11.8 to these financial statements.

S. No.	Name of the borrower	Address	Name of Individuals/ Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
1	Sun Tv	6th Floor, Razia Sharif Plaza, Blue Area, Islamabad	Nisar Ahmed Tahir A Khan Muhammad Zaki Nizhat Shahban Amjad Awan Salman Rahim Zainab Omar	Abdul Aziz Hawas Khan Muhamamd Afzal Iqbal Shahban A B Awan S.a. Rahim Saleem Omar	48,788	10,201	23,036	82,025	6,788	10,201	12,835	29,824
2	Johan Ernst De Wet	Fourth Floor Apartment No 5 Park Lane Tower Tufail Rd Nr Cantt Plaza Lahore	476448731	Jan	429	83	27	539	429	97	31	557
3	Muhammad Shiraz Khan	Po Ashrafia Colony, Street No. 09, mohalla Afgahn Colony, Peshawar	1730119089019	Qaisar Khan	708	285	-	993	708	292	-	1,000
4	Muhammad Riaz Shahid	H.no 259 St 10 Sector L-1 Phase 4 Hayatabad Peshawar	1730155595965	Haji Atta Muhammad	1,479	500	-	1,979	1,479	538	-	2,017
5	Israruddin	House No.560, dinbahar Colonycharsada Road, peshawar	17301911151395	Fazal Hameed	670	166	-	836	670	170	-	840
6	Jamal Jehangir	H# 289, st# 2, sec# F 8phase 6 Hayatabad Peshawar	1730198978277	Noor Mohammed Khan	453	158	-	611	453	165	-	618
7	Zeeshan Ali S/o Chaudhary Ellah Bakhs	H # Ca/366 Faiz Colony Model Town-a Bahawalpur	3120202886869	Ch. Ellahi Baksh	438	98	-	536	438	102	-	540
8	Iftikhar Hassan Shah	P.o. Fateh Pur Kamal Teh Khanpurdistt R.y.khan	3130114258699	Muhammad Sharif Shah	591	199	-	790	591	223	-	814
9	Abbad Ali	H # 2/d St # 6 Block-gbulshan-e-us Man R,y.khan0300-8674134 Pakistan	3130323934399	Mohammad Ramzan	789	45	-	834	789	139	-	928
10	Rana Hamid Ali	Street Shahid Basti Amantali Tamirmillat Road	3130324183197	Rana Nazir Ahmed	379	213	-	592	379	234	-	613
11	Jam Riaz Ahmed Gaanga	H.#64/p Sche Me #3block Y Rahim Yar Khan	3130324420963	Jam Bahar	502	44	-	546	502	67	-	569
12	Qabool Ahmed	Basti Haji Din Muhammad Chechar Ghazi Pur Zahir Peer Teh & Dist Ryk Pakistan	3130324551821	Noor Ahmed	963	96	-	1,059	963	178	-	1,141
13	Iftikhar Ahmed Khan	H#147 Moh Aqadriashahi Roadrahim Yar Khan	3130350298683	Abdur Rasheed	494	157	-	651	494	168	-	662
14	Ghulam Nabi Khan	H # M -29 St # 12,dalmiya Mujahidabad Colony Nr Navel Colony	3210116680099	Ghulam Haider Khan	410	78	72	560	410	85	72	567
15	Syed Istiqbal Abbas Naqvi	H#123 Block# 45 D.g Khan	3210253229581	Syed Ijaz Hussain	836	95	-	931	836	149	-	985
16	Aleem Ahmed	P-43 Altaf Gunj Behind Chaudhary Corporation Jhang Road Faisalabad	3310006607065	Riaz Ahmed	452	78	16	546	452	100	16	568
17	Muhammad Khalid Siddiqi	H# P-25 St # 1 Chaudhry Street Gulfishan Colony Jhang Metro Pol Floor Mill Faisalabad	3310006730739	Muhammad Siddique	447	34	23	504	415	79	35	529
18	Jameel Ahmed	House#p-318, st#9, garden Colony, faisalabad	3310007199707	Muhammad Sadiq	876	125	-	1,001	876	169	-	1,045
19	Muhammad Aslam	P-277 St# 02 Shadab Cly Jhang Rd Faisalabad	3310009205841	Ghulam Nabi	489	50	13	552	489	100	22	611
20	Faraz Ahmad	P- 222 Lasani Town Sargodha Road Faisalabad	3310009732851	Mumtaz Ahmad	384	-	1	385	399	91	24	514
21	Muhammad Gulzar	House#15 Sheet # 27 Model Colony	3310011624703	Allah Ditta	825	36	-	861	825	148	-	973
22	Muhammad Shahab	P-140 Imran Road Khayyaban Colony#2 Near Lasania Hotel Faisalabad	3310012429475	M Mazhar Akhtar	430	32	55	517	430	81	65	576
23	Ata Ur Rehman	H# 1069/29 St#2 Near Pasha Medical Store Dastagir Pura Faisalabad	3310013745649	Muhammad Aslam	499	36	7	542	499	94	18	611
24	Naeem Asghar	Chak#226 R.b Malkhan Walaakhana Khas Tehsil And Distt Fsdtareed Gang Faisalabad	3310015659383	Asghar Ali	391	113	-	504	391	122	-	513
25	Tariq Javaid	Chiban H#1209-p, st#09 Mohallaislamia Park Faisalabad	3310026630877	Khalid Pervaiz	911	256	-	1,167	911	297	-	1,208
26	Munawar Hussain	Chak No.r.b.jaranwala Road Teh Distt Faisalabad.	3310036630497	Talib Hussain	522	181	-	703	522	200	-	722
27	Muhammad Abbas	St # 2, Hajwari Town Near Dispancrymillat Road Faisalabad	3310039780497	Muhammad Ibrahim	887	236	-	1,123	887	273	-	1,160
28	Chaudhary Muhammad Akhtar	H # 1008 St # 1 Gur Unanak Pura Opp Gc University Ground	3310053534085	Muhammad Yousaf	428	-	-	428	430	94	24	548
29	Hamid Javed Butt	423-p Iqbal Town Ghulam Muhammadabad	3310059980415	Khawaja Sardar	493	15	1	509	492	110	20	622
30	Shah Alam Karim	House# 37-h Raja Road, Near Aziz Fatma Hospital, Gulistan Colony Faisalabad	3310074145851	Ahsan Kareem	825	36	-	861	811	145	-	956
31	Ghulam Farid	23-y Saif Ullah Shaheed Rd Madina Town Faisalabad	3310075047599	Abdul Ghafoor	474	64	23	561	474	99	23	596
32	Ali Hassan	P-466 Mohallah Yasrab Colony St# 4 Nr Najam General Store Faisalabad	3310079940295	Mehfooz Ahmed	499	40	6	545	493	103	20	616
33	Muhammad Saleem	P-96 St#08 Rasheed Nagar Nisar Colony Faisalabad	3310080580971	Chaudry Abdul Aziz	995	310	-	1,305	995	354	-	1,349
34	Muhammad Ishtiaq	P-890, P-c No. 2, Block-cfaisalabad.	3310081961407	Mushtaq Ahmed Shad	1,015	337	-	1,352	1,015	381	-	1,396
35	Muhammad Nawaz	H No 498 Mian House Ali Block West Canal Road Amin Town	3310086092763	Chaudhry Niaz Muhammad	-	-	-	0	400	83	23	506
36	Tahir Nadeem	Street Nathu Juttwali Noshera Roadmohalla Chah Bawian Walagujiaranwala.	3410107105985	Muhammad Munir	561	167	-	728	561	179	-	740
37	Chaudhary Ijaz Ahmed	Mohallah Bhindran P.o Aroop Tehsil & District Gujranwala	3410123089441	Bhinder	549	98	-	647	549	115	-	664



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## FOR THE YEAR ENDED DECEMBER 31, 2011

S. NO.	Name of the borrower	Address	Name of Individuals/ Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
38	Muhammad Rasheed	H # 31-3/b Allah Udin Road Linkroad Sarwar Rd Lahore	3410127050547	Malik Taj Din	476	73	-	549	476	97	-	573
39	Asif Mehmood	H-10/6 Mansoor Multan Road Block-E Lahore	3410156511385	Abdul Ghani	408	8	1	417	408	58	58	524
40	Fiaz Ahmed	Galla School Walakashmir Colony # 02 Gujranwala.	3410178931901	Nasrullah Khan	581	133	-	714	581	133	-	714
41	Muhammad Shoaib	H.no # 346-c Block Satellilite Town	3410198307679	Muhammad Naseem	404	4	-	408	484	58	56	598
42	Mohammad Hafeez Butt	Moh Islam Nagarsaboowal Road Gujrat	3420103630853	Abdul Aziz	502	68	-	570	502	79	-	581
43	Muhammad Awais	Shaheen Chowk Moh Zafar Colony Gujrat	3420121056745	Mohammad Imtiaz	707	258	-	965	707	275	-	982
44	Haji Mohammad Ramzan	House # 12/92 Charaaghpuralamusa Teh Khariandistt Gujrat Pakistan	3420237023351	Haji Muhammad Bashir	504	72	-	576	504	72	-	576
45	Khawja Hasan Omair Shahbri	House No 44 Sweet Homes Model Colony Karachi	3440210075619	Khawaja Ghulam Shabi	446	115	-	561	446	115	-	561
46	Syed Tanveer Hussain	S/o. Syed Madad Ali Shahghanian Road, Azizabad Colony	3440320779803	Syed Madad Ali Shah	415	85	-	500	415	104	-	519
47	Rahim Kausar Butt	Shah Faisal Road 43 Model Town Sialkot	3460323018281	Muhammad Yaqoob Butt	341	169	-	510	341	174	-	515
48	Amir Mansoor	Near G.p.okhawaja Mansoor Ahmed Houseparis Road Sialkot	3460323187877	Kh Mansoor Ahmed	477	339	-	816	477	343	-	820
49	Qaiser Shehzad	H # 15/260, St Nazran, Pakka Gharatehsil & Distt Sialkot	3460323263821	Muhammed Amin	907	312	-	1,219	907	312	-	1,219
50	Nazir Ahmed	Khadim Ali Road Mohala Muslim Pura Near Hari Masjid	3460323461761	Niaz Ali	373	12	19	404	383	87	46	516
51	Anayat Mehmood	House 559 Street 68 I-8/3 Islamabad	3510206325615	Anayat Ali	451	195	-	646	451	195	-	646
52	Muhammad Siddique	H No 403 Block 3 Sector 1 C-i Town Ship Lahore	3520015163743	Shah Nawaz	362	43	84	489	362	74	111	547
53	Nasir Khan Shahid	856 L Block Johar Town Lahore	3520110333453	Muhammad Ayoub Khan	395	121	-	516	395	121	-	516
54	Mazhar Ali Shah Bukhari	Aa 474 Dha Lahore	3520114568449	Muhammad Ali Shah Bukhari	453	82	-	535	453	83	-	536
55	Syed Azfar Ali	750-z Dha Lahore	3520115877511	Syed Azher Ali	896	38	-	934	873	122	-	995
56	Syed Tahir Ali	170-bb Block Phase 4 DHA Lahore	3520115877603	Syed Azhar Ali	935	40	-	975	834	114	-	948
57	Muhammad Adil Naseem	H# 49-c Angoori Bagh Scheme 1 Baghban Pura Cant Lahore	3520116274517	Muhammad Naseem	325	6	-	331	435	81	11	527
58	Nadeem Baig	9 357 Jahanzeb Block Allama Iqbal T Lahore	3520116312165	Nazir Baig	421	141	-	562	421	160	-	581
59	Shahraz Khan Awan	B-84 Block-Inorth Nazimabadkarachi	3520116769953	Shah Zaman Khan Awan	421	166	-	587	421	166	-	587
60	Aslam Abdul Sattar	288, B.y-block Dha Lahore	3520120133547	Abdual Sattar Abdual	422	111	-	533	422	114	-	536
61	Sohail Mehmood Mirza	Ghosia Angoori Park 9/10, Near Cng, Mughalpora 9/10,	3520137620693	Mirza Mehmood Baig	382	157	-	539	382	162	-	544
62	Muhammad Tahir	Street#25 Rehmat Puramahmood Booti Bund Road Lahore	3520149613237	Abdul Rasheed	403	124	-	527	403	129	-	532
63	Muhammad Ilyas	31/4-c Stret No 8 Near Al Basreet Public High School Al-noor Town Walton Cantt Lahore	3520159207643	M Adress	481	10	15	506	483	112	46	641
64	Asim Hassan Khan	951-zd.h.alahore	3520160092767	Sardar Ahmed Khan	1,046	236	-	1,282	1,046	253	-	1,299
65	Muhammad Naeem	Shop#16,3rd Floor Pace,main Boleva-rd Gulberg Lahore	3520183923029	Muhaamad Zaheer	952	259	-	1,211	952	300	-	1,252
66	Javed Iqbal	H No -17-a-2 Gulberg 3 Near Sngpl Lahore	3520203210445	Ch Muhammad Hussain	342	95	104	541	342	106	113	561
67	Mansoor Ahmad Khan	H 9 Blk L Phase I Dha Lahore	3520207647635	Maqbool Ahmad Khan	-	3	-	3	489	109	18	616
68	Mansoor Ahmad Khan	House # E-466/2c Hassan Street New Iqbal Park Eden Cottage Road Lahore Cantt	3520207647635	Maqbool Ahmad Khan	346	-	-	346	453	61	22	536
69	Chaudhry Ghulam Hussain	C - 5 Shadab Colony Temple Road Lahore	3520207881885	Chaudhry Ghulam Rabbani	97	-	-	97	500	103	26	629
70	Aamir Hussain Chaudhry	C-5 Shadab Colony Temple Road Lahore	3520208831885	Ghaudhry Ghulam Hussain	-	-	-	0	499	105	31	635
71	Waqas Shahid	496 - F Bloc K Johar Town	3520217181929	Shahid Farooq	378	79	142	599	378	91	149	618
72	Ghulam Mustafa	10, Madina Street 34-a Shama Park Chowk Yatim Khana 34-a	3520217288953	Tabarak Ali	391	130	-	521	391	130	-	521
73	Waheed Ahmad	House 453 94-a G-11/3 Islamabad	3520219384775	Mushtaq Ahmed	769	283	-	1,052	769	290	-	1,059
74	Malik Hadi Hussain	152 F Model Town Lahore	3520220871769	Malik Fazal Din	444	83	39	566	444	97	44	585
75	Barkat Ali	House# 49-b, Street# 3,hassan Town, Multan Road Lahore	3520221767819	Nazir Ahmed	486	196	-	682	486	203	-	689
76	Muhammad Rafi	H-38 Ilyas Colony Muslim Town Wahdat Roadnr Butt Sweets Lahore	3520222215425	Muhammad Shafi	497	35	14	546	497	109	37	643
77	Qaisar Nazeer	175 Housing Soci Pcsir, Lahore	3520223476257	Rana Nazir Ahmed	1,381	191	-	1,572	1,381	210	-	1,591
78	Qazi Tammam Abdullah	H# 565-b A-1 Sector Town Ship	3520224098187	Qazi Altafullah	452	7	23	482	442	89	104	635
79	Haroon Rashid	537 R Block Model Town Lahore	3520226026589	Malik Muhammad Rashid	480	22	12	514	472	115	46	633
80	Syed Haq Nawaz	H #12 Nausherwan Street Shahdab Colony Temple Road Lahore	3520226208637	Syed Imdad Ali	490	12	-	502	477	92	13	582
81	Munir Ahmed	H#56/a Sector A 1 Township Govt Emp Housing Society Sector A1	3520227686033	M Asghar	459	18	5	482	492	103	36	631
82	Itikhar Ahmed	425 First Floor Mehmood Rd New Samanabad Lahore	3520229354941	Muh Hussain	444	35	13	492	444	93	30	567
83	Muhammad Ijaz Butt	H#9 Karim Pa Rk Kasurpura Block-2	3520237819795	Muhammad Siddique Butt	781	34	-	815	781	140	-	921
84	Muhammad Osman Tasaddaq	Cc 574 Dha Lahore	3520239317889	Muhammad Anwar	653	224	-	877	653	228	-	881

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
85	Mohammad Awais Khalid Khan	House No:72-j Gulberg-iii,Lahore	3520240310339	Khalid Mujeeb Pervai	391	132	-	523	391	147	-	538
86	Mehar Mohammad Imran	H3 239, B-block,sabza Zar Multan Road Lahore	3520246008109	Muhammad Bashir	521	205	-	726	521	205	-	726
87	Naeem Fazal Hussain	7 H 2 Wapda Town Lahore	3520246576789	Malik Fazal Hussain	426	57	38	521	426	85	47	558
88	Muhammad Ali	Huma Block 12-a Allama Iqbal Town Lahore	3520249306579	Chaudhry Muhammad	489	158	-	647	489	160	-	649
89	Usman Masoud	H # 177 A Ahmad Block New Garden Town Lahore	3520254830477	Muhammad Masoud	457	77	21	555	457	108	30	595
90	Imran Younas	H No 37 Choudry Park No 2 Amir Rd Shad Bagh Nr Three Star Hotel Lahore	3520256196189	Muhammad Younas Mugal	491	25	11	527	491	104	25	620
91	Muhammad Asif	H 42/2 St 95 Makhan Shah Chah Miran Lahore	3520257319653	Abdul Haq	401	12	2	415	422	92	16	530
92	Raja Tariq Masood	187 Punjab Govt Housing SocietyLahore Town Ship Lahore	3520257664909	Raja Masood Ahmed	435	249	-	684	435	249	-	684
93	Asim Shafique	Karim Block 216 Allama Iqbal Town Lahore	3520258128945	Shafiq Ur Rehman	372	114	-	486	372	129	-	501
94	Rehman Iqbal	H# 12, St.# 40-c, Kashargunj Saeed Park, Shad Bagh Lahore	3520258188341	Muhammad Iqbal Butt	492	201	-	693	492	208	-	700
95	Touseef Raza	Faseeh Road 128-c Islamia Park Near Poonch Road 128-c	3520258428177	Muhammad Latif	432	221	-	653	432	227	-	659
96	Zeeshan Sadiq	H#56,moh Ayob Roadshad Bagh Lahore	352025995155	Muhammad Sadeeq	799	319	-	1,118	799	335	-	1,134
97	Muhammad Anees	03, Qarshi Dawa Khana 19 Multan Road Multan	3520276504867	Muhammad Shafie	382	158	-	540	382	160	-	542
98	Khalid Iqbal	H No 140 Block B Overseas Pakistan Foundation Raiwand Road Lahore	3520283095225	Ch Muhammad Iqbal	465	27	14	506	425	86	54	565
99	Javeria Ahmad	6-indus Block Green Fort li Lahore	3520287180668	Ahmed Ijaz	688	150	-	838	688	153	-	841
100	Sh. Tahir Ahmed Munir	215 D 2 Model Town Lahore Lahore	3520288587223	Sheikh Noor Ahmed Munir	397	149	-	546	397	163	-	560
101	Syed Nisar Mehdi Taqui	House 592 Street 13 Octori Post 22dhamail Road Rawalpindi	3520288587281	Syed Khadim Hussain	444	83	-	527	444	83	-	527
102	Muhammad Nadeem	H#19-m St.#31-s Tariq Road Islamiapark Lahore	3520292493253	Muhammad Sharif	967	211	-	1,178	967	257	-	1,224
103	Babar Ali	H #50/l St # 5 Model Colonygulberg lii Lahore	3520292652955	Muhammad Munir	460	95	-	555	460	116	-	576
104	Salman Ahmad	48 B New Shalimar Town Gulshan Ravi Nr Super Mkt	3520292789815	Mian Muhammad Jahangir	384	2	-	386	453	71	33	557
105	Saleem Muhammad	H # 148 Block C Model Town Lahore	3520293012045	Muhammad Usman	468	76	33	577	414	105	57	576
106	Muhammad Riaz Hassan	Block No3 House No3 Karim Park Lahore	3520294761299	Main Muhammad Sharif	424	72	38	534	384	121	60	565
107	Muhammad Shahzad	H # 15 Stree # 86 Chah Pichwarajanazgah Mozang Lahore	3520295351221	Muhammad Sharif	643	124	-	767	643	154	-	797
108	Muhammad Asif Bilal Bhatti	H#19,street# 10meraj Colony Nawab Puraichra Lahore	3540431394653	Muhammad Qasim Bhatt	586	278	-	864	586	278	-	864
109	Muhammad Saeed Khan	H # 354-b Shah Rukne Ailam Colonymultan	3610387834277	Sohbat Khan	678	255	-	933	678	264	-	942
110	Muhammad Ismail	Chah Aamb Wa La Lahori Post Office Gailay Wala Tehsil & Zila Lodhran	3620318101131	Muhammad Shafi	772	34	-	806	772	132	-	904
111	Khalid Mehmood	21/a Grained Market Multan	3630222154357	Muhammad Yaqoub	655	101	-	756	655	133	-	788
112	Jahanzeb Sultan	Near Mda Chowk, House#06,street#06, Shahdab Colony Mdachowk Multan	3630237833413	Sultan Ahmed Khan	431	134	-	565	431	134	-	565
113	Naseem Iqbal	1188/5 Muhallah Khoti Kallian Das St Sindri Shah Bukhari Nishat Road Multan	3630249270385	Chaudary Muhammad Yaseen	486	14	1	501	495	109	18	622
114	Farooq Ahmad Khan	544-b Mumtazabad Multan	3630279048289	Abdul Razaq Khan	1,563	339	-	1,902	676	-	-	676
115	Farooq Ahmad Khan	544-b Mumtazabad Multan	3630279048289	Abdul Razaq Khan	1,598	343	-	1,941	597	-	-	597
116	Farooq Ahmad Khan	544-b Mumtazabad Multan	3630279048289	Abdul Razaq Khan	1,592	352	-	1,944	261	374	-	635
117	Ali Raza Gill	Gill Cotton Factory Aukanwala Road Chichawatni	3650143929077	Pervaiz Gull	777	34	-	811	764	126	-	890
118	Chaudry Rashid Mehmood	Ward No 16 Muhallah Koraltahsil Gujjar Khan	3740183379221	Ch.ali Raza	532	94	-	626	532	94	-	626
119	Raja Anjum Ashfaq	Ashfaq Manzil Jarahi Stopnear The Educators Adiyala Roadrawalpindi	3740306540665	Muhammad Ashfaq	1,241	425	-	1,666	1,241	425	-	1,666
120	Muhammad Haseeb	House 593/w 8 Muhammada Abad Westr Rawalpindi	3740503038093	Ghulam Haider	413	107	-	520	413	107	-	520
121	Tahir Yaseen	H #cb-830 Lane #5 Peshawar Road Rawalpindi	3740503909053	Mohammad Yaseen	490	14	1	505	490	107	17	614
122	Raes Ahmed	H # 311,dhoke Mustaqeem Peshawarroad Rawalpindi	3740504315563	Manzoor Hussain	483	170	-	653	483	188	-	671
123	Fahad Jalil	Bunna Mohra Khota Lalan Po Box Attock Oil Comp Morgah Rawalpindi	3740504477487	Abdul Jalil	490	14	21	525	490	107	36	633
124	Muhammad Jamil Khan	House No 98 A Ghakhar House Rahat Colony Kamal Abad Rawalpindi	3740506407121	Munshi Khan	460	13	34	507	460	61	47	568
125	Mohammad Aamir Tahseen	H#13-b Toghi Housing Scheme Quetta	3740519041849	Mohammad Shafi	2,751	602	-	3,353	2,751	649	-	3,400
126	Mohammad Aamir Tahseen	H#13-b Toghi Housing Scheme Quetta	3740519041849	Mohammad Shafi	833	176	-	1,009	833	194	-	1,027
127	Malik Muhammad Ashraf	H# 3086 Near Cantt Hospital Bhoosa Mandi	3740519745363	Ghulam Sarwar	472	38	28	538	402	129	103	634
128	Malik Kamran Saqib	H# 145-b St# 03 Moh: New Abadi Mareer Hasan Rawalpindi	3740531411701	Malik Muhammad Yaqub	489	14	50	553	489	107	86	682
129	Naveed Ahmed	3rd Fir Amir Plaza Commercial Area Chaklala Scheme lii Rawalpindi	3740535488865	Sheikh Shees Ahmed	488	28	1	517	488	107	16	611
130	Sheikh Muhammad Shafiq-ur-rehman Sethi	House M/1001 41 Amarpura Rawalpindi	3740536327081	Sh M Hafiz-ur-rehman	472	284	-	756	472	289	-	761
131	Sajjad Ahmed	H#59 St#01 Kri Road Peer Jamshed Colony Near Kri Colony Rawalpindi	3740538711983	Muhammad Azraan	489	46	30	565	489	79	46	614

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
132	Mohammad Shafique	House No Nw-700 A Block Said Pur Road Rawalpindi	3740545972661	Muhammad Haneef	592	40	-	632	592	96	-	688
133	Numan Rasheed	House 12-a/3 Block A Near Fatima Jinnah C Sattelite Town Rawalpindi	3740546971067	Rasheed Muhammad	436	183	-	619	436	183	-	619
134	Mir Ather Sayeed	House C-359 Moti Bazar Near Al Habib Market Rawalpindi	3740549832587	Mir Saeed Ahmed	1,727	910	-	2,637	1,727	928	-	2,655
135	Rana Muhammad Riaz Ahmed	F-833/13 Near Holy Family Hospital Satellite Town Rawalpindi	3740556064683	Rana Irshad Ahmed	475	83	32	590	475	97	36	608
136	Nazir-ul-hameed	House Bi-735 Street 2 Muslim Town Rawalpindi	3740559069999	Maqtoob Ahmed	404	144	-	548	404	144	-	548
137	Shahzad Ahmed Pannu	H# 6 Circular Evanue Safari Villas Rawalpindi	3740560127999	Ghulam Mustafa Pannu	369	16	66	451	360	72	90	522
138	Sheikh Asghar Ali	H# A702, Anjum Nagar City Saddarcanttrawalpindi	3740565463299	Sheikh Taj Deen	391	133	-	524	391	139	-	530
139	Muhammad Arif Qureshi	House 1030 B Block Satellite Town Rawalpindi	3740568583177	Iftikhar Ahmed Qureshi	397	141	-	538	397	141	-	538
140	Shabbir Hussain	Banglow # 554-f.g. Lawrenceline R.a Bazar Rawalpindi	3740573285759	Sabir Hussain	408	112	-	520	408	112	-	520
141	Khalid Mehmood	H # 529 St # 13 Kamar Colony Tench Bhata Rawalpindi	3740578721077	Mohammad Yaqoob	498	28	-	526	498	109	15	622
142	Rana Mian Naseer-ud-din Amini	House# F-389 Green Lanegulraze Iii Rawalpindi	3740588221199	Jamal-ud-din Amini	872	233	-	1,105	872	240	-	1,112
143	Sheikh Muhammad Amir	House Eb54/60 Shaigan Colony Lalazar Rawalpindi	3740594997099	Sh M Younas	853	137	-	990	853	156	-	1,009
144	Khalid Dad	House#635-36 Sector F-2 Labour Clynlandhi Karachi	3820111702477	Ahmed Bashir	507	152	-	659	507	154	-	661
145	Hamid Khan	House# 352, St 42 G-9/1 Islamabad	3830226820931	Mohammad Khan	1,633	415	-	2,048	1,083	-	-	1,083
146	Asad Amir Khan	228-y Street 14 Dha Lahore Cantt Lahore	3840294932953	Khalid Amir Khan	356	30	46	432	342	99	77	518
147	Zeeshan Sarfraz	Jura Sakessa R P.o Miitha Lak Teh & Distt	3840376407421	Muhammad Sarfaraz	872	35	-	907	872	146	-	1,018
148	Waseem Aziz Umrani	H# 1758/a Ward-g Ground Florwasim Akhter Plaza Umrani Mohallah Hyderabad	4130394854357	Azizullah	848	166	-	1,014	813	150	-	963
149	Zafar-ud-din	A-75 Blk-19 Gulshan-e-iqbalnear Urdu Science Collkarachi	4130473747711	Faheemuddin	1,045	379	-	1,424	1,045	389	-	1,434
150	Faramosh Khan	H# A26-6 Mangopeer Rd Pathan Colony Near Malang Hotel Khi-16 Karachi	4200013647707	Fazal Raheem	457	26	26	509	457	100	40	597
151	Salim Mirza	House No. N-153 Block-2p.e.c.h.skarachi.	4200022773021	Muhammad Mirza	1,133	131	-	1,264	1,133	162	-	1,295
152	Salim Akhter	H-9/1 Street-18,model Colonynear Awamihotelkarachi	4200070257191	Sultan Ahmed	494	174	-	668	494	177	-	671
153	Adeel Ali Siddiqui	A-149 Block 3 Gulshan E Iqbal Karachi	4210106444801	Mohammad Ali Siddiqui	468	129	-	597	468	129	-	597
154	Muhammad Shahzad	House No 55/6 Sector 11-g Godra Camp New Karachi Karachi	4210108889305	Imam Uddin	833	399	-	1,232	833	406	-	1,239
155	Zaheer Ahmed	H# Sd-21 BIK A Ground Floor North Nazimabad Karachi	4210113309867	Shabeer Ahmed	481	14	5	500	485	107	21	613
156	Zahid Hussain	House# N-1106,sector# 11-j,north Karachi, Karachi	4210114968029	Mehboob Hassan	424	89	-	513	424	91	-	515
157	Muhammad Naem	House# D-34, Block 4 F.b.area.karachi	4210115185245	Muhammad Ibrahim	564	154	-	718	564	154	-	718
158	Sohail Ahmed Qureshi	Flat # 404 BIK L02 Sarah Excellency Sec 15c Gulzar E Hijre Sch 33 Karachi	4210117466571	Hakeem Rasheed Ahmed	479	59	22	560	479	74	26	579
159	Anwer Ali	A-448,block-c,north Anzimbada,karachi	4210117545055	Roshan Ali	569	106	-	675	569	121	-	690
160	Niaz Ahmed Khan	28-al-jamil Square Block - Ghaidry N - Nazimabadkarachi	4210119238133	Ejaz Mohammad Khan	413	159	-	572	413	159	-	572
161	Syed Shahid Masood	A-70 Paradise Housetretowell Abul Hasal Roadkarachi	4210120472175	Syed Hafiz Masood	421	139	-	560	421	139	-	560
162	Noor Muhammad Shahid	Sultani Manzil Sultani Jewellerss1 Sector 5, A-4 North Karachi	4210125482655	Rana Wali Muhammad	433	96	-	529	433	114	-	547
163	Sawan	House #252 Block-q First Floor Nearumer Bin Khitab Masjid N-nazimabad Karachi.	4210128245991	Peer Buksh	389	191	-	580	389	191	-	580
164	Muhammad Waseemuddin Qureshi	C-383 Fb Area BIK-6. Karachi Karachi	4210138212001	Muhammad Fasih Uddin	396	144	-	540	396	155	-	551
165	Mian Shakeel Ahmed Puri	Flat No D-18 Hanif Centre Block-b Nazimabad Karachi	4210141543691	Mian Allah Ditta Pur	408	185	-	593	408	188	-	596
166	Syed Salman Mujtaba Naqvi	R-881 B1#20f.b.areas.khi.(m)0300-2163076	4210152558885	Syed Mushtaq Mujtaba Naqvi	397	178	-	575	397	180	-	577
167	Ali Ausat Naqvi	H# B-21 B1-c North Nazimabad Karachi	4210155140711	Mir Mohd Ali Naqvi	427	48	27	502	427	94	34	555
168	Farida Wahid	House No L-83 Sector 11-c 1 Sir Syed Town North Karachi Karachi	4210176410030	Abdul Wahid	423	201	-	624	423	205	-	628
169	Syed Irshad Hussain	R-711 Sector 15-b Buffer Zone Karachi	4210185982587	Syed Anwar Hussain	473	132	-	605	473	136	-	609
170	Syed Muhammad Iqbal Karim	House No B-35 Block-4 Gulshan-e-iqbal Karachi	4210193876965	Syed Atta Karim	420	161	-	581	420	161	-	581
171	Syed Abbas Haider Naqvi	H#B-12, BIK H. N.n. Neartaimora Masjid, Karachi	4210197469153	Syed Raza Haider Naq	503	145	-	648	503	148	-	651
172	Muhammad Sohail Hussain	H#sr 250-251, Nishter Bastip.i.b. Colonykarachi	4220103491775	Kousar Hussain Khan	438	123	-	561	438	129	-	567
173	Muhammad Waseem	Shop#b-16 Korangi K-areassector 36/a Korangi-5karachi	4220107372707	Haji Abdul Jabbar	398	176	-	574	398	179	-	577
174	Ameen Mirza	H # 352 P1.b Colony Near Khatri Mosque Karachi	4220107410661	Aga Anis Mirza	457	37	16	510	446	100	27	573
175	Shaikh Obaid Ur Rehman	Flat 918 Falak Naz Plaza Shahrah-e-faisal Karachi	4220109768521	Shafique Ur Rehman	451	250	-	701	451	254	-	705
176	Syed Sajjad Haider	C-51 Staff Town University Campus Karachi	4220110958365	Haider Hussain	423	152	-	575	423	167	-	590
177	Abdul Khalique	H.no A-17/1 Block-14 Gulistan-e- Johar Karachi	4220134208825	Abdul Latif	597	144	-	741	597	144	-	741
178	Mohsin Raza Rajput	Street#10 Fatima Jinnah Roadjunagarh House Karachi	4220134535641	Irshad Ahmed	1,930	685	-	2,615	1,930	692	-	2,622

# ANNEXURE II TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

S. NO.	Name of the borrower	Address	Name of Individuals/ Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
179	Mohsin Raza Rajput	Street#10 Fatima Jinnah Roadjunagarh Housekhi. (m)0345-2388482	4220134535641	Irshad Ahmed	421	164	-	585	421	164	-	585
180	Mohd Nadeem Khan Durrani	B-403 Kiran Palacesec 15-a/1, Bufferzone Karachi	4220137396927	Muhammad Khan Durrani	546	176	-	722	546	176	-	722
181	Mohammed Ashraf	B-59 Block-a North Nazimabad Karachi	4220137766719	Muhammad Zaman	1,299	297	-	1,596	1,299	303	-	1,602
182	Syed Qamar Alam	Plot# L-21 Pak Kausar Townmalir Karachi	4220142290055	Syed Abdul Bari	660	151	-	811	660	154	-	814
183	Syed Aftab Hussain Shah	Flat # C-3 1st Floorkehkashan Apartment Block 7Clifton Karachi	4220143288109	Syed Agideno	681	275	-	956	681	284	-	965
184	Syed Muhammad Rehan Saeed Qazi	H#C-350 Block-1 Gulistan-e-juharkarachi	4220148032563	Syed Mehmood Ul Hasa	1,002	406	-	1,408	1,002	411	-	1,413
185	Zaheer Ahmed Qureshi	Karima View, Plt # Jr6, S.m. Saeed Road Off. Jamshed Rd # 1 Karachi	4220149250957	Zahor Ahmed Qureshi	422	13	13	448	412	93	41	546
186	Syed Abu Saqib Nautab Balkhi	H#448-a, Dar Ul Islam House Block 1gulshan E Iqbal Karachi	4220149667069	Syed Abu Notab Balkh	851	383	-	1,234	851	385	-	1,236
187	Syed Abuzar Babar	111 Rohal Khand Housingsociety Ahmed Berister Road Kidneyrangon Wala Hall Karachi	4220154375265	Syed Hassan Babar	415	91	-	506	415	91	-	506
188	Muhd Farrukh Zareef	House # 84/2 Street # 11 Off Khy-e-sehar Dha Ph-6	4220156616707	Muhammad Zareef	578	-	-	578	509	55	-	564
189	Zahid Hanif	150-e E Market Block-6pechskarachi	4220161705805	Muhammad Hanif	444	186	-	630	444	186	-	630
190	Pervez Pyar Ali	2/222 Manak Jee Street Behind Garden Jamat Khana Garden East Karachi	4220164206473	Pyar Ali Manji	429	43	41	513	429	100	55	584
191	Ghulam Murtaza	House# 24/24, Sheet#24 Model Colonytaryal School Karachi	4220168473741	Muhd Akram	503	123	-	626	503	131	-	634
192	Muhammad Rehmatullah Khan	A-58, Blk-12, Gulistan-e-johar Karachi	4220170620387	Inayatullah Khan	367	152	-	519	367	165	-	532
193	Mohammad Jawed	House 201 Khizar Arcade Nawab Ismail Khan Road Karachi	4220171682221	Abdul Sattar	421	167	-	588	421	167	-	588
194	Mohammad Aqeel	Flat H/14 1st Floor Five Star Complex Block-2 Gulshan-e-iqbal Karachi	4220173735997	Mohammad Jameel	1,835	815	-	2,650	1,835	815	-	2,650
195	Hassan Jaffri	121-p Block-2 Pechs Karachi	4220182992241	S Jawad Hussain	392	165	-	557	392	168	-	560
196	Saif Ur Rehman Butt	R-68/1/9,haider Townmalir Halkkarachi	4220185247029	Abdul Rehman Butt	677	374	-	1,051	677	374	-	1,051
197	Abdul Saeed Khan	House # 218 Street # 16 Shahtaisal Colony Near Allama Iqbagirls College Karachi	4220192922677	Abdul Hameed Khan	543	155	-	698	543	162	-	705
198	Mohd Aziz Malik	H-b-101, Sea Breeze Centre,block-5, Boat Basin, Clifton Karachi	4230107415973	Muhammad Saeed Malik	537	203	-	740	537	203	-	740
199	Muhammad Sami	H#59/ii, lane 24,khyaban-e-badbanphase-vii Dha Karachi	4230107846881	Muhammad Shafee	396	147	-	543	396	147	-	543
200	Zafar Jamil	1-a-sea Clifton Apartmentblock 2 Clifton Karachi	4230108046929	Jamil Ahmed Siddiqui	477	156	-	633	477	157	-	634
201	Mohammad Safdar Khan	C-15 Kh-e-sehar Pahse-7 Dha Karachi	4230108425623	Bashie A Khan	452	208	-	660	452	210	-	662
202	Parvez Rahim	81/2 24th S Treet Off Khayaban-e-badar Phase 6 Dha Karachi.	4230109334297	Sheikh Abdur Raheem	446	45	10	501	446	88	17	551
203	Maqbool Ahmed	118/1 28th Street Khayban E Hilal Phase Vi Dha Khayban Hilal Phase Vi Karachi	4230110669631	Mohammad Sadiq	465	34	17	516	465	110	39	614
204	Rafi Ahmed Soomro	H.m.9, G.o.r Feroz Nana Roadbathisland Karachi	4230110703003	Ghulam Rasool Soomro	579	93	-	672	579	105	-	684
205	Abid Parvaiz Butt	H #7/1/1, 32nd Street Phase-v, Dha Off Khayaban-e-mujahid Karachi	4230128238437	Muzammil Hussain Butt	710	219	-	929	710	219	-	929
206	Muhammad Ismail Dossa	H # D-96 Blk-5 Kehkashan Clifton British Embassy	4230131863579	Mohammad Farooq Dosa	459	15	7	481	453	104	31	588
207	Safia Mansoor	P/no.25/c Saba Commercial St#3phase. 5 Near Chanar Utility Stored.h.a. Kaarachi	4230132454226	Manzoor Ahmad	396	117	-	513	396	121	-	517
208	Moiz	Talla Hightes 3 Fir Flat No 5 Plot No31c Rohit Near Bilal Karachi	4230136164349	Abbas Bhai	354	59	69	482	354	106	105	565
209	Zulfiqar Ali Ch.	House No. G-28/2, 4 Gizri Laned.h.a. Phase 4 Karachi	4230144166279	Fazal Din Chaudhry	1,328	291	-	1,619	1,328	291	-	1,619
210	Charran Saran Kowdani	Flat No A-5 Baloch Appt Main Gizri Nr Bank Al Habib	4230147803743	Vishin Das Kodwani	417	59	46	522	298	123	91	512
211	Faiz Ali	H# 173 Street# 1-2 Liaqat Ashraf Colony Karachi	4230149116543	Rasheed Khan	563	38	-	601	556	95	-	651
212	Mohammad Yusuf Shahzad	H 52 St7 Abidabad Jamia Masjid Khattul Kubra Lyari Karachi.	4230152166533	Ch Muhammad Hussain	611	189	-	800	611	207	-	818
213	Tanveer Ahmed Jumani	House-175 28th Street Kh-e-bukhari Phase-6 Dha Karachi	4230164196747	Shabbir Ahmed Jumani	389	137	-	526	389	137	-	526
214	Shabana Shaqat	Flat No V-1-2 1st Floor Country Club Apt 33rd St Phase-5 Dha Karachi	4230169817048	Shafiqat Hussain	372	143	-	515	372	146	-	518
215	Khan Mohammad Khan	House 94/2 25th Street Phase-6 Kh-e-mohafiz Dha Karachi	4230180088867	Sher Mohammad	1,266	311	-	1,577	1,266	329	-	1,595
216	Khan Mohammad Khan	House#94/2 25th Streetphase -6 Dhakarachi	4230180088867	Sher Mohammad	1,254	273	-	1,527	1,254	291	-	1,545
217	Jawad Aziz Sheikh	H# 59-15th Street Off Khayaban-e- Badban Phase 5 Dha Karachi	4230186721155	Sheikh Abdul Aziz	399	18	29	446	399	83	40	522
218	Nasim Nasiruddin	91/1,23 Street Off Khy B Rahat Phase Vi Dha Stadium Karachi	4230188794770	Naseeruddin Mistry	462	157	-	619	462	183	-	645
219	Nasiruddin Mistry	91/1 Street#23 Off Khayaban-e-rahafphase Vi Dha Karachi	4230190068753	Hassan Ali Mistry	419	113	-	532	419	121	-	543
220	Riaz Ahmed	H#490 Sec 15-a Orangi Town Near Imdadia Masjid Karachi	4240119450911	Abdul Gaffar	408	11	-	419	420	91	12	523
221	Mohammad Zareef	1725/1054-a Sawat Colonybaldia Town Karachi	4240193298097	Chaman Gul	846	270	-	1,116	846	279	-	1,125
222	Fiaz Ahmed	Office # 4 L-block 1st Floor Nearkasb Bank Trust Plaza Gujranwala	4250121952277	Pir Buksh	500	91	-	591	500	112	-	612
223	Khalil Ahmed	P-08 Chapal Garden Abul Hasan Mohani Road Karachi	4250133309053	Nazeer Ahmed	500	141	-	641	500	141	-	641
224	Abdul Sami Siddiqui	C-23 Hasan Lodge Block 7 F.b.area Karachi	4250164884937	Abdul Qudoos Siddiqui	740	171	-	911	740	186	-	926
225	Muhammad Maluk Bugti	House E-42 Civil Aviation Colony Airport Karachi	4250170116933	Muhammad Ismail Bugti	399	166	-	565	399	170	-	569

## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

S. NO.	Name of the borrower	Address	Name of Individuals/ Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Markup written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
226	Masood Ahmed Bhatti	A-109 13d1 Gulshan-e-iqbal Karachi	4250199676095	Siddique Ahmed Bhatti	471	59	-	530	471	59	-	530
227	Raza Khan	L-177 Block-i Shireen Jinnah Colony Sector-5 Karachi	4430128377085	Mashal Khan	1,351	600	-	1,951	1,351	600	-	1,951
228	Rana Saleem Ahmed	73-d, 2nd Floor, Block 2, Pechs Karachi	4540209068011	Rana Yar Muhammad	515	179	-	694	515	191	-	706
229	Mir Zubair Ali Rind	H#97/i Street#31 Khy-rahathphase 6 Dha Karachi	5220410575953	Mir Mohammad Ali Rind	3,420	918	-	4,338	3,420	920	-	4,340
230	Syed Gull	Badin Choke Saryab Road Quetta	5410213677635	Mir Dad Khan	485	76	-	561	485	76	-	561
231	Mohammad Arif	119 Raisani Roadkilli Shaikhhan Quetta	5440002961855	Malik Mohammad Iqbal	513	61	-	574	513	75	-	588
232	Shakeel Ahmed	Haji Abdul Hamid Gali No 5 Ringghar Quetta	5440003450025	Abdul Hameed	948	343	-	1,291	948	353	-	1,301
233	Asif Iqbal	Plot # 19-a Street # 4 Servey 79, golden Town 43 Malir Halt Karachi	5440003537699	Muhammad Iqbal	593	66	-	659	593	91	-	684
234	Shaukat Abbas Chaudary	Rajput House, Union Council Road, sihala Rawalpindi	6110102390935	Chudary Muhammad Abbas	676	112	-	788	676	118	-	794
235	Muhammad Nouman	H # 535 St 11 G/8/2	6110119389817	Nawab Din	226	16	13	255	455	117	47	619
236	Mohammad Nauman	House#535 Street No 11 G-8/2 Islamabad	6110119389817	Nawan Din	289	15	21	325	448	96	38	582
237	Khayam Latif Malik	H # 731 Dhoke Chaudhrian New Abadi P.o Tarnol Islamabad	6110119770947	Abdul Latif Malik	563	45	-	608	563	94	-	657
238	Muhammad Khan Niazi	718 82 I-8/4 Islamabad	6110119791939	Sher Khan Niazi	628	181	-	809	628	192	-	820
239	Mohammad Rehman	Flat.no.207 2nd Floor Pacific Center F-8 Islamabad	6110134494011	Abdul Haq	469	138	-	607	469	138	-	607
240	Hussain Sabri	H# 153-b St# 48 Sector F-10/4 Islamabad	6110147510481	Mohammad Hussain	1,041	234	-	1,275	1,041	252	-	1,293
241	Muhammad Rizwan Haneef	H.# 259 St # 77 F-11/1 Islamabad	6110163784823	Muhammad Hanif	2,463	448	-	2,911	2,463	473	-	2,936
242	Johar Sarwar Cheema	H No 196 St 70 F 10/3	6110185519107	Ghulam Sarwar Cheema	454	22	38	514	443	110	100	653
243	Tarannum Yawar	H#176-a,st#48,f-10/4,islamabad	6110194775530	Yawar Saeed Khan	1,372	247	-	1,619	1,372	312	-	1,684
244	Tarannum Yawar	H#176-a,st#48,f-10/4,islamabad	6110194775530	Yawar Saeed Khan	568	83	-	651	568	101	-	669
245	Haroon Khalid	H#5, Bolan Roadst.#20 Chaklatal Iii Rawalpindi	7150102098481	Inamat Ullah Khalid	979	311	-	1,290	979	315	-	1,294
246	Muhammad Siddique	House No 266-F St.no 15 Sec F/1mirpur Azad Kashmir	8130216968827	Kifayat Ali	451	68	-	519	451	80	-	531
					<b>200,813</b>	<b>46,509</b>	<b>24,618</b>	<b>271,940</b>	<b>156,981</b>	<b>52,619</b>	<b>15,898</b>	<b>225,498</b>

# ANNEXURE III TO THE FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION - ISLAMIC BANKING AS AT DECEMBER 31, 2011

The Bank is operating 45 Islamic banking branches (2010: 13).

### ASSETS

Cash and balances with treasury banks  
Balances with and due from financial Institutions  
Investments  
Financing and receivables  
- Murabaha  
- Ijara  
- Musharaka  
- Diminishing Musharaka  
- Salam  
- Other Islamic Modes  
Other assets

### LIABILITIES

Bills payable  
Due to financial institutions  
Deposits and other accounts  
- Current Accounts  
- Saving Accounts  
- Term Deposits  
- Others  
- Deposits from financial institutions - remunerative  
- Deposits from financial institutions - non-remunerative  
Due to head office  
Other liabilities

### NET ASSETS

### REPRESENTED BY

Islamic Banking Fund  
Reserves  
Unappropriated profit / (loss)

Surplus / (deficit) on revaluation of assets- net of tax

### Remuneration to shariah advisor

### CHARITY FUND

Opening balance  
Charity fund transferred from amalgamated entity  
Additions during the year  
Payments / utilization during the year  
Closing balance

	2011	2010
	Rupees '000	
	1,089,800	404,534
	173,799	47,588
	5,586,837	2,666,067
	1,751,249	1,614,237
	11,529	21,091
	-	-
	3,211,551	1,809,843
	-	-
	-	-
	826,814	471,827
	12,651,579	7,035,187
	109,401	9,623
	-	-
	3,995,751	1,331,527
	2,341,187	1,011,063
	3,577,293	1,413,258
	23,151	12,288
	1,018,868	1,492,313
	21,235	-
	577,834	1,080,500
	181,862	24,919
	11,846,582	6,375,491
	804,997	659,696
	880,000	880,000
	-	-
	(94,727)	(225,003)
	785,273	654,997
	19,724	4,699
	804,997	659,696
	2,171	3,503
	67	-
	-	(304)
	2,761	371
	(1,050)	-
	1,778	67

**ANNEXURE III TO THE FINANCIAL STATEMENTS**  
**PROFIT AND LOSS ACCOUNT - ISLAMIC BANKING**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
	Rupees'000	
Profit / return earned on financing and investments	1,117,006	419,546
Profit / return expensed	597,956	225,972
Net spread earned	519,050	193,574
Provision against non-performing financings	15,731	6,493
Provision against consumer financings	732	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	(1)
Income after provisions	16,463	6,492
	502,587	187,082
<b>Other Income</b>		
Fee, commission and brokerage income	21,723	3,011
Dividend income	-	-
Income from dealing in foreign currencies	1,451	60
Capital gain on sale of securities	-	563
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	101	(1,249)
Total other income	23,275	2,385
	525,862	189,467
<b>Other expenses</b>		
Administrative expenses	377,263	139,836
Other provision / write-offs	18,315	-
Other charges	8	273,691
Total other expenses	395,586	413,527
	130,276	(224,060)
Extraordinary items / unusual items	-	-
Profit / (loss) for the year	130,276	(224,060)

\*Comparative includes loss amounting to Rs. 266.862 million arising on amalgamation.

# ANNEXURE IV TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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	Gain / (Loss) on disposal	Mode of disposal	Particulars of purchaser / Insurer / addresses
-----Rupees '000 -----							
<b>Owned - Vehicles</b>							
Honda Civic Vti	1,844	590	1,254	1,750	496	As per Bank's policy	Syed Kazim Raza - Executive
Honda City	1,197	303	893	1,125	232	As per Bank's policy	Muhammad Abadullah - Executive
Honda City	1,194	286	907	1,194	286	As per Bank's policy	Suhail Khan - Executive
Honda City	995	504	491	570	80	As per Bank's policy	Syed Majid Ali - Executive
Toyota Corona	3,088	494	2,594	2,750	156	As per Bank's policy	Dina Shahban - Executive
Suzuki Liana	1,200	144	1,056	1,072	16	As per Bank's policy	Syed Nadeem Ahmed - Executive
Honda City	1,221	114	1,107	1,221	114	As per Bank's policy	Asad Kerai - Executive
Honda Civic i-VTEC	1,749	187	1,562	1,675	113	As per Bank's policy	Muhammad Afzal - Executive
Toyota Corolla	1,251	1,001	250	964	714	As per Bank's policy	Zahid Qadri - Executive
Toyota Corolla	879	563	316	316	-	As per Bank's policy	M.Khalid Bakali - Executive
Honda City	891	570	321	321	-	As per Bank's policy	Syed Adnan A.Rizvi - Executive
Toyota Corolla Xli	893	479	414	417	3	As per Bank's policy	Adeel Ali Khan - Executive
Toyota Corolla Xli	906	592	314	326	12	As per Bank's policy	Tariq Mehmood - Executive
Honda Civic Vti	1,879	175	1,704	1,825	121	As per Bank's policy	Asad Kerai - Executive
Honda Civic i-VTEC	1,000	747	253	360	107	As per Bank's policy	Ahmed Kamran - Executive
Honda City	1,309	401	908	1,115	207	As per Bank's policy	Syed Kazim Raza - Executive
Honda City	891	582	309	321	12	As per Bank's policy	Syed Kausar Nadeem - Executive
Suzuki Swift	1,049	112	937	975	38	As per Bank's policy	Muhammad Afzal - Executive
Honda City	879	563	316	316	-	As per Bank's policy	Syed Mustafa Aftab - Executive
Honda City	1,239	330	909	925	17	Bid	Iqbal A. Zubairi - Executive
Honda Civic Vti	1,443	1,154	289	768	479	Bid	Zulfiqar Ahmed Khan - Individual House No. B-160, Allama Iqbal town, karachi.
Mistubishi Lancer	1,136	814	322	861	539	Bid	Syed Riaz Ahmed - Individual House No. A-216, Gulshan-Iqbal, Karachi.
Mistubishi Lancer	1,136	833	303	889	586	Bid	Abdul Razzak - Individual Flat No. B-11, Gulshan Karim Appartment, Sparko, Main University Road, Karachi.
Honda Civic Vti	1,375	898	476	495	18	As per Bank's policy	Riaz-ul-Hassan - Executive



# ANNEXURE IV TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal	Particulars of purchaser / Insurer / addresses
-----Rupees '000 -----							
Honda Civic Vti	1,760	845	915	1,056	141	As per Bank's policy	Syed Majid Ali - Executive
Toyota Corolla	1,800	432	1,368	1,675	307	As per Bank's policy	Suhail Khan - Executive
Honda Civic Vti	1,895	177	1,718	1,825	107	As per Bank's policy	Syed Nadeem Ahmed - Executive
Toyota Corolla	1,800	384	1,416	1,675	259	As per Bank's policy	Muhammad Abadullah - Executive
Honda City	1,314	543	771	1,104	333	As per Bank's policy	Aarij Ali - Executive
Honda Civic Vti	1,288	1,288	-	1,026	1,026	As per Bank's policy	Muhammad Naveed-ul-Haq - Executive
BMW	4,000	4,000	-	2,226	2,226	Bid	Syed Riaz Ahmed - Individual House No. A-216, Gulshan-Iqbal, Karachi.
Mitsubishi Lancer	1,132	887	245	876	631	Bid	Syed Riaz Ahmed - Individual House No. A-216, Gulshan-Iqbal, Karachi.
Mitsubishi Lancer	1,002	768	234	829	595	Bid	Syed Riaz Ahmed - Individual House No. A-216, Gulshan-Iqbal, Karachi.
Honda Civic	1,042	1,042	-	856	856	Bid	Zulfiqar Ahmed Khan - Individual House No. B-160, Ilama Iqbal town, karachi
<b>Owned - Leasehold Land</b>							
Gulberg Property	61,904	2,272	59,632	300,000	240,368	Negotiation	JDW Sugar Mills Limited 17 Abid Majeed Road, Lahore Cantt, Lahore
<b>Owned - Office furniture, fixtures, equipments and computers</b>							
Generator	765	319	446	410	(36)	Insurance Claim	UBL Insurers Limited

# SHARIAH ADVISOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

Alhamdulillah Faysal Bank Limited operated with 45 Stand-Alone Islamic Banking Branches (IBBs) and 8 Islamic Windows during the year 2011.

During this period number of new products, policies and processes were introduced, and some existing processes were streamlined and improved. The Shariah aspect of all of these changes were reviewed and approved by myself.

In the period under review management has provided me free access to all records, documents and information from all sources related to the business of the Islamic Banking Division. I have reviewed the operations of this Division on a periodic basis to ensure that all the products and services being offered conform to the injunctions of Shariah.

Based on the foregoing, I am pleased to report:

1. I have examined on a test check basis, each class of transaction, the relevant documentation and procedures adopted by the Islamic Banking Division.
2. During my review, any matters requiring corrective measures have been noted and were resolved by Management. Subject to the foregoing, in my opinion the affairs of the Islamic Banking Division have been carried out in accordance with the rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as specific fatwa and rulings issued by myself in my capacity as Shariah Advisor from time to time.
3. In my opinion the allocation of funds, weightages, profit sharing ratios, profits and charging of losses (if any) relating to PLS accounts are in accordance with Shariah rules and principles.
4. In my opinion no earnings have been realized from sources or by means prohibited by Shariah rules and principles which may be credited to Charity Account.

And Allah knows best.

Mufti Mohib ul Haq Siddiqui  
Shariah Advisor  
Karachi: February 28, 2012

## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1	<b>INDIVIDUALS</b>		17,235	56,118,437	6.81
2	<b>INVESTMENT COMPANIES</b>		11	23,738	0.00
3	<b>JOINT STOCK COMPANIES</b>		120	2,805,226	0.34
4	<b>DIRECTORS ,CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN</b>		8	148,342	0.02
	SYED NASEEM AHMAD	776			
	MR. NAVED A. KHAN (A/C - Ithmaar Bank B.S.C.)	776			
	MR. GRAHAM RODERICK WALKER (A/C - Ithmaar Bank B.S.C.)	776			
	MR. MOHAMED A.R.HUSSAIN	562			
	MR. FAROOQ RAHMATULLAH	776			
	MR. SHAHID AHMAD	143,552			
	MR. HASSAN MOHAMMED MAHMOOD HASSAN	562			
	LT.GEN. MUHAMMAD MAQBOOL (RETD.)	562			
5	<b>COMPANY SECRETARY</b>	-	-	-	-
6	<b>EXECUTIVES</b>		13	187,625	0.02
7	<b>NIT / ICP</b>		8	14,511,315	1.76
	NATIONAL BANK OF PAKISTAN , TRUSTEE DEPTT.	14,445,720			
	INVESTMENT CORPORATION OF PAKISTAN	65,595			
8	<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>		6	550,450,754	66.78
	ITHMAAR BANK B.S.C. (SPONSOR COMPANY)	369,563,080			
	FAISAL FINANCE (LUXEMBOURG) S.A.	70,515,146			
	MFAI (JERSEY) LIMITED	48,534,767			
	DMI (JERSEY) LIMITED	35,257,572			
	FAISAL PRIVATE BANK (SWITZERLAND) S.A.	26,580,189			
9	<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	-	-	-	-
10	<b>BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS &amp; MUTUAL FUNDS</b>		30	53,989,569	6.55

## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS AS AT 31-12-2011

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
11	<b>FOREIGN INVESTORS</b>		45	145,336,654	17.63
12	<b>CO-OPERATIVE SOCIETIES</b>		1	968	0.00
13	<b>CHARITABLE TRUSTS</b>		6	605,664	0.07
14	<b>OTHERS</b>		11	133,532	0.02
	<b>TOTALS</b>		17,494	824,311,824	100.00

### SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY  
10% OF THE PAID-UP CAPITAL OF THE COMPANY

824,311,824 SHARES  
82,431,182 SHARES

NAME(S) OF SHARE-HOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE %
ITHMAAR BANK B.S.C. (SPONSOR COMPANY)	FALLS IN CATEGORY # 8	369,563,080	44.83

# COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS ON 31/12/2011

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1	INDIVIDUALS	17,235	56,118,437	6.81
2	INVESTMENT COMPANIES	11	23,738	0.00
3	JOINT STOCK COMPANIES	120	2,805,226	0.34
4	DIRECTORS, CHEIF EXECUTIVES OFFICER AND THEIR SPOUSE AND MINOR CHILDREN	8	148,342	0.02
5	EXECUTIVES	13	187,625	0.02
6	NIT / ICP	8	14,511,315	1.76
7	ASSOCIATED COMPANIES , UNDERTAKINGS AND RELATED PARTIES	6	550,450,754	66.78
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS	0	0	0.00
9	BANKS, DFIs, NBFIs, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS	30	53,989,569	6.55
	9.1 FINANCIAL INSTITUTIONS	10	5,964,856	0.72
	9.2 LEASING COMPANIES	2	412	0.00
	9.3 INSURANCE COMPANIES	8	47,766,040	5.79
	9.4 MODARABAS	4	4,738	0.00
	9.5 MUTUAL FUNDS	6	253,523	0.03
10	FOREIGN INVESTORS	45	145,336,654	17.63
11	CO-OPERATIVE SOCIETIES	1	968	0.00
12	CHARITABLE TRUSTS	6	605,664	0.07
13	OTHERS	11	133,532	0.02
		<u>17,494</u>	<u>824,311,824</u>	<u>100.00</u>

# PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON 31/12/2011

Number of Share Holders	Share Holding		Total Shares Held
4,151	1-	100	146,168
6,129	101-	500	1,358,931
1,465	501-	1,000	1,056,817
4,226	1,001-	5,000	8,844,339
695	5,001-	10,000	4,792,912
253	10,001-	15,000	3,067,763
144	15,001-	20,000	2,466,978
74	20,001-	25,000	1,674,914
47	25,001-	30,000	1,290,893
43	30,001-	35,000	1,401,850
33	35,001-	40,000	1,232,691
22	40,001-	45,000	930,840
22	45,001-	50,000	1,043,622
14	50,001-	55,000	731,571
10	55,001-	60,000	567,440
11	60,001-	65,000	680,176
10	65,001-	70,000	678,593

## PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON 31/12/2011

Number of Share Holders	Share Holding		Total Shares Held
8	70,001-	75,000	581,443
7	75,001-	80,000	548,151
6	80,001-	85,000	489,913
5	85,001-	90,000	443,977
6	90,001-	95,000	549,883
7	95,001-	100,000	685,832
3	100,001-	105,000	304,662
3	105,001-	110,000	329,650
7	110,001-	115,000	786,751
2	115,001-	120,000	238,944
2	120,001-	125,000	247,965
2	125,001-	130,000	257,099
1	130,001-	135,000	133,530
2	135,001-	140,000	272,693
3	140,001-	145,000	428,435
1	150,001-	155,000	154,112
3	155,001-	160,000	466,918

# PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON 31/12/2011

Number of Share Holders	Share Holding		Total Shares Held
4	160,001-	165,000	652,164
3	165,001-	170,000	502,687
3	170,001-	175,000	519,266
2	175,001-	180,000	356,776
2	190,001-	195,000	380,686
1	195,001-	200,000	196,875
2	200,001-	205,000	403,623
1	205,001-	210,000	205,317
2	220,001-	225,000	445,070
1	230,001-	235,000	232,875
1	240,001-	245,000	240,637
2	245,001-	250,000	497,000
1	260,001-	265,000	261,637
1	270,001-	275,000	272,332
1	275,001-	280,000	276,130
1	300,001-	305,000	301,439
2	325,001-	330,000	652,520



## PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON 31/12/2011

Number of Share Holders	Share Holding		Total Shares Held
1	335,001-	340,000	340,000
1	365,001-	370,000	366,079
2	380,001-	385,000	761,742
1	385,001-	390,000	385,069
1	390,001-	395,000	393,748
1	415,001-	420,000	419,230
2	445,001-	450,000	892,686
1	525,001-	530,000	527,899
1	530,001-	535,000	534,375
1	560,001-	565,000	562,500
2	615,001-	620,000	1,235,287
1	640,001-	645,000	644,402
1	700,001-	705,000	700,250
2	815,001-	820,000	1,635,820
1	920,001-	925,000	920,284
1	1,090,001-	1,095,000	1,093,444
1	1,175,001-	1,180,000	1,177,997

# PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON 31/12/2011

Number of Share Holders	Share Holding		Total Shares Held
1	1,325,001-	1,330,000	1,327,285
1	1,590,001-	1,595,000	1,594,161
1	1,770,001-	1,775,000	1,771,472
1	1,945,001-	1,950,000	1,947,308
1	1,955,001-	1,960,000	1,958,751
1	2,610,001-	2,615,000	2,611,669
1	2,805,001-	2,810,000	2,805,423
1	2,935,001-	2,940,000	2,936,205
1	3,455,001-	3,460,000	3,458,296
1	3,510,001-	3,515,000	3,512,031
1	3,915,001-	3,920,000	3,917,504
1	4,175,001-	4,180,000	4,177,949
1	4,540,001-	4,545,000	4,544,110
1	10,310,001-	10,315,000	10,313,595
1	10,690,001-	10,695,000	10,691,554
1	14,195,001-	14,200,000	14,197,339
1	18,845,001-	18,850,000	18,847,501

## PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON 31/12/2011

Number of Share Holders	Share Holding		Total Shares Held
1	21,175,001-	21,180,000	21,179,756
1	26,580,001-	26,585,000	26,580,189
1	27,355,001-	27,360,000	27,355,011
1	35,255,001-	35,260,000	35,257,572
1	40,700,001-	40,705,000	40,701,748
1	41,020,001-	41,025,000	41,021,802
1	43,650,001-	43,655,000	43,651,065
1	70,515,001-	70,520,000	70,515,146
1	369,560,001-	369,565,000	369,563,080
<b>17,494</b>			<b>824,311,824</b>

Once the ambitious soul comes into its own then any physical worldly binds become undone. The light it brings is free of limits of time and space.

INFINITE HORIZON

نے ابتدا کوئی نہ کوئی انتہا تری  
آزادِ قیدِ اول و آخر دنیا تری



# BRANCH NETWORK

## SOUTH REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	110	South	Karachi Main	Karachi	021-111-747-747	ST- 02, Main Shakra e Faisal, Karachi (FAYSAL HOUSE)
2	118	South	Quality Height Clifton	Karachi	021-35838959	Quality Heights, K.D.A Scheme # 5, Clifton, Karachi
3	124	South	DHA Shahbaz	Karachi	021-35845771	23-C, Phase VI, Khayaban-e-Shahbaz, D.H.A, Karachi
4	127	South	Shaheed-e-Millat	Karachi	021-34384364	Iqbal Arcade, Plot # 6, 3/7 D.M.C Society, Karachi
5	129	South	North Nazimabad	Karachi	021-36670050	Plot # D-6, Block-D, K.D.A Scheme # 2, North Nazimabad
6	131	South	Shahrah-e-Faisal	Karachi	021-34326661	Business Avenue Centre, Block # 6, P.E.C.H.S, Karachi
7	143	South	MACHS	Karachi	021-34390514	Plot # 2-F (Commercial), M.A.C.H.S, Karachi
8	144	South	Korangi Road	Karachi	021-35390542	Speedy Towers, 129 / I & II, Main Korangi Road DHA Phase 1
9	156	South	Korangi Industrial Area	Karachi	021-35114400	Plot # 51 / 9, Sector 15, Main Korangi Road, Karachi
10	165	South	Beach Blessings, Clifton Block-2	Karachi	021-35877923	B-3 & B-4, Plot # FLI, Block II, Clifton, Karachi
11	172	South	Stadium Lane, Khayaban-e-Mujahid	Karachi	021-35349113	43-C, Stadium Lane II, Khayaban-e-Mujahid D.H.A Phase V, Karachi
12	173	South	Khayaban-e-Tanzeem	Karachi	021-35877845	14-C , Khayaban-e-Tanzeem, Tauheed Commercial, D.H.A, Phase V
13	175	South	Phase IV DHA	Karachi	021-35802426	14-C, Sunset Commercial Street # 2, Phase IV D.H.A, Karachi
14	195	South	Nazimabad Branch	Karachi	021-36707420	Plot #16 Row #1, Sub Block A, Block III (III-A,1 / 16) Nazimabad, Karachi
15	196	South	Saba Avenue	Karachi	021-35243985	Shop # 2 & 3, Ground Floor Plot # 36-C, Badar Commercial Street, St # 6, Phase V
16	198	South	Khalid Bin Waleed Road	Karachi	021-34302250	Plot # 89-B,Block-2 P.E.C.H.S, Karachi
17	209	South	Korangi No.2	Karachi	021-35071757	Q-14, Ground Floor, Sector 33-A, Korangi # 2, Karachi
18	216	South	DHA Phase VIII	Karachi	021-35246014	43-C, Al-Murtaza Commercial Lane # 4, D.H.A Phase VIII, Karachi
19	240	South	Shah Faisal Colony	Karachi	021-34686215	B-09 Main Electronics Market, Shah Faisal Colony, No.1, Karachi
20	251	South	Gulbahar	Karachi	021-36729801	Gulbahar Branch Plot # 476-477-478 Ghousia Colony, Karachi
21	330	South	AHR	Karachi	021-35838959	16-Abdullah Haroon Road
22	333	South	Karachi Shaheed-e-Millat	Karachi	021-34311950	72-A/Z, Block 7/8, Al-Riaz
23	338	South	Karachi Defence	Karachi	021-35347266	22/C, Lane-2, Shahbaz Commercial
24	342	South	Karachi North Nazimabad	Karachi	021-36721635	D-4, Block D North Nazimabad
25	425	South	Karachi Clifton	Karachi	021-35875454	3-C, 7th Zamzama Commercial Lane, Clifton
26	426	South	DHA Korangi	Karachi	021-35805179	World Business Center, Main Korangi Road
27	428	South	Karachi North Nazimabad	Karachi	021-36676028	Almas Square, Plot No. SD-5
28	430	South	Karachi Shahrah-e-Faisal	Karachi	021-34535119	Progressive Centre

## BRANCH NETWORK

### SOUTH REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
29	434	South	Karachi Dhoraji	Karachi	021-34136551	Sana Pride, 35/244, C.P.& Berar Coop
30	438	South	Karachi Federal B. Area	Karachi	021-36800693	C-25, Block 17, Federal B. Area
31	441	South	Karachi Khayaban-e-Ittehad	Karachi	021-35346706	8-C Ittehad Commercial Lane No 9,
32	442	South	Karachi Tipu Sultan Road	Karachi	021-34301188	Plot No. 110, Zonal Commercial Area
33	269	South	Clifton Centre Branch	Karachi	021-35871891	Plot No. DC-1, 16-A,16-B, Block 5 Clifton Centre, Kehkashan
34	119	South	Gulshan-e-Iqbal	Karachi	021- 3499 4261	B -35, Block 13-A Main University Road, Gulshan-e-Iqbal
35	123	South	Jodia Bazar	Karachi	021-32443795 021-32471443	G-2, Plot # MR-6/52/1, Ismail Trade Centre, Ram Bharti Street
36	134	South	Cloth Market	Karachi	021-32439021-22 021-32438150	BR-2, 1/1, Bander Quarters, New Neham Road, Kharadar Karachi
37	139	South	SITE	Karachi	021-32585925	Plot No. B-17, State Avenue, Karachi
38	145	South	New Challi	Karachi	021-32214903-904	Abid Chamber, Plot 3 SR.6/9, Shahra-e-Liaquat, Karachi
39	152	South	North Karachi Industrial Area	Karachi	021-36957155-3695	SA -2 (ST1/1) Sector 12-B, North Karachi Industrial
40	153	South	Gulshan Chowrangi	Karachi	021-3481 5319	Shop # 1-4, Ground floor Sana Arcade, Plot # ZC-6 Block # 7, K.D.A Scheme 24
41	164	South	Timber Market	Karachi	021-32734508 021-32734490	Plot # 6/2 Old Haji Camp, Siddique Wahab Road, Lee Quarters
42	170	South	I. I. Chundrigar Road	Karachi	021-32638011-16	11/13, Trade Centre I. I. Chundrigarh Road, Karachi
43	174	South	Gulistan-e-Jauhar	Karachi	021-3402 6856	Shop # 29 & 30, Ruffi Lake Drive, Block 18, K.D.A Scheme # 36
44	210	South	Gulshan Block-2	Karachi	021-3497 2202	A-287, Block-2, K.D.A Scheme -24,Gulshan-e-Iqbal, Karachi
45	217	South	APWA Complex Garden	Karachi	021-32294778	Shop # SOA , 5 Ground Floor APWA Complex, Plot # 67-AC, Garden Road, Karachi
46	221	South	Power House UP More	Karachi	021-36914034-36	Shop # 4,5 & 6, Plot # LS -12 (ST -7) Sector 11K, North Karachi Town Ship
47	222	South	Buffer Zone	Karachi	021-36950081-87	Plot # R-2, Sector 15-A / 2, Buffer Zone, North Karachi
48	227	South	Burns Road	Karachi	021-2211077-23	Shop # 4 & 5 Ground Floor, Lokhat Mansion, Survey # 2 Shahra-e-Liaquat, Burns Road karachi
49	231	South	Gulzar-e-Hijri	Karachi	021-3465 2159	Plot # A-747/C, Block 13-A KDA Scheme 33, Pakistan Employee Cooperating Housing Society
50	236	South	Electronic Market, Saddar	Karachi	021-32751585-86	Shop # 3, Hashmi Electronics Centre, Abdullah Haroon Road, Saddar, Karachi
51	335	South	Karachi Gulshan	Karachi	021-111 335 335	SB-25 Block 13/C, Main University Road, Gulshan-e-Iqbal
52	422	South	Abdullah Haroon	Karachi	021-35682639	State Life Building 11, Abdullah Haroon Road, Karachi
53	423	South	Karachi Jodia Bazar	Karachi	021-32522225-8	NP 12/74, Mohammad Shah Street
54	424	South	Karachi I.I. Chundrigar	Karachi	021-32418300-3	Nadir House, I. I. Chundrigar Road
55	427	South	Karachi S.I.T.E.	Karachi	021-32569934-39	Plot # B/9-B/2 Estate Avenue
56	429	South	Karachi Cloth Market	Karachi	021-32472616-8	Cloth Market, New Naham Road off. M.A. Jinnah Road

# BRANCH NETWORK

## SOUTH / CENTER REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
57	431	South	Karachi North Karachi	Karachi	021-36920621-25	ST-3, Sector 12-A, Industrial Area
58	436	South	Karachi Metroville	Karachi	021-36661300 021-36662034	Street 15 Block 3, Metroville SITE
59	437	South	Karachi Marriott Road	Karachi	021-32412803-07	G5, G6 & G7, Plot Sheet No. MR-1
60	281	South	Tariq Road Branch	Karachi	021-35143538-40	Shop No. 1 & 2 Plot 9-C, Block 2 Main Tariq Road PECHS, Karachi
61	252	South	Safoora Goth Branch	Karachi	021-34023795 021-34023791	Shop No. 1,2,3,4, Plot SV-9, Block VII, Gulistan-e-Jauhar, KDA Scheme # 36, Karachi
62	255	South	Mehmoodabad	Karachi	021-34376342 021-43476348	Plot No. SA-85, Block 7 Karachi Administration Employees Cooperative Housing Society (KAECHS)
63	265	South	FB Area II	Karachi	021-36340242-6	Plot No. ST-4/A-1, Block-20, Scheme-16, Federal B Area, Karachi, Adjacent to Bank Al Habib
64	138	South	Saddar, Hyderabad	Hyderabad	022-2728356-59	Plot # 339, Main Bohra Bazar Saddar, Hyderabad
65	239	South	Latifabad	Hyderabad	022-3820526-7	C - 489, Unit No 8, Latifabad, Hyderabad
66	258	South	Mirpur Khas	Mirpur Khas	0233-876472-75	City Survey No. 715, 716 and 718, Ward A, Umerkot Road, Taluka and District, Mirpurkhas
67	272	South	Nawabshah	Nawabshah	0244- 330895- 97	CS No. 555, Ward B, Main Mohni Bazar, Nawabshah
68	115	South	Shahrah-e-Adalat	Quetta	081-2838449	Shahrah e Adalat, Quetta
69	183	South	Fatima Jinnah Road	Quetta	081-2837234 081-2824973	Yousuf Centre, Fatima Jinnah Road, Quetta
70	230	South	Sukkur	Sukkur	071-5617195-97	City Survey No. D1596 / 1-D, Race Course Road , Sukha Talab, Sukkur
71	455	South	Sukkur	Sukkur	071-5628417-967	Shaheed Gunj, Sukkur
72	453	South	Turbat	Turbat	0852-411074	Main Bazar
73	112	Center	The Mall -Branch	Lahore	042-37314051-54	43, Shahrah-e-Quaid-e-Azam, Lahore
74	117	Center	M. M. Alam Road Gulberg-Branch	Lahore	042-35755190-95	95, B-II, M.M. Alam Road, Gulberg-III, Lahore
75	125	Center	D.H.A H-Block-Branch	Lahore	042-35897712-17	136/1, Block-H, Commercial Area Phase-I, DHA Lahore Cantt
76	130	Center	Garden Town-Branch	Lahore	042-35889810-4	4-Aibak Block, Garden Town, Lahore
77	132	Center	Circular Road-Branch	Lahore	042-37673001-6	Babar Center, 51, Circular Road, Lahore
78	137	Center	Shalimar Garden-Branch	Lahore	042-36844710-17	Bilal Market, Shalimar Bagh, Baghbanpura, Lahore
79	142	Center	Allama Iqbal Town-Branch	Lahore	042-35437004-8	18-Hunza Block, Main Road, Allama Iqbal Town, Lahore
80	148	Center	Main Boulevard Gulberg-Branch	Lahore	042-35787823-9	59-A, Main Boulevard, Gulberg, Lahore
81	150	Center	Model Town-Branch	Lahore	042-35884505-07	13-Bank Square Market, Model Town, Lahore
82	151	Center	Badami Bagh-Branch	Lahore	042-37705536-41	1-Taj Chambers, Badami Bagh, Lahore.
83	158	Center	Faisal Town-Branch	Lahore	042-35201991-3	10-C, Main Boulevard, Faisal Town, Lahore



# BRANCH NETWORK

## CENTER REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
84	160	Center	Thokar Niaz Baig-Branch	Lahore	042-35314020-23	Jamal Market, Ali Town, Opp. Lahore University, Thokar Niaz Baig, Raiwand Road
85	178	Center	Shadman-Branch	Lahore	042-37599316 042-37599242	11 - A, Shadman 1, Jail Road, Lahore
86	179	Center	Shahalam Market-Branch	Lahore	042-37675619 042-37651968	41 - Alamgir Market, Main Shah Alam Market, Lahore
87	180	Center	Urdu Bazar-Branch	Lahore	042-37314617-18	S-38, R-205-A, Cattle Street, Circular Road, Urdu Bazar, Lahore
88	181	Center	Bedian Road-Branch	Lahore	042-35720254 042-35745868	Bedian Road, Near DHA Phase VI, Lahore Cantt
89	182	Center	Johar Town-Branch	Lahore	042-35302018 042-35315735-6	435-G-I, Johar Town, Lahore
90	186	Center	Shahdara -Branch	Lahore	042-37902501-506	G.T.Road, Shahdara, Lahore.
91	187	Center	Liberty Market-Branch	Lahore	042-35752108-9	37-E, III Saeed Alam Tower, Liberty Market, Gulberg III, Lahore
92	188	Center	Ichra-Branch	Lahore	042-37569934-35	172, Ferozpur Road, Ichra, Lahore
93	189	Center	Walton Cantt-Branch	Lahore	042-36604309-12	36-Jinnah Plaza, Main Boulevard Defence Link Road, Walton Cantt, Lahore
94	197	Center	Mcleod Road-Branch	Lahore	042-36370024/45/67	Usman Plaza, Opposite Lahore Hotel, Mcleod Road, Lahore
95	205	Center	Mughalpur-Branch	Lahore	042-36524863-4	3/15 Jahangir Road, Lal Pul, Near AFC, Mughalpur, Lahore
96	208	Center	Chouburji-Branch	Lahore	042-37568229 042-37568223	50, Choburji Chowk Lahore
97	211	Center	New Airport Road-Branch	Lahore	042-35910014-15	Adjoining Divine Mega-II Plaza, New Airport Road, Cantt, Lahore
98	212	Center	Ghazi Chowk-Branch	Lahore	042-35212250-54	8-A, Awaisia Cooperative Housing Society, Ghazi Chowk, Link College Road, Township Lahore
99	218	Center	Nila Gumbud-Branch	Lahore	042-37360032/34/38	8-The Mall, Bank Square, Lahore
100	223	Center	Brandreth Road-Branch	Lahore	042-37367224-225	78 Brandreth Road, Old Nishter Road, Lahore
101	233	Center	CMH Chowk-Branch	Lahore	042-36602327-29	1482 / 14-15, Day Building CMH Chowk, Sarwar Road, Lahore Cantt
102	331	Center	Lahore Main-Branch	Lahore	042-111-11-22-33 042-35789013	310-Upper Mall Shahrah-e-Quaid-e-Azam, Lahore
103	334	Center	Cavalry Ground-Branch	Lahore	042-111-321-321 042-36655590	4/5 Haroon Plaza, Cavalry Ground, Lahore
104	401	Center	Egerton Road-Branch	Lahore	042-36371111 042-36278782	Ground Floor, Aiwan-e-Iqbal Complex, Opposite Holiday Inn Hotel, Lahore
105	416	Center	Gulshan-e-Ravi-Branch	Lahore	042-37404511-6 042-36301107	2/B, Civic Center Gulshan-e-Ravi, Lahore
106	417	Center	T-Block-Branch	Lahore	042-35707667-9 042-35707747	CCA-22, T Block, Phase II, DHA, Lahore
107	419	Center	Faisal Town-Branch	Lahore	042-35203881-2 042-35203892	594-A, Faisal Town, Lahore

# BRANCH NETWORK

## CENTER REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
108	457	Center	Gulberg Industrial Area-Branch	Lahore	042-35717141-5	25-B-2, Gulberg III, Lahore
109	459	Center	Valancia-Branch	Lahore	042-35188604-5	A-6 H Block, Commercial Zone Valancia Society, Lahore
110	461	Center	PIA Town-Branch	Lahore	042-35189011-6 042-35189020	188 Block F, Phase 1, PIA Society, Opposite Wapda Town, Lahore
111	462	Center	DHA Y Block-Branch	Lahore	042-35728282 042-35692519	77-Y, Phase III, Commercial Area, DHA, Lahore
112	282	Center	Tufail Road	Lahore	042-36604909-15	Garrison Officers Mess, 12, Tufail Road Lahore Cantt
113	464	Center	New Garden Town-Branch	Lahore	042-35861111 042-35940191	Awami Complex, Block No 2, New Garden Town, Lahore
114	467	Center	Badami Bagh-Branch	Lahore	042-37708160 042-37708171	343- Circular Road Badami Bagh, Lahore
115	468	Center	Qurtuba Chowk-Branch	Lahore	042-37210500-4 042-37900268	110-A Lytton Road Qurtuba Chowk, Lahore
116	469	Center	Bilal Gunj-Branch	Lahore	042-37214084-8	16-Shahjehan Road, Bilal Gunj, Lahore
117	253	Center	Fruit Market -Branch	Lahore	042-37944504 042-37944503	136, Farooq Centre, Fruit Market Scheme, Ravi Link Road, Lahore
118	256	Center	EME-Branch	Lahore	042-37511081-4	111-D, Commercial Area, EME Society, DHA Multan Road, Lahore
119	271	Center	Main Multan Road	Lahore	042-37801910 042-37801909	235/1, Badar Block, Allama Iqbal Town, Lahore
120	273	Center	Daroghawala	Lahore	042-36533526-30	386-C, More Salamat Pura, Main G.T Road, Daroghawla, Lahore
121	274	Center	Karim Block	Lahore	042-35295572-4 042-35295578-79	Plot No. 2-B, 2-C, Karim Block, Allama Iqbal Town, Lahore
122	276	Center	Shadbagh Branch Lahore	Lahore	042-37614813-17	Tajpura Chowk, Near PTCL Exchange, Misri Shah, Shadbagh, Lahore
123	232	Center	Arifwala	Arifwala	045-7835423	173-D Thana Bazar Arifwala
124	200	Center	Burewala	Burewala	067-3773011 067-3773018	95-C, Multan Road, Burewala
125	242	Center	Haroonabad	Bahawalnager	063-225119-32	25/C Grain Market Haroonabad Distt Bahawalnager
126	266	Center	Bahawalnagar	Bahawalnagar	063-2279338-40	Shop # 02 Ghalla Mandi ,Bahawalnagar
127	264	Center	Cheshtian	Cheshtian	063- 2507809-11	143 B - Block Main Bazar, Cheshtian
128	225	Center	Chichawatni	Chichawatni	040-5482305-06	G.T Road,Chichawatni
129	226	Center	Depalpur	Depalpur	044-4540768-69	Shop # 1& 2, Gillani Heights, Madina Chowk, Depalpur
130	448	Center	Dera Ghazi Khan	Dera Ghazi Khan	064-2474175-77	Block 18, Pakistan Plaza
131	199	Center	Dera Ghazi Khan	Dera Ghazi Khan	064-2468769-72	Jampur Road, Dera Ghazi Khan

# BRANCH NETWORK

## CENTER / NORTH REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
132	270	Center	Hasilpur	Hasilpur	062- 2441403-05	16-D Baldia Road, Hasilpur
133	263	Center	Khanpur	Khanpur	068- 5577411-13	Faysal Bank Ltd, Doabba Road, Khanpur
134	241	Center	Khanewal	Khanewal	065-2553608-11	Plot No. 75, Block 12, Sir Syed Road, Khanewal
135	275	Center	Kot Addu	Kot Addu	066-2241093-97	GT Road, Kot Addu
136	229	Center	Mian Channu	Mian Channu	065-2664262-64	GT Road near T chowk, Mian Channu
137	121	Center	Bosan Road	Multan	061- 6214905-09	I/A-2, Officers Colony, Bosan Road, Multan
138	133	Center	Old Bahawalpur Road	Multan	061-4784493 061-4785203-04	129/1, Old Bahawalpur Road, Multan
139	149	Center	Bahawalpur	Multan	062-2730691-95	2 - Rehman Society, Noor Mahal Road, Bahawalpur
140	203	Center	Qadaffi Chowk	Multan	061-6784276-79	709-Qaddafi Chowk, Khanewal Road, Near Daewoo Terminal
141	341	Center	Nusrat Road	Multan	061-111-11-22-33	No.1 Nusrat Road, Opp District Court Multan Cantt.
142	260	Center	Vehari Road, Multan	Multan	061-6241083-85	Sheary Commercial Center, Vehari Road, Multan
143	155	Center	Okara	Okara	044-2551773 044-2552172	M.A. Jinnah Road, Okara College Road, Pakpattan
144	247	Center	Pakpattan	Pakpattan	045-7352307-09	
145	157	Center	Rahim Yar Khan	Rahim Yar Khan	068-5889411-15	27- Town Hall Opp. City Park, Rahim Yar Khan
146	201	Center	Sadiqabad	Rahim Yar Khan	068- 5702440	Allama Iqbal Road, Sadiqabad District, Rahim Yar Khan
147	202	Center	Sahiwal	Sahiwal	040-4224060-64	Sarwar Shaheed Road, Sahiwal
148	154	Center	Vehari	Vehari	067-336640 067-3360797	47-A, Karkhana Bazar, Vehari.
149	447	Center	Vehari	Vehari	067-3366582	94 -B, Iqbal Road, Behind Grain Market
150	452	North	Islamabad Blue Area II	Islamabad	051-2275252	78-W, Roshan Center, Jinnah Avenue, Blue Area
151	278	North	PWD	Islamabad	051-5156081	Atta Arcade, Ground Floor, Main Boulevard, Near Police Foundation, PWD, Islamabad
152	194	North	F-11 Markaz	Islamabad	051-2228142-4	Plot 14, F-11, Markaz, Islamabad
153	126	North	F-10 Markaz Islamabad	Islamabad	051-2104456-8	2-G, Capital Business Center, F-10 Markaz, Islamabad
154	213	North	F-8 Markaz	Islamabad	051-2817256	Rawal Arcade, Markaz F-8, Islamabad
155	169	North	I-10 Markaz	Islamabad	051-4102105-8	3-G, Monawwar Plaza, C10 Markaz I-10, Islamabad
156	166	North	F-7 Markaz	Islamabad	051-2652676 051-2654689	Shop 1, Plot 12 D, Jinnah Supermarket, F-7 Markaz, Islamabad
157	113	North	Blue Area	Islamabad	051-2275096-9	15-West, Jinnah Avenue Blue Area, Islamabad
158	262	North	Bara Koh	Islamabad	051-2304047-50	Shop # 8,11 Usman Plaza Main Murree Road, Bara Koh, Islambad
159	220	North	G-10, Markaz	Islamabad	051-2101272-73	G-10 Markaz Branch, Islamabad
160	332	North	F-7/II	Islamabad	051-111-11-22-33	15, Markaz F-7, Opposite FG College for Women, F-7/2

# BRANCH NETWORK

## NORTH REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
161	219	North	Abbottabad	Abbottabad	0992-385919-28	841 Farooqabad Main Mansehra Road, Abbotabad
162	246	North	Attock	Attock	057-2602061-62	Plot # 169 Shaikh Jaffar Plaza Saddiqui Road, Attock City
163	450	North	Bhalwal	Bhalwal	048-6642405-08	131-A, Liaqat Shaheed Road
164	243	North	Chakwal	Chakwal	0543-553932-34	Talha Gang Road, Opposite Alliace Travel, Chakwal
165	235	North	Chaksawari	Chaksawari	05827-454800-2	Khalid Plaza, Main Bazar, Chak Sawari, Mirpur A.J.K.
166	238	North	Daska	Daska	052-6614623-4	Plot No.3,4 & 5, Muslim Market, Gujranwala, Daska
167	190	North	Dina	Dina	0544-636824	1880 - Al-Bilal Plaza, GT Road, Dina
168	259	North	Dudial	Dudial	05827-465813-16	Hussain Shopping Centre, Main Bazar Branch, Dudial, Azad Kashmir
169	111	North	Civil Line, Main-Faisalabad	Faisalabad	041-2644481-5 041-111-747-747	Bilal Road, Civil Lines, Faisalabad
170	176	North	Ghulam Muhammadabad, Faisalabad	Faisalabad	041-2691375,1262	39-B, Usman Plaza, Sadar Bazar Ghulam Muhammad Abad, Faisalabad
171	177	North	D-Ground, Faisalabad	Faisalabad	041-8730443	447-D, Peoples Colony, Faisalabad
172	224	North	Madina Town, Faisalabad	Faisalabad	041-8723432-65	Madina Town, Branch Faisalabad
173	444	North	Liaquat Road, Faisalabad	Faisalabad	041-2636341-3	P-III, Liaqat Road
174	254	North	Samanabad, Faisalabad	Faisalabad	041-2563673	650 A, Samanabad, Industrial Labor Colony, Faisalabad
175	340	North	Civil Line II, Faisalabad	Faisalabad	041-111-11-22-33	Bilal Road, Civil Lines
176	136	North	Gujar Khan	Gujar Khan	051-3514985 051-3514996	B-111, 215-D, Ward 5, G.T. Road, Gujar Khan
177	415	North	Gujar Khan	Gujar Khan	051-3516425 051-3516324	Plot No 204/A, Main Gate, Gujar Khan
178	128	North	Gujranwala	Gujranwala	055-3730301-3	Zia Plaza, G.T. Road, Gujranwala
179	268	North	Sheikhupura Road, Gujranwala	Gujranwala	055-4240156-60	Link Sheikhupura Road, Mohalla Bajwa Colony, Khiali Shahpur Town, Tehsil and District Gujranwala
180	146	North	Gujrat	Gujrat	053-3533315 053-3536781-3	Nobel Furniture Plaza, G.T Road, Gujrat
181	248	North	Haripur	Haripur	0995—616427-9	Akbar Arcade, Akbar Khan Plaza, Shahrah-e-Hazara, Haripur
182	162	North	Kharian	Kharian	053-7536064	Rizwan Plaza, First Floor, GT Road, Near City Hospital, Kharian
183	449	North	Kharian	Kharian	053-7536275	G.T. Road, Kharian
184	163	North	Jhang	Jhang	047-7623283-84	P-10/1/A, Katchery Road, Near Session Chowk, Saddar Jhang
185	204	North	Jhelum	Jhelum	0544-626001	Kohinoor Bank Square, Old G.T. Road, Jhelum Cantt
186	245	North	Lalamusa	Lalamusa	053-7519576-9	Shayan Plaza Kaira G.T Road Lalamusa
187	215	North	Mandi Bahauddin	Mandi Bahauddin	0546-600722-23	Khasra No.143/112/2 Railway Road, Mandi Bahauddin
188	116	North	Mirpur (AJK)	Mirpur (Ajk)	05827-445103 05827-445683	Ch. Sharif Plaza, Mian Muhammad Road, Opp. Quaid-e-Azam Stadium, Mirpur, Azad Kashmir

# BRANCH NETWORK

## NORTH REGION

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
189	191	North	University Road	Peshawar	091-5711401-8	4652-4670, Omer Plaza, Jahangirabad, University Road, Peshawar
190	192	North	Khyber Bazar	Peshawar	091-2220471	417-D, Outside Bajori Gate, Shoba Chowk, Khyber Bazar, Peshawar
191	250	North	Peshawar University Camp	Peshawar	091-5846547-50	Ground Floor, Western Corner, Academic Block - II, University of Peshawar
192	411	North	Peshawar Fakh-e-Alam	Peshawar	091-5285289 091-5270176-8	1 Fakh-e-Alam Road Cantt, Peshawar
193	277	North	Peepal Mandi	Peshawar	091-2592800	Ashraf China Trade Centre, Pipal Mandi, Peshawar City
194	167	North	Peshawar City	Peshawar	NA	Tariq Market, New Rampura Gate, Ashrafi Road, Peshawar City
195	249	North	Rabwah	Rabwah	047-6215072-4	Plot # 09, Gol Bazar Darul Saddar Chenab Nagar Rabwah
196	120	North	Haider Road	Rawalpindi	051-5701018-22	32, Haider Road, Rawalpindi Cantt, Rawalpindi
197	135	North	Satellite Town	Rawalpindi	051-4424969-72	5th Road, City Shopping Centre, Commercial Market, Satellite Town, Rawalpindi
198	168	North	Raja Bazar	Rawalpindi	051-5530661 051-5775623/25/27	U-I, Iqbal Road, Fawara Chowk, Raja Bazar, Rawalpindi
199	184	North	Westridge	Rawalpindi	051-5166835-37	Peshawar Road Westridge, RV Arcade, Rawalpindi
200	214	North	Sadiqabad Road	Rawalpindi	051-4257745 051-4573741-42	72-C, Satellite Town Sadiqabad Road, Rawalpindi
201	234	North	Kalma Chowk	Rawalpindi	051-5683053-4	Kalma Chowk, Kamalabad, Dhok Syedan Road, Rawalpindi
202	337	North	Rawalpindi Main	Rawalpindi	051-111321321 051-5795105	CL / 55 - A, Civil Lines, Meo Road, Rawalpindi
203	409	North	Rawalpindi Gunj Mandi	Rawalpindi	051-5539115 051-5533315	Gunj Mandi, Raja Bazar, Rawalpindi
204	267	North	Gulraiz	Rawalpindi	051-5596188-9	Plot No. 27, Gulraiz Scheme II, Rawalpindi
205	257	North	Sarai Alamgir	Sarai Alamgir	0544-654623-4	RMA Complex, Main GT Road, Sarai Alamgir
206	407	North	Sialkot II	Sialkot	052-4264099 052-4264030	Paris Road, Sialkot Chamber of Commerce & Industry Building, Aiwan-e-Sannat o Tijarat, Paris Road
207	261	North	Cantt Sialkot	Sialkot	052-4560108-110	100 - A, Aziz Shaheed Road, Sialkot Cantt
208	122	North	Sialkot Main	Sialkot	052-4292501-3	Plot No.B1-16S-98B, 17-Paras Road, Opp CC & I, Sialkot
209	161	North	Sargodha	Sargodha	048-3726033-36	University Road, Sargodha
210	405	North	Sargodha	Sargodha	048-3726647-8	Khayyam Chowk, Railway Road
211	228	North	Toba Tek Singh	Toba Tek Singh	046-2517800-809	P-356 A/15-5, ST-6, Chaudhry Park, Farooq Shaheed Road, Toba Tek Singh
212	279	North	Wazirabad	Wazirabad	055-6609523-30	Ground Floor, Al Rehmat Plaza, Hajjipura Chowk, Sialkot Road, Wazirabad

# BRANCH NETWORK

## ISLAMIC BRANCHES

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	3001	South	Sharafabad Branch	Karachi	021-34923770	Al-Haram 1, BMCHS, Alamgir Road, Sharafabad, Karachi
2	3007	South	Nazimabad Branch	Karachi	021-36613048	First Floor, Plot No. 16, Row No.1, Sub-Block-A, Block-III, (III/A, 1/16), Nazimabad, Karachi
3	3010	South	Jodia Bazar Branch	Karachi	021-32463262	Shop No. G-1, Ground, Basement & First Floor, Plot No. M.R. 3/18/II-B-143, Market Quarters, Bolton Market, Karachi
4	400	South	DHA Phase 1	Karachi	021-35311473	KM Center, Plot No.130 & 130/1, Korangi Road DHA Phase-1, Karachi
5	443	South	Shaheed-e-Millat	Karachi	021-34311657	SNPA/6 - A/1, Commercial Area, KCHS Union Ltd. Union Area, Shaheed-e-Millat Road, Karachi
6	3015	South	Gulistan-e-Jauhar	Karachi	021-34026831 021-34026826	Shops No. 12 to 14, Plot No. 118/6-C, Billy's Height, Deh Okewari, Drig Road Cantt Block-18, KDA Scheme No. 36, Gulistan-e-Jauhar, Karachi
7	3027	South	Paper Market	Karachi	021-32213945-8 021-32213942-3	Plot Bearing Survey No.20, Sheet No.SR-8, Syed Aale-Hassan Memorial Lodge, Hassan Ali Effendi Road, Paper Market, Karachi
8	3031	South	Khy-e-Shahbaz	Karachi	021-35342364-7 021-35342388	43-C, Khayaban-e-Shahbaz, Phase VI, DHA, Karachi
9	3026	South	Dhoraji	Karachi	021-34860851-2 021-34860855	Shop No. G-1 To G-4, Talha Arcade, Plot No. 35/187, Block 7/8, C.P. Berar Cooperative Housing Society, Karachi
10	3043	South	Gulshan-e-Iqbal	Karachi	021-34819572-76	No. FI-2/4, Block-6, KDA Scheme No. 24, Gulshan-e-Iqbal, Karachi
11	3042	South	Saddar	Hyderabad	022-2730074-77	C.B. 41/474/2, Saddar, Hyderabad
12	3004	South	Zarghoon Road Branch	Quetta	081-2443144	Near Bukhari Petroleum Services, New Zarghoon Road, Quetta
13	3018	South	Qandhari Bazaar	Quetta	081-2837890 081-2843005	1-25/14-15, Qandhari Bazaar, Quetta
14	3006	Center	Leads Centre Branch	Lahore	042-35783953	Shop Nos. 4, 4A, 4B, Leads Centre, 11-E/2, Gulberg-III, Lahore
15	3008	Center	Azam Cloth Market Branch	Lahore	042-37671348	Shop No. F-1469, 1566 & 1567, Akbar Block, Rahim Centre, Azam Cloth Market, Lahore
16	421	Center	Cavalry Ground	Lahore	042-36603417	97-Commercial Area, Cavalry Ground, Lahore Cantt, Lahore
17	3016	Center	Baghbanpura	Lahore	042-36840318	310/3/1, Bilal Market Chowk, Shalamar Bagh, G.T Road, Baghbanpura, Lahore
18	3025	Center	Allama Iqbal Town	Lahore	042-37811069	20, Gulshan Block, Allama Iqbal Town, Lahore
19	3029	Center	Shahdara	Lahore	042-37900268	Khasra No. 128, Khewat No. 600, Khatooni No. 1079, Mauza Begum Kot, Sheikhpura Road, Shahdara, Lahore
20	3033	Center	Circular Road	Lahore	042-37670501	33- Circular Road, Outside Shah Alam Gate, Lahore
21	3032	Center	Township	Lahore	042-35176002	894-D, Faisal Town, Peco Road, Township, Lahore
22	3037	Center	Raiwind Road	Lahore	042-35320406	131/178, Bohbatein Chowk, Raiwind Road, Lahore
23	3038	Center	DHA Z Block	Lahore	042-35743741-43	10-Z, Street 1, Phase III, DHA, Lahore
24	3040	Center	Qartaba Chowk	Lahore	042-37574308	3-B, Ferozepur Road, Mozang Chungi, Near Abid Market, Qartaba Chowk, Lahore
25	3039	Center	Circular Road	Bahawalpur	062-2731115-6/8	V-912, Circular Road, Bahawalpur
26	3003	Center	D-Ground Branch	Faisalabad	041-8555642	D-Ground Branch 447-D, Peoples Colony 1 D-Ground, Faisalabad
27	3021	Center	Liaquat Road	Faisalabad	041-2627806	3-Liaquat Road, Faisalabad

## BRANCH NETWORK

### ISLAMIC BRANCHES

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
28	3014	Center	Minerwa Road	Faisalabad	041-2416191	Shop No.1,2, 46-50, New Grain Market, Minerwa Road, Faisalabad
29	3017	Center	G.T. Road, Gujrat	Gujrat	053-3535931	2-Prince Fan Colony, G.T. Road, Gujrat
30	3030	Center	Gujranwala	Gujranwala	055-3735537	157-Al-Majeed Centre, Street No. 14, Mohalla Faisalabad, G.T. Road, Gujranwala
31	3022	Center	Abdali Road	Multan	061-4571768	80-Abdali Road, Multan
32	3023	Center	Daska Road	Sialkot	052 -240200	Plot No. 651, Daska Road, Pul Aik, Sialkot
33	3024	North	F-10 Markaz	Islamabad	051-2296962-3 051-2222873	Ground Floor, 7-L, F-10 Markaz, Islamabad
34	3019	North	Mirpur	Azad Kashmir	05827-437272-3 05827-437259/61/62/70	Akbar Plaza, Plot No.2, Sector A/2, Mirpur, Azad Kashmir
35	3020	North	Charsadda	Charsadda	091-6511011	Ground Floor, Gold Mines Towers, Nowshera Road, Charsadda
36	3036	North	D.I. Khan	D.I. Khan	0966-718903-6 0966-718941-3	Plot No.19, Survey No.79, Near Gpo Chowk, East Circular Road, D.I. Khan Cantt
37	3035	North	Hangu Road	Kohat	0922-522451-454	Plot No. 14, Survey No. 253-C, Near Butt Super Store, Katchery Chowk, Hangu Road Kohat Cantt
38	3034	North	Abbottabad Road	Mansehra	0997-308301-07 0997-308309-11	Khata/Khatooni No. 3179/6260, Ground Floor, Rehman Plaza, Abbottabad Road, Mansehra
39	3011	North	Mardan	Mardan	0937-871761-2	2174/1, Bank Road, Mardan
40	3028	North	Nowshera Cantt	Nowshera	0923-613404	1St Floor, Amin Tower, G.T. Road, Nowshera Cantt. Nowshera
41	3041	North	Ashraf Road	Peshawar	091-2593365	Shops No. 471-472/203-204, New Rampura Gate, Ashraf Road, Peshawar
42	3002	North	Hayatabad Branch	Peshawar	091-5811572	Inds. Estate Kharkhano Mkt. Shop No. 1-7, S.S./Royal Plaza, Jamrud Road Hayatabad, Peshawar
43	3013	North	Peshawar Cantt	Peshawar	091-5273091-92 091-5275182	6, Saddar Road, Tasneem Plaza, Peshawar Cantt, Peshawar
44	3012	North	G.T. Road	Peshawar		Ground Floor, Raheem Medical Centre, G.T. Road, Peshawar
45	3005	North	The Mall	Rawalpindi	051-5701060	Century Towers, 6 The Mall, Rawalpindi
46	3009	North	Mingora Branch	Swat	0946-722015	Lower Ground & First Floor, Abasin Towers, Green Chowk, Madyan Road, Mingora, Swat

Once an ambitious will is established, life becomes that much more full of possibilities.  
It keeps us going... wondering... dreaming... “What more, how else, where now?”

GOING BEYOND





ستاروں سے آگے جہاں اور بھی ہیں  
ابھی عشق کے امتحاں اور بھی ہیں



### Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

### Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

### Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Cash Reserve Ratio (CRR)

Cash Reserve Ratio is the amount of funds that the banks have to keep with SBP.

### Contingencies

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence of one or more future events.

### Cost / Income Ratio

Operating expenses as a percentage of total income.

### Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

### Deferred Taxation

Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

### Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

### Dividend Yield Ratio

Dividend per share divided by the market value of share.

## Derivatives

Derivative is a financial instrument or other contract which has the following characteristics:

- (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying);
- (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (c) it is settled at a future date.

## Effective Tax Rate

Net tax charge divided by the profit before taxation.

## Earnings Per Share

Profit after taxation divided by the weighted average number of ordinary share in issue.

## Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

## Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

## Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

## Guarantees

An agreement involving a promise by a person (the guarantor) to fulfill the obligations of another person owning debt if that person fails to perform.

## Historical Cost Convention

Recording transactions at the actual value received or paid.

### IAS

International Accounting Standards

### IFRS

International Financial Reporting Standards

### IFRIC

International Financial Reporting Interpretation Committee

### Interest In Suspense

Interest suspended on nonperforming loans and advances.

### Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

### Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

### Loan Losses And Provisions

Amount set aside against possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

### Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

### Net Assets Value Per Share

Shareholders' funds divided by the number of ordinary shares in issue.

### Net Dividends

Dividend net of withholding tax.

### Net Interest Income

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

**NPLs to Gross Advances/Loans**

Represents the infected portfolio of the bank and is calculated by dividing the total non-performing loans by gross advances.

**Non Performing Loan-Substandard Category**

Where markup/interest or principal is overdue by 90 days or more from the due date.

**Non Performing Loan-Doubtful Category**

Where markup/interest or principal is overdue by 180 days or more from the due date.

**Non Performing Loan-Loss Category**

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date

**Off Balance Sheet Transactions**

Transactions that are not recognized as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

**Price Earnings Ratio (P/E Ratio)**

Market price of a share divided by earnings per share.

**Prudence**

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

**Repurchase Agreement**

Contract to sell and subsequently repurchase securities at a specified date and price.

**Reverse Repurchase Agreement**

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

**Return On Average Equity**

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

**Revenue Reserve**

Reserves set aside for future distribution and investment.

**Return On Average Assets**

Profit after tax divided by the average assets.

### **Risk Weighted Assets**

On Balance Sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

### **Shareholders Funds**

Total of Issued and fully paid share capital and capital and revenue reserves.

### **Statutory Reserve Funds**

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

### **Weighted Average Cost of Deposits**

Percentage of the total interest expensed on average deposits of the bank for the period.

## 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 will be held on March 28, 2012 and at any adjournment  
 thereof.

Signed \_\_\_\_\_ day of \_\_\_\_\_, 2012

Witness:

1. \_\_\_\_\_

Revenue Stamp

Rs. 5/-

Signature of Member (s)

2. \_\_\_\_\_

### Notes:

1. The Share Transfer Books of the Bank shall remain closed from March 21, 2012 to March 28, 2012 (both days inclusive) Transfer received at the Registrar and Share Transfer Agent of the Bank by the close of business on March 20, 2012 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, First Floor, House of Habib Building (Siddiqsons Tower) 3--JinnahCo-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, First Floor, House of Habib Building (Siddiqsons Tower) 3--Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi -75350.



BANK ON AMBITION

