



faysabank



مَسْنَدُ عَزِيم

Annual Report | 2015

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## Manzil-e-Azm

Every milestone we reach becomes step one for the next goal. Self-belief, professional excellence, and your trust provides us with the strength and motivation to excel and do better. The support we receive from our customers is what makes every step of ours a successful one towards our Journey of Ambition.

From strength to strength, one success to another, our story is that of ambition and innovation. This annual report talks about various aspect of the Bank's growth, and how it was achieved with service, customer satisfaction, and value addition as yardsticks.

## مَنْزِلِ عَزْمٍ

ہر قدم پر کامیابی سمیٹتے، محنت، حوصلے، لگن اور جذبے کے ساتھ ہم آگے اور آگے بڑھتے جا رہے ہیں۔ ہمارا اولین مقصد اور عزم صارفین کو بہتر اور جدید سہولیات فراہم کرنا ہے۔

صارفین کا ہم پر اعتماد اور بھروسہ ہمیں یقین دلاتا ہے کہ ہم صحیح سمت میں سفر کر رہے ہیں اور ہم ہر بڑھتے قدم کے ساتھ کامیاب تر ہوتے چلے جا رہے ہیں۔



### Assalam o Alaikum

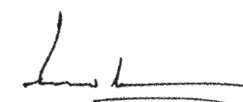
The year 2015 was a year of consolidation and growth for Faysal Bank Limited. During the course of the year, Faysal Bank saw significant growth in profitability as compared to last year which has allowed us to further strengthen our franchise and establish a strong position as a key market player. Despite a declining interest rate scenario and various other external factors, the Faysal Bank team was able to generate a positive momentum and surpass the standards set for the year. Furthermore, during the course of this year, the Bank enhanced focus on cross selling initiatives and institutionalised a multi-product sales approach. This progressive strategy yielded results in the shape of strong bottom-line contribution from various businesses including Retail Banking, Commercial Banking, Small Medium Enterprises and Corporate Banking.

Faysal Bank Management Team under the guidance of the Board of Directors and the Sub-Committees focused unified efforts towards generating value for customers through improvement in customer experience. This was achieved through concerted focus on training and development of frontline staff. The year was marked by numerous customer engagement initiatives and launches of specialised alliances which have positioned the Bank as one of the leading players in the industry. On an internal level, the Management Team, has inculcated a performance based culture with complete clarity on performance indicators such that the team is fully geared up towards achieving common goals. Strong reporting tools and technological support continue to be at the base of Faysal Bank's growth and future strategy.

With this critical consolidation phase behind us, Faysal Bank is now well poised to leverage internal and external synergies to move towards an aggressive expansion phase. In line with the Board's directives, the Bank has planned strong footprint growth in the Islamic Banking network with focus concentrated towards asset and core deposit mobilisation. This would allow the Bank to penetrate into new customer segments and further improve the deposit mix.

Our core strength will always be our people, our customers, stakeholders and our employees. We aim to set ourselves apart through excellence in customer experience, achieved through highly trained and professional staff along with robust technological platforms.

I am confident that the year 2016 will see Faysal Bank set new benchmarks in success while building upon its existing brand equity.



Farooq Rahmatullah  
Chairman of the Board

مَسْزِلِ عَزْمِ

## Our Vision

Excellence in all that we do

## Our Values

Our daily code of conduct is exemplified by eight core values:  
 Four threshold values - values at the heart of our brand  
 Four differentiator values - values that set our brand apart

## 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

BOARD OF DIRECTORS

BOARD OF DIRECTORS



Left - Right:

**Juma Hasan Ali Abul**  
Director

**Abdulah Ebrahim  
Mohamed Al-Qasimi**  
Director

**Ahmed Abdulrahim  
Mohamed Abdulla Bucheery**  
Vice Chairman

**Farooq Rahmatullah**  
Chairman

**Nauman Ansari**  
President & Chief Executive Officer

**Imtiaz Ahmad Pervez**  
Director

**Mian Muhammad Younis**  
Director

## BOARD OF DIRECTORS – PROFILES

### Mr. Farooq Rahmatullah

Chairman

Farooq Rahmatullah is a Law graduate. He joined Burmah Shell Oil & Distribution Company in 1968 and worked in different roles in Chemicals, Human Resources, Marketing, Supply, Distribution, Retail, etc. He was transferred to Shell International London in 1994 as a Manager in the Business Strategy Division and was involved in various portfolios covering over 140 countries. On his return in 1998, he was appointed as Head of Operations of Shell Pakistan and was looking after Middle East and South Asia (MESA). In 2001, he was appointed as Chairman of Shell Companies in Pakistan and Managing Director of Shell Pakistan Limited.

He is currently leading an Expert Energy group which has developed a 25-year Integrated Energy Plan (first time ever in the history of energy planning) for the country. This plan has been in principle accepted by the Government, Pakistan Business Council, international agencies and some other stakeholders. The Expert Energy group continues to work in updating and revising the energy plan on an annual basis and engaging political leadership and other stakeholders.

Key Positions Held:

- Chairman of Shell Companies in Pakistan and Managing Director of Shell Pakistan Limited
- Founding Member of PAPCO (Pak Arab Pipeline Company Limited)
- Director General of Civil Aviation Authority of Pakistan
- Chairman of Oil and Gas Development Company Limited
- Chairman of LEADS Pakistan
- Chairman of Pakistan Refinery Limited
- Founding Member of Pakistan Human Development Fund
- Member of the Economic Advisory Council, Ministry of Finance, Government of Pakistan
- Member of National Commission of Government Reforms
- Director on the Boards of PCB, PIA and Pakistan Stone Development Company

He is serving on the Boards of Directors of

- Faysal Bank Limited
- Society for Sustainable Development
- Resource Development Committee of Aga Khan University Hospital
- Pakistan Refinery Ltd.-Director and Chairman of the Board

He is also a Trustee of Legends Trust (Formed by the Government of Sindh)

### Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery

Vice Chairman

Ahmed Abdulrahim holds an MBA from the University of Glamorgan, Wales (UK), and is an Associate Financial Accountant from the Institute of Financial Accountants, London (UK). He also holds an Executive Management Diploma from the University of Bahrain and an Advance Banking Diploma from the Bahrain Institute of Banking and Finance. He is also a certified Director from the Pakistan Institute of Corporate Governance.

Ahmed Abdulrahim is the Chief Executive Officer of Ithmaar Bank B.S.C. He started his career with Aluminum Bahrain and, after five years of service ending up as Senior Supervisor, Cash and Banking, as well as one year with Chase Manhattan Bank where he was Head of Financial Control. He joined the National Bank of Bahrain where he served for 28 years in various executive levels and in different capacities, including Manager of Foreign Exchange and Funding, Chief Internal Auditor and Assistant General Manager of Corporate Services Group.

Ahmed Abdulrahim held the dual roles of Deputy Chief Executive Officer at Shamil Bank and Chief Operating Officer at Ithmaar Bank for approximately four years. Following the reorganisation of Shamil Bank and Ithmaar Bank in 2010, he took charge of the Retail Banking Group as General Manager. He currently serves as board member of Faysal Bank Limited (Pakistan), Family Bank, The Benefit Company B.S.C. and Injaz Bahrain.

## BOARD OF DIRECTORS – PROFILES

### Mr. Nauman Ansari

President & Chief Executive Officer

Nauman Ansari has over 22 years of rich Credit, Corporate and Investment Banking experience, having been associated with Standard Chartered Bank (Karachi), Bank of America (Karachi), ABN AMRO (in Pakistan, Middle East and Asia Pacific regions), Fortis Bank (Middle East) and Crescent Commercial Bank (Pakistan). Nauman holds a Bachelors of Science degree in Business Studies from the USA. He is also a certified Director from the Pakistan Institute of Corporate Governance.

### Mian Muhammad Younis

Director

Mian Mohammad Younis has 37 years of experience in Public, Banking and Financial sectors and has retired as an Additional Secretary of the Ministry of Finance of the Government of Pakistan. In that capacity he has extensive knowledge of Corporate Sector Governance, Rules, Regulations and Audit Procedures. During his career, he was Head, Inter-Governmental Finance Wing, Regulation Wing, and Human Resource Wing of Finance Division as Additional Finance Secretary (AFS). He was Chief Operating Officer (CEO) of Khushal Pakistan Fund Limited and Secretary to National Finance Commission. He completed the process of liquidation of Federal Bank for cooperative (FBL) and Agriculture Marketing and Storage limited (AMSL) as liquidator (ASML).

Mr. Younis established new ventures and financial public Sector entities through mergers. He contributed towards policy formulation as member of Boards of various corporate sector entities, Banks and carried out financial restructuring of a number of non-banking Financial Corporations. Affected recovery of loans extended to Provincial Governments & other Public Sector entities by Federal Government and also assisted State Bank of Pakistan (SBP) in managing the over draft position of provinces, AJK, and various Public Sector Corporations. He supervised not only the Expenditure Budget of Federal Govt. but also implemented Social Sector Programs.

As Mr. Younis served in public sector for a long time, he gained vast experience in the management of HR through HR policies implementation, while holding positions in different Government, Semi Government and Autonomous Bodies i.e. FBR, BOI, Pakistan Software Export Board (PSEB). He established Relief Funds and framed their accounting procedures, Financial/Investment Rules in consultation with Controller General Accounts (CGA) and Auditor General of Pakistan Office.

He holds a Master's Degree in Economics and is also qualified in Project Appraisal & Risk Management (Duke, USA), Assessing Financial System Stability (IMF Institute, Singapore), Promotion of Direct Foreign Investment (Osaka, Japan), Promotion of Agro Based Industry (Manila Philippines), and Islamic Banking (Kuala Lumpur, Malaysia). He is also a Certified Director from the Pakistan Institute of Corporate Governance.

### Mr. Imtiaz Ahmad Pervez

Director

Imtiaz Ahmad Pervez has more than 35 years of banking experience. Currently Mr. Pervez is serving as a Director of Ithmaar Bank BSC, Bahrain. His most recent position, from which he resigned in March 2012, was Director of the Al Baraka Bank Pakistan Limited.

He was, earlier, also a board member of the Faysal Islamic Bank of Bahrain; Faysal Investment Bank of Bahrain EC.; Faysal Bank Ltd. Pakistan; Faysal Investment Bank Ltd. Pakistan; Trust Leasing Corp. Limited and Namco Management Company Ltd. From 1959 to 1994, he held many senior positions in the banking industry including that of Chief Operating Officer of Faysal Islamic Bank of Bahrain EC. He was also CEO of Al Faysal Investment Bank Ltd. Pakistan in the year 1990.

He holds a B.A. degree from University of the Punjab, Pakistan and is a Fellow of the Institute of Islamic Banking & Insurance, London.

## BOARD OF DIRECTORS – PROFILES

### Mr. Juma Hasan Ali Abul

Director

#### Key Positions Held

- Fellow member of the Chartered Association of Certified Accountants, England
- Certified Director from the Pakistan Institute of Corporate Governance
- Graduated from Cairo, with a Bachelor Degree in Accounting
- Executive General Manager, Ithmaar Bank BSC, Bahrain (2010-2013) responsible for the support functions: Financial Control, Strategic Planning, Information Technology, Banking Operations, Legal Affairs, Human Capital, Remedial Management, Administration, Shareholders Affairs, Corporate Communication
- General Manager MFAI (Jersey) (2000-2010), wholly owned subsidiary of the DMI group, providing investment and remedial advisory services to the Group
- Executive Senior Manager, Shamil Bank of Bahrain BSC (formerly: Faysal Islamic Bank of Bahrain) 1988-2000; held several senior positions: Head of Financial Control; Head of Internal Audit; Head of Administration, Operations; Head of Corporate Banking Group; Head of Investment Banking Group
- Board member of: Faysal Bank, Pakistan; Islamic Investment Company of the Gulf (under process); CITIC International Assets Management, Hong Kong; United Bank of Albania (until 2011); Gulf Investment Co., Egypt; in addition to sitting on the boards of directors of a number of entities including trading, industrial, real estate development entities in Bahrain, Cayman, Egypt and U.S.A.
- Worked with Touche Rose, London (now Deloitte) - Chartered Accountants. Peat Marwick Mitchell (now KPMG) Bahrain - Chartered Accountants
- Led and was involved in a number of mergers and acquisitions, restructuring of projects and spin offs

### Mr. Abdulelah Ebrahim Mohamed Al-Qasimi

Director

Mr. Al-Qasimi has more than 31 years of diversified management experience.

His previous positions include Chief Executive of the Labor Fund (Tamkeen), from which he resigned in May 2010, Deputy Chief Executive Officer of Labor Fund Project at the Bahrain Economic Development Board, Assistant Undersecretary for Training at the Bahrain Ministry of Labor and Social Affairs, Director of Engineering and Maintenance at the Bahrain Ministry of Health. He has also served as the Chairman of the Bahrain Qualifications Framework Steering Committee and the Steering Committee of Career Expo and was a Board member of the Bahrain Society of Engineers and the Bahrain Consumer Protection Society.

He is currently a Member of the Board of Ithmaar Bank, Tamkeen, Solidarity Group Holding, Durah Resort Management Company, Naseej BSC, Faysal Bank Limited (Pakistan) and the Bahrain Development Bank, , as well as a Member of the Committee for HRH Princess Sabeeka bint Ibrahim Al Khalifa's Award for Women Empowerment (Supreme Council for Women, SCW).

Mr. Al-Qasimi holds a BSc in Civil Engineering from Queen Mary College, University of London, UK, and MSc in Health Facility Planning from the University of North London, UK, and a Diploma in Health Care Management from the Royal College of Surgeons in Ireland, Bahrain. He is also a certified Director from the Pakistan Institute of Corporate Governance.

### Board of Directors

Mr. Farooq Rahmatullah  
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery  
Mr. Nauman Ansari  
Mian Muhammad Younis  
Mr. Imtiaz Ahmad Pervez  
Mr. Juma Hasan Ali Abul  
Mr. Abdulelah Ebrahim Mohamed AlQasimi

Chairman/Independent Director  
Vice Chairman/Non-Executive Director  
President & CEO  
Independent Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

### Board Audit & Corporate Governance Committee

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

Chairman  
Member  
Member

### Board Risk Management Committee

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

Chairman  
Member  
Member

### Recruitment Nomination and Remuneration Committee

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

Chairman  
Member  
Member  
Member

## COMPANY INFORMATION

AS OF DECEMBER 31, 2015



## COMPANY INFORMATION

AS OF DECEMBER 31, 2015

### Board Steering Committee for Conversion of Faysal Bank into Islamic Bank

Mr. Farooq Rahmatullah

Chairman

Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery

Member

Mr. Juma Hasan Ali Abul

Member

Mr. Nauman Ansari

Member

### Syed Majid Ali

Chief Financial Officer

### Mr. Aurangzeb Amin

Company Secretary & Head of Legal

### M/s. A.F. Ferguson & Co, Chartered Accountants

Auditors

### M/s. Mohsin Tayebaly & Co, Advocate

Legal Advisors

### Registered Office

Faysal Bank Limited  
Faysal House, St-02, Commercial Lane,  
Main Shahrah-e-Faisal,  
Karachi-Pakistan

UAN: (92-21) 111-747-747  
Tel: (92-21) 3279-5200  
Fax: (92-21) 3279-5226  
Website: www.faysalbank.com

### Share Registrar

M/s. Central Depository Company of  
Pakistan Limited  
(Share Registrar Department)  
CDC House, 99-B, Block-B,  
SMCHS, Main Shahrah-e-Faisal,  
Karachi-74400

Tel: (92-21) 111-111-500  
Fax: (92-21) 34326053  
Email: info@cdcpak.com

## ATTENDANCE OF BOARD OF DIRECTORS

MEETINGS DURING THE YEAR 2015

ATTENDED BY / MEETING DATE	29-01-15	26-02-15	28-04-15	10&11-05-15	26-08-15	02-09-15	27&28-10-15	23-11-15	23-12-15
Farooq Rahmatullah	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ahmed Abdulrahim Mohamed Abdulla Bucheery	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nauman Ansari	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mian Muhammad Younis	✓	✓	✓	✓	✓	✓	✓	✓	✓
Juma Hasan Ali Abul	✓	✓	✓	✓	✓	✓	✓	✓	✓
Imtiaz Ahmad Pervez	✓	✓	✓	✓	✓	✓	✓	✓	✓
Muhammad Wasif Ijjal	✓	✓	✓	✓	Leave of Absence	Leave of Absence	✓	✓	Resigned Effective from December 3, 2015
Abdulelah Ebrahim Mohamed Al Qasimi	—	Co-opted on February 6, 2015 ✓	✓	✓	✓	✓	✓	✓	✓

## ATTENDANCE OF BOARD AUDIT & CORPORATE GOVERNANCE COMMITTEE

MEETINGS DURING THE YEAR 2015

ATTENDED BY / MEETING DATE	25-02-15	27-04-15	04-08-15	25-08-15	26-10-15
Mian Muhammad Younis	✓	✓	✓	✓	✓
Ahmed Abdulrahim Mohamed Abdulla Bucheery	✓	✓	✓	✓	✓
Juma Hasan Ali Abul	✓	✓	✓	✓	✓

## ATTENDANCE OF BOARD RISK MANAGEMENT COMMITTEE

MEETINGS DURING THE YEAR 2015

ATTENDED BY / MEETING DATE	25-02-15	27-04-15	25-08-15	26-10-15
Imtiaz Ahmad Pervez	✓	✓	✓	✓
Abdulah Ebrahim Mohamed AlQasimi	✓	✓	✓	✓
Nauman Ansari	✓	✓	✓	✓

## ATTENDANCE OF RECRUITMENT, NOMINATION AND REMUNERATION COMMITTEE

MEETINGS DURING THE YEAR 2015

ATTENDED BY / MEETING DATE	29-01-15	26-02-15	28-04-15	01-07-15	25-08-15	26-10-15	23-12-15
Ahmed Abdulrahim Mohamed Abdulla Bucheery	✓	✓	✓	✓	✓	✓	✓
Juma Hasan Ali Abul	✓	✓	✓	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	Voluntarily Step down from RNRC	Voluntarily Step down from RNRC	Voluntarily Step down from RNRC	Voluntarily Step down from RNRC	Voluntarily Step down from RNRC
Nauman Ansari	✓	✓	✓	✓	✓	✓	✓
Mian Muhammad Younis	—	—	—	—	—	Appointed on September 2, 2015 ✓	✓

## ATTENDANCE OF BOARD STEERING COMMITTEE FOR CONVERSION OF FAYSAL BANK INTO ISLAMIC BANK

MEETINGS DURING THE YEAR 2015

ATTENDED BY / MEETING DATE	25-02-15	27-04-15	25-08-15	26-10-15
Ahmed Abdulrahim Mohamed Abdulla Bucheery	✓	✓	✓	✓
Juma Hasan Ali Abul	✓	✓	✓	✓
Nauman Ansari	✓	✓	✓	✓
Farooq Rahmatullah	—	—	—	Appointed on September 2, 2015 ✓

SENIOR MANAGEMENT

SENIOR MANAGEMENT



Seated L - R:

**Syed Majid Ali**  
Chief Financial Officer

**Abadullah**  
Head Operations

**Khurram Gul Agha**  
Head IT & Transaction Banking

**Salman Ahmed Usmani**  
Head Treasury

**Nauman Ansari**  
President & Chief Executive Officer

**Muhammad Merajuddin Ahmed**  
Head Human Resources

**Yousaf Hussain**  
Chief Risk Officer

**Mohammed Zahid Ahmed**  
Head Strategy

Standing L - R:

**Raheel Ijaz**  
Head Compliance

**Nasir Islam**  
Head Internal Audit

**Fouad Farrukh**  
Head Retail Banking

**Bilal Asghar**  
Head Corporate & Investment Banking

**Muhammad Aurangzeb Amin**  
Company Secretary & Head Legal

**Hasan Junaid Nasir**  
Head Islamic Banking

## SENIOR MANAGEMENT – PROFILES

### Nauman Ansari

President & CEO

Nauman Ansari has over 22 years of rich Credit, Corporate and Investment Banking experience, having been associated with Standard Chartered Bank (Karachi), Bank of America (Karachi), ABN AMRO (in Pakistan, Middle East and Asia Pacific regions), Fortis Bank (Middle East) and Crescent Commercial Bank (Pakistan). Nauman holds a Bachelors of Science degree in Business Studies from the USA. He is also a certified Director from the Pakistan Institute of Corporate Governance.

### Salman Ahmed Usmani

Head Treasury

Salman Ahmed Usmani has extensive experience of over 27 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 organisations such as ANZ Grindlays, American Express, Bank of America, Mashreq Bank and United Bank Limited.

### Syed Majid Ali

Chief Financial Officer

Syed Majid Ali has over 26 years of diversified experience, progressively responsible in the Accounts and Finance disciplines of banking with exposure in IT and HR activities. He has been associated as CFO with Emirates Bank International and Saudi Pak Commercial Bank, as well as KPMG as Partner. Majid is a Fellow member of the Institute of Chartered Accountants.

### Yousaf Hussain

Chief Risk Officer

Yousaf Hussain has over 21 years of professional experience, primarily at ABN AMRO Bank within the Corporate/Credit and Transaction Banking functions. He was previously Head of Corporate Banking (North) at Faysal Bank before assuming the portfolio of Special Assets Management where through his active support various strategic level initiatives were introduced. He has been with Faysal Bank since August 2008. His experience also entails senior assignments at Samba Bank, Mashreq Bank, Motorola/Mobilink and Siemens Pakistan. Yousaf has a Bachelor of Science degree in Electrical Engineering, and has done his MBA from LUMS.

### Khurram Gul Agha

Head Information Technology & Transaction Banking

Khurram Gul Agha's career spans 21 years, during which, he has held key roles in IT, Operations and Transaction Banking in both financial and non-financial sectors. Prior to joining Faysal Bank, Khurram has been associated with TCS (Pvt) Ltd, Citibank, UBL, First Data and NIB Bank. His last assignment was Group Head Operations & IT at NIB Bank. Khurram holds a Bachelor of Science degree in Computer Science and Mathematics from State University of New York at Binghamton.

### Nasir Islam

Head Internal Audit

Nasir Islam is a qualified Chartered Accountant with over 23 years of multifaceted experience. His first assignment was as Manager Finance in ANZ Grindlays (Karachi), 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.

### Muhammad Merajuddin Ahmed

Head Human Resources

Muhammad Merajuddin Ahmed has over 19 years of experience in the healthcare sector. During the course of his career, he has held senior roles in different organisations. Prior to joining Faysal Bank, he was associated with organisations such as Aga Khan University, Merck Sharp & Dohme of Pakistan. His last assignment was Head Human Resources at Novartis Pharma Pakistan Limited and Talent Management Lead Asia Cluster for Novartis. He was also the member Board of Directors, Novartis Pharma Pakistan Limited. Meraj is an MBA from Institute of Business Administration.

### Bilal Asghar

Head Corporate & Investment Banking

Bilal Asghar possesses over 20 years of multi-functional experience in the field of Corporate and Investment Banking, Islamic Banking, Special Assets and Credit/Risk Management. Bilal holds a Bachelor of Science degree in Business Administration from University of Southern California, Los Angeles.

### Fouad Farrukh

Head Retail Banking

Fouad Farrukh brings with him rich and broad-based experience of over 20 years, working in large banks, both in Pakistan and in the Middle East. After completing his BS - Finance from University of Maryland (USA) and MBA from LUMS, Fouad started his career with Faysal Bank as a Corporate Relationship Manager in 1996. He has previously worked as Gulf Risk Manager, Habib Bank Limited - Dubai, and as the Country Head, Habib Bank Limited - Bahrain, before joining BMI Bank B.S.C. (c) Bahrain as Head, Islamic Financial Services.

## SENIOR MANAGEMENT – PROFILES

### Mohammed Zahid Ahmed

Head Strategy

Mohammed Zahid Ahmed brings with him over 19 years of experience in both the financial and non-financial sectors where he has held leadership roles in Finance and Strategy. Prior to joining Faysal Bank, Zahid has been associated with organisations such as Allergan Pharmaceuticals Inc., Pak Kuwait Investment Company, ABN AMRO Bank, Dubai Islamic Bank, GIGA Group of Companies, Silk Bank and Meezan Bank. His last assignment was Head of Business Analytics, Strategy & Internal Control at Meezan Bank. Zahid is a Chartered Accountant from the Institute of Chartered Accountants Pakistan.

### Raheel Ijaz

Head Compliance

Raheel Ijaz has more than 36 years of work experience. Before assuming this position, he accumulated rich banking experience in institutions like MCB Bank Limited as Group Head Compliance and Controls, Country Head Srilanka, Head Corporate North & Public Sector, United Bank Limited as Regional Chief Executive North and also held key positions in Faysal Bank, Prime Commercial Bank, and Emirates Bank International. His last role was with Faysal Bank Limited as Advisor Business Development & Regulatory Affairs. Raheel holds an MBA degree from Quaid-e-Azam International University.

### Abadullah

Head Operations

Abadullah brings with him over 30 years of diversified experience of Branch Banking, Trade, Cash Management and Operations. Prior to joining Faysal Bank Limited, Abadullah had worked with Standard Chartered, ANZ Grindlays and United Bank Limited. His last assignment with SCB was Head Cash Management Operations & Cash Product Service Delivery. Abadullah started his career from United Bank Limited. Abadullah holds a Master of Business Administration (Finance) degree from IBA, University of the Punjab.

## SENIOR MANAGEMENT – PROFILES

### **Hasan Junaid Nasir**

Head Islamic Banking

Hasan Junaid Nasir has more than 15 years of work experience with exposure in Treasury, Finance, Information Technology, Product Development and Islamic Banking. He joined Faysal Bank in 2009. He holds a Master of Business Administration degree from College of Business Management along with ACCA and Post Graduate Diploma in Islamic Banking and Takaful. He is also NIBAF certified.

### **Muhammad Aurangzeb Amin**

Company Secretary & Head Legal

Aurangzeb Amin brings with him over 20 years of experience in the financial sector and legal consultancies both in Pakistan and in the USA. During his career he has worked with NIB Bank and Pak-Kuwait Investment Co. as Company Secretary and Head Legal. He has also worked with law firms locally and internationally, namely Orr, Dignam & Co and Surridge & Beecheno. He has a Master of Laws degree from Temple University, USA.

## SHARIAH BOARD – PROFILES

The Shariah Board at Faysal Bank Limited comprises of renowned Shariah Scholars, namely:

### **Mufti Muhammad Mohib ul Haq Siddiqui**

Chairman - Shariah Board

Mufti Mohib ul Haq is a prominent and a well-recognised Shariah scholar of international repute. His credentials include a specialised degree in Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Takhassus fil Ifta (Specialisation in Islamic Jurisprudence and Fatwa) from the esteemed Jamia Darul Uloom, Karachi.

Mufti Mohib ul Haq has been associated with Faysal Barkat Islamic Banking since 2011 as the Shariah Advisor prior to his appointment as the Chairman of Shariah Board. Previously, he has served as the Shariah Advisor/Shariah Board Member at various Financial Institutions which include:

- Bank Al Habib Ltd
- Takaful Pakistan Limited
- Royal Bank of Scotland Berhad Malaysia

He has over twelve years of teaching experience at renowned institutions and is also a Faculty Member/ Visiting Faculty Member of various well known Institutions such as:

- Jamia Darul Uloom Karachi
- Centre for Islamic Economics
- National Institute of Banking and Finance – SBP
- Institute of Cost and Management Accountants of Pakistan

### **Dr. Mufti Khalil Ahmad Aazami**

Shariah Board Member

Dr. Mufti Khalil Ahmad Aazami is a renowned Shariah Scholar in Islamic Banking industry. Dr. Aazami has graduated from Jamia Darul Uloom, Karachi. He obtained his Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Takhassus fil Ifta (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi. Dr. Aazami holds a Doctorate degree in “Islamic Jurisprudence” from Karachi University. Dr. Aazami was working with Bank Alfalah Islamic Banking since 2003 in the capacity of Shariah Advisor prior to joining Faysal Bank Ltd. He has served as a Shariah Board Member in different financial institutions which include:

- Takaful Pakistan Limited
- Alfalah GHP Islamic Fund

## SHARIAH BOARD – PROFILES

He has significant experience in teaching Islamic Finance, Banking and Takaful in the role of a Faculty Member/Visiting Faculty Member of various institutions including:

- Faculty member – Jamia Darul Uloom, Karachi
- Centre For Islamic Economics, Karachi
- National Institute of Banking and Finance - SBP
- Sheikh Zaid Islamic Research Centre - University of Karachi

### Mufti Khawaja Noor ul Hassan

Resident Shariah Board Member

Mufti Khawaja Noor ul Hassan possesses both contemporary as well as religious academic qualifications. He has obtained the Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Takhassus fil Ifta (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Farooqia & Jamia Darul Uloom, Taleem ul Quran, Karachi. Additionally, he holds a Bachelors' Degree in Law (LLB), a Masters Degree in Islamic Studies and a Masters degree in Islamic History from University of Karachi & Federal Urdu University respectively.

Mufti Hassan has over 7 years of professional, on-the-job and extensive experience, in Islamic Banking, including Sharia-compliant Product Development, Credit/Finance Appraisal & Administration with prestigious institutions such as Faysal Bank, Meezan Bank, & Albaraka Bank (formerly Emirates Global Islamic Bank). In addition to above, Mufti Hassan has over 3 years experience, working as Assistant Company Secretary for a number of Public & Private Limited Companies.

## SENIOR MANAGEMENT AND INTERNAL COMMITTEES

### Senior Management

**Nauman Ansari**  
President & Chief Executive Officer

**Salman Ahmed Usmani**  
Head Treasury

**Syed Majid Ali**  
Chief Financial Officer

**Yousaf Hussain**  
Chief Risk Officer

**Khurram Gul Agha**  
Head IT & Transaction Banking

**Nasir Islam**  
Head Internal Audit

**Muhammad Merajuddin Ahmed**  
Head Human Resources

**Bilal Asghar**  
Head Corporate & Investment Banking

**Fouad Farrukh**  
Head Retail Banking

**Mohammed Zahid Ahmed**  
Head Strategy

**Raheel Ijaz**  
Head Compliance

**Abadullah**  
Head Operations

**Hasan Junaid Nasir**  
Head Islamic Banking

**Muhammad Aurangzeb Amin**  
Company Secretary & Head Legal

### Management Committee

**Nauman Ansari**  
Chairman

**Syed Majid Ali**  
Member & Secretary

**Salman Ahmed Usmani**  
Member

**Yousaf Hussain**  
Member

**Khurram Gul Agha**  
Member

**Muhammad Merajuddin Ahmed**  
Member

**Bilal Asghar**  
Member

**Fouad Farrukh**  
Member

**Raheel Ijaz**  
Member

**Mohammed Zahid Ahmed**  
Member

**Abadullah**  
Member

### Asset & Liability Committee

**Nauman Ansari**  
Chairman

**Salman Ahmed Usmani**  
Member & Secretary

**Syed Majid Ali**  
Member

**Yousaf Hussain**  
Member

**Khurram Gul Agha**  
Member

**Bilal Asghar**  
Member

**Fouad Farrukh**  
Member

**Mohammed Zahid Ahmed**  
Member

**Syed Muhammad Fraz Zaidi**  
Member\*

\*Effective 1<sup>st</sup> February 2016

## SENIOR MANAGEMENT AND INTERNAL COMMITTEES

### Compliance Committee

**Nauman Ansari**  
Chairman

**Raheel Ijaz**  
Member & Secretary

**Syed Majid Ali**  
Member

**Yousaf Hussain**  
Member

**Nasir Islam**  
Member

**Mohammed Zahid Ahmed**  
Member

**Abadullah**  
Member

### IT Steering Committee

**Nauman Ansari**  
Chairman

**Khurram Gul Agha**  
Member & Secretary

**Syed Majid Ali**  
Member

**Yousaf Hussain**  
Member

**Bilal Asghar**  
Member

**Fouad Farrukh**  
Member

**Mohammed Zahid Ahmed**  
Member

**Raheel Ijaz**  
Member

**Abadullah**  
Member

**Iqbal Ahmad**  
Member

### Investment Committee

**Nauman Ansari**  
Chairman

**Salman Ahmed Usmani**  
Member & Secretary

**Syed Majid Ali**  
Member

**Yousaf Hussain**  
Member

**Bilal Asghar**  
Member

**Syed Muhammad Fraz Zaidi**  
Member\*

## SENIOR MANAGEMENT AND INTERNAL COMMITTEES

### Enterprise Risk Management Committee

**Nauman Ansari**  
Chairman

**Syed Muhammad Fraz Zaidi**  
Member\*

**Salman Ahmed Usmani**  
Member

**Syed Majid Ali**  
Member

**Yousaf Hussain**  
Member

**Bilal Asghar**  
Member

**Fouad Farrukh**  
Member

**Raheel Ijaz**  
Member

**Abadullah**  
Member

### Country Credit Committee

**Nauman Ansari**  
Chairman

**Yousaf Hussain**  
Member

**Bilal Asghar**  
Member

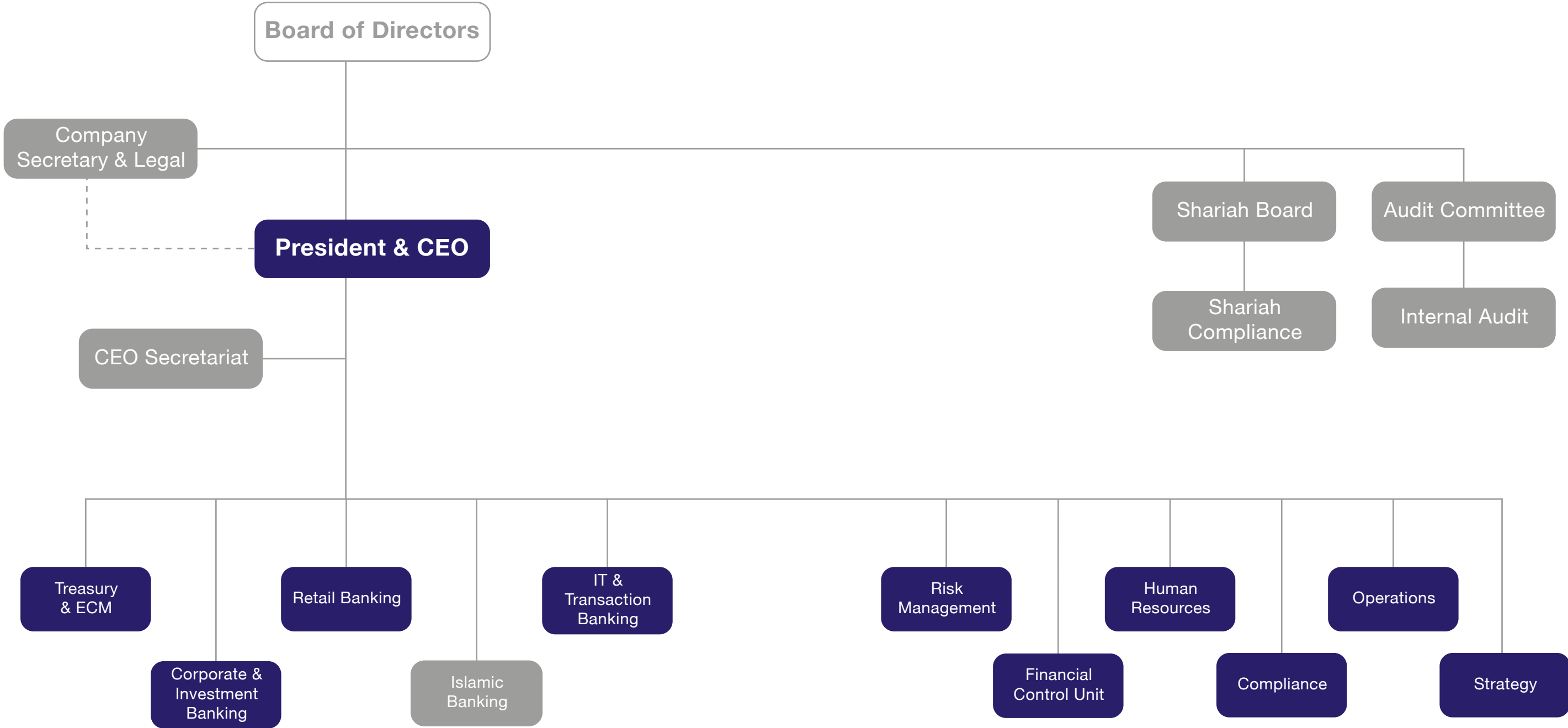
**Fouad Farrukh**  
Member

\*Effective 1<sup>st</sup> February 2016

\*Effective 1<sup>st</sup> February 2016



# ORGANISATIONAL STRUCTURE



■ "Blue positions" are Country MT positions.

## SIX YEARS FINANCIAL SUMMARY

	2015	2014	2013	2012	2011	2010
<b>OPERATIONAL RESULTS</b> (Rupees in Million)						
Mark-up / return / interest earned	<b>32,313</b>	32,313	27,790	28,802	28,825	19,710
Mark-up / return / interest expensed	<b>18,358</b>	18,480	16,945	19,839	19,619	13,919
Fee, commission, brokerage, FX income and other income	<b>3,507</b>	3,731	3,740	3,635	3,708	2,337
Dividend and capital gains	<b>2,057</b>	643	786	1,646	363	1,675
Total income	<b>19,519</b>	18,207	15,371	14,245	13,277	9,804
Provisions / Write-offs	<b>1,393</b>	2,359	2,116	1,401	695	2,202
Operating expenses	<b>11,198</b>	12,295	11,101	11,004	11,103	6,775
Operating profit before tax and provision	<b>8,314</b>	5,911	4,277	3,236	2,173	3,029
Profit before taxation	<b>6,920</b>	3,552	2,161	1,835	1,478	827
Profit after taxation	<b>4,222</b>	2,477	1,850	1,420	1,280	1,190
Bonus shares	% -	15.0	12.5	12.5	12.5	20.0

	<b>BALANCE SHEET</b> (Rupees in Million)					
Shareholders' equity	<b>26,059</b>	21,832	20,588	18,788	17,808	16,643
Revaluation reserves	<b>4,294</b>	4,470	1,578	2,249	1,420	(125)
Deposits	<b>292,130</b>	283,346	271,134	240,708	214,610	195,315
Borrowings from financial institutions	<b>90,565</b>	60,927	45,447	35,568	39,697	34,636
Advances - net of provision	<b>178,079</b>	181,225	184,190	172,299	148,162	133,707
Investments - net of provision	<b>183,677</b>	155,211	113,319	88,019	93,439	86,419
Total assets	<b>430,073</b>	388,126	355,280	313,123	292,583	267,321

	<b>CASHFLOWS</b> (Rupees in Million)					
Operating activities	<b>55,375</b>	13,479	28,733	(4,809)	5,912	8,882
Investing activities	<b>(49,705)</b>	(20,929)	(25,110)	7,692	(5,842)	2,050
Financing activities	<b>(1)</b>	(500)	(700)	(200)	(209)	3,004
Cash and cash equivalents at end of the year	<b>26,336</b>	20,666	28,617	25,694	23,011	23,150

### OTHER KEY INFORMATION

Imports	Rs Mln	<b>98,591</b>	120,614	157,183	120,269	103,766	73,116
Exports	Rs Mln	<b>53,150</b>	59,719	88,128	83,525	69,033	44,646
Number of employees		<b>3,141</b>	3,036	3,610	3,465	3,435	3,582
Number of branches		<b>280</b>	274	269	265	257	226

### PROFITABILITY RATIOS

Profit before tax ratio	%	<b>21.42</b>	10.99	7.78	6.37	5.13	4.20
Gross spread ratio (Net mark up income / gross mark-up income)	%	<b>43.19</b>	42.81	39.02	31.12	31.94	29.38
Return on capital employed	%	<b>3.17</b>	1.72	1.13	1.15	1.30	0.80
Return on average equity (ROE)	%	<b>17.63</b>	11.68	9.40	7.76	7.43	8.51
Return on average assets (ROA)	%	<b>1.03</b>	0.67	0.55	0.47	0.46	0.53
Income to expense ratio	Times	<b>1.74</b>	1.48	1.38	1.29	1.20	1.45

## SIX YEARS FINANCIAL SUMMARY

	2015	2014	2013	2012	2011	2010	
<b>LIQUIDITY RATIOS</b>							
Current ratio	Times	<b>1.37</b>	1.26	0.77	0.68	0.75	1.08
CASA to total deposits	%	<b>67.25</b>	65.66	64.90	60.93	54.50	53.22
Gross advances to deposit ratio (average)	%	<b>70.76</b>	73.77	77.21	78.26	77.26	78.25
Net advances to deposit ratio (average)	%	<b>62.44</b>	66.05	69.65	70.38	68.76	70.55
Non-performing loans to gross advances ratio	%	<b>14.97</b>	14.31	13.52	14.44	15.74	16.34
Specific provision to non-performing loans ratio	%	<b>79.24</b>	78.56	71.50	66.31	65.51	69.46

### INVESTMENT / MARKET RATIOS

Price earning ratio	%	<b>4.38</b>	8.82	7.39	9.00	7.62	15.71
Earning per share (EPS)	Rs.	<b>3.52</b>	2.06	1.54	1.18	1.07	0.99
Market value per share	Rs.	<b>15.43</b>	18.20	11.39	10.65	8.13	15.59
Market value per share - high	Rs.	<b>20.07</b>	19.25	12.50	14.12	15.95	20.90
Market value per share - low	Rs.	<b>13.54</b>	11.48	8.15	8.38	8.07	12.97

Book value per share - excluding surplus / (deficit) on revaluation of assets	Rs.	<b>21.72</b>	20.93	19.73	20.26	21.60	22.77
Book value per share - excluding surplus on revaluation of fixed assets	Rs.	<b>22.81</b>	22.30	19.56	20.70	21.00	22.60
Book value per share - including surplus / (deficit) on revaluation of assets	Rs.	<b>25.30</b>	25.21	21.25	22.68	23.33	22.60

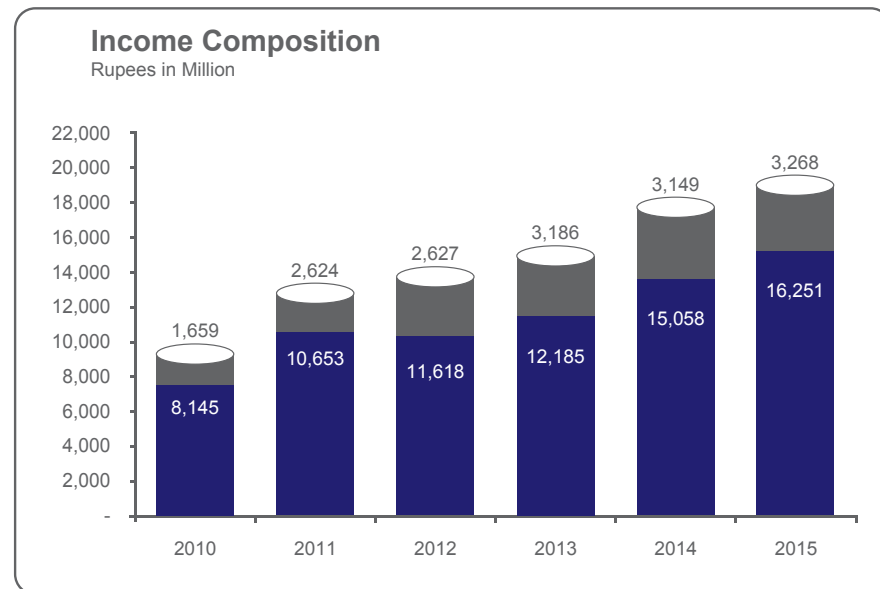
### CAPITAL STRUCTURE RATIOS

Capital adequacy ratio	%	<b>14.41</b>	12.22	11.29	10.69	10.65	10.31
Weighted average cost of deposit	%	<b>4.27</b>	5.33	5.24	6.60	7.04	6.70
Total assets turnover to fixed assets turnover ratio (Total assets / Fixed assets)	Times	<b>37.92</b>	33.62	34.66	28.83	26.97	30.63
Net assets per share	Rs.	<b>25.30</b>	25.21	21.25	22.68	23.33	22.60
Earning assets to total assets ratio	%	<b>86.93</b>	86.68	83.84	83.18	83.39	83.28

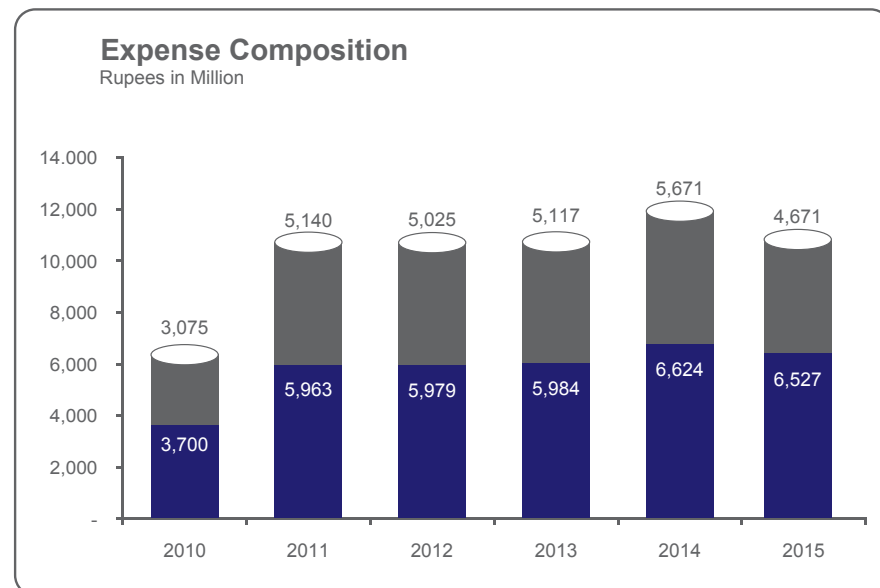
### Net assets maturity wise:

	<b>(Rupees in Million)</b>					
Upto one month	<b>(85,534)</b>	(60,796)	(16,197)	(28,485)	(28,640)	(77,873)
Over one month to three months	<b>53,767</b>	27,569	45,394	8,976	(3,212)	17,346
Over three months to six months	<b>5,606</b>	29,650	18,264	3,729	12,261	8,387
Over six months to one year	<b>88,379</b>	37,653	4,165	30,994	29,662	(5,960)
Over one year to two years	<b>16,103</b>	15,016	3,036	(2,525)	(17,458)	18,886
Over two years to three years	<b>(1,738)</b>	11,530	(5,978)	6,153	(139)	5,727
Over three years to five years	<b>14,891</b>	(10,065)	(14,836)	(5,183)	12,261	22,848
Over five years to ten years	<b>(66,060)</b>	(30,792)	(16,962)	(397)	4,736	17,006
Over ten years	<b>4,940</b>	6,538	5,281	7,774	9,743	10,149
Total net assets	<b>30,354</b>	26,303	22,167	21,037	19,214	16,516

## INCOME AND EXPENSE COMPOSITION

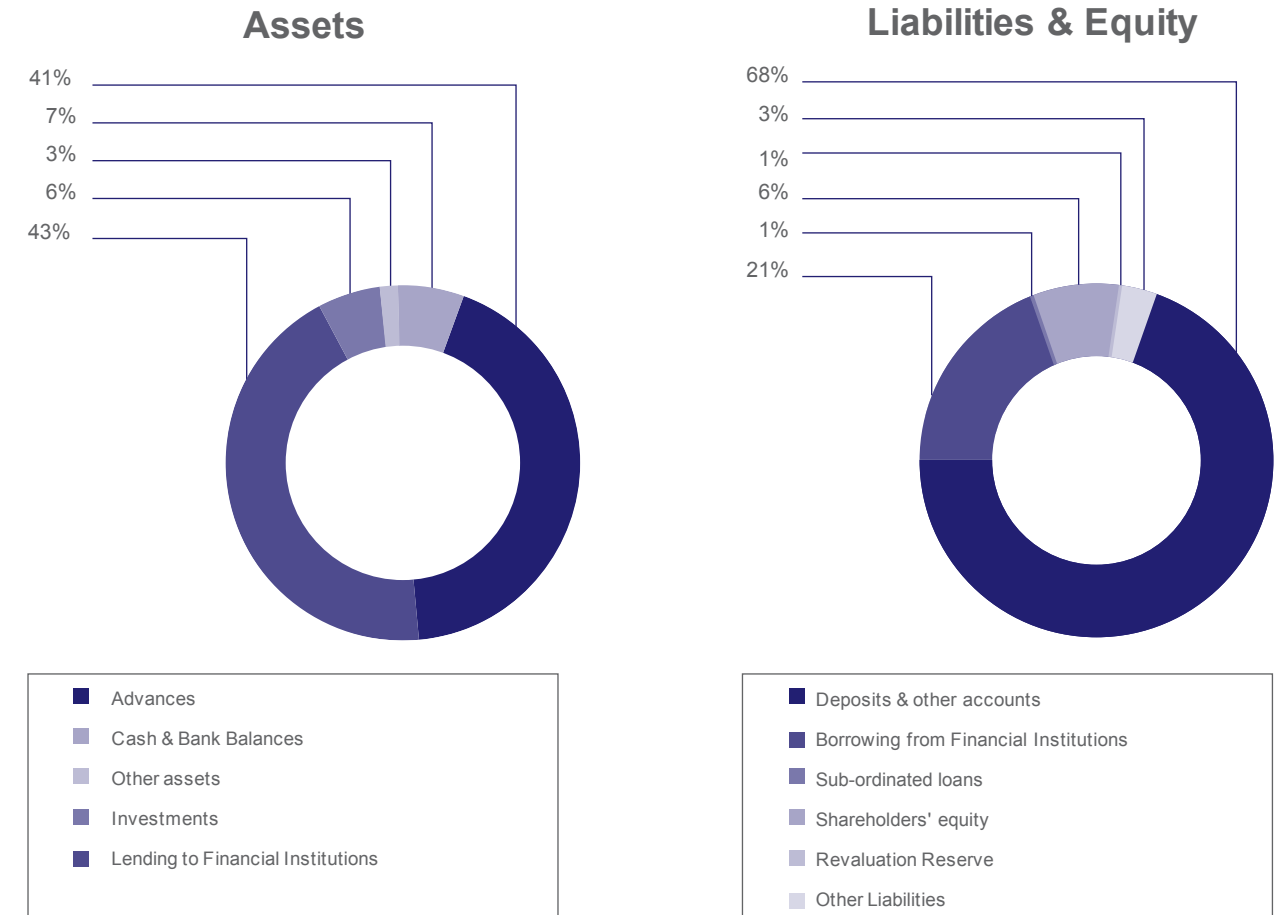


■ Fee, commission, brokerage & FX income  
■ Fund based income



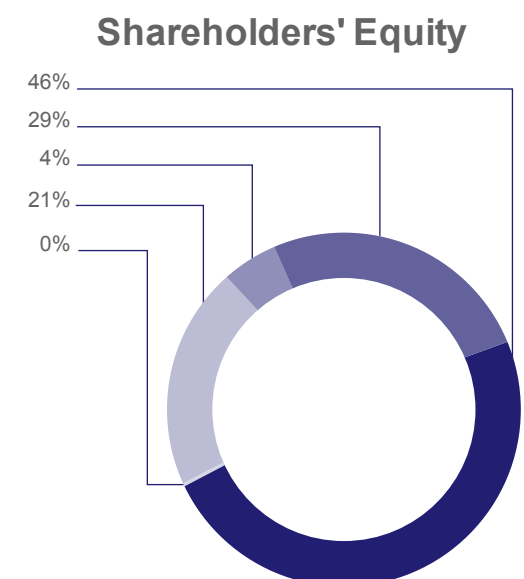
■ Employee Cost  
■ Other Cost

## STATEMENT OF FINANCIAL POSITION COMPOSITION



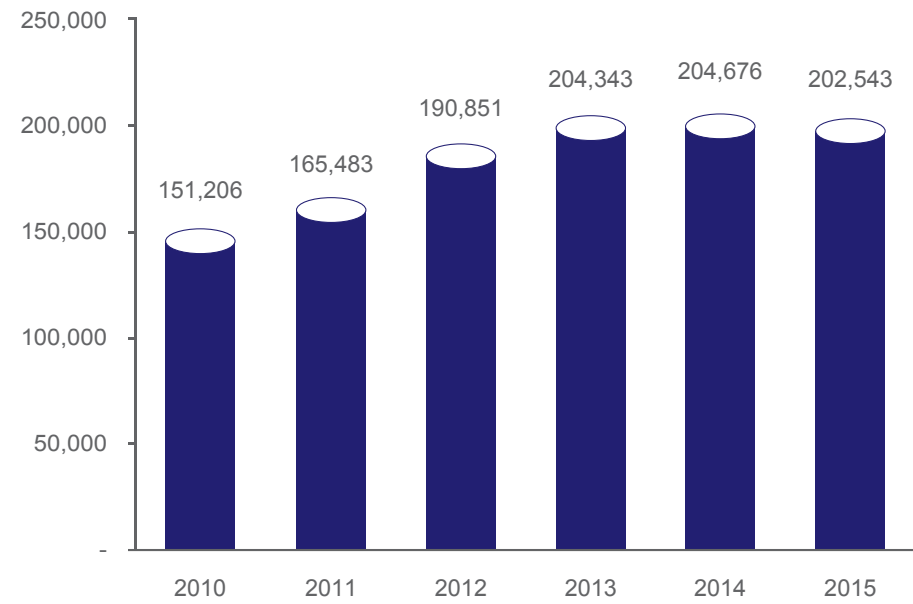
■ Advances  
■ Cash & Bank Balances  
■ Other assets  
■ Investments  
■ Lending to Financial Institutions

■ 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

**Gross Advances**  
Rupees in Million

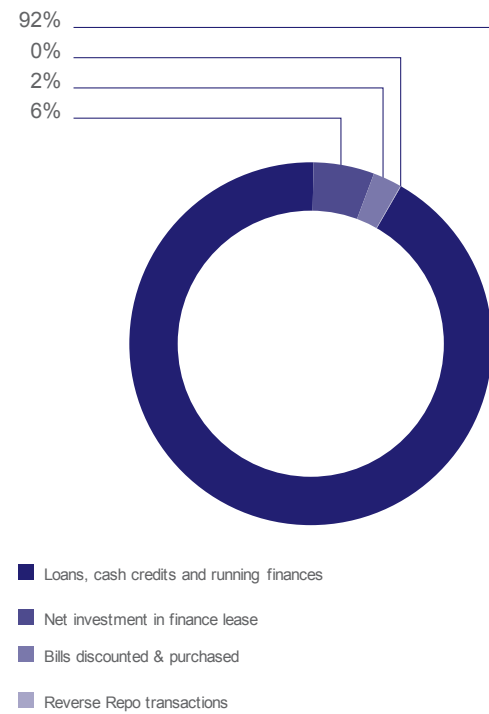


**Gross Advances**

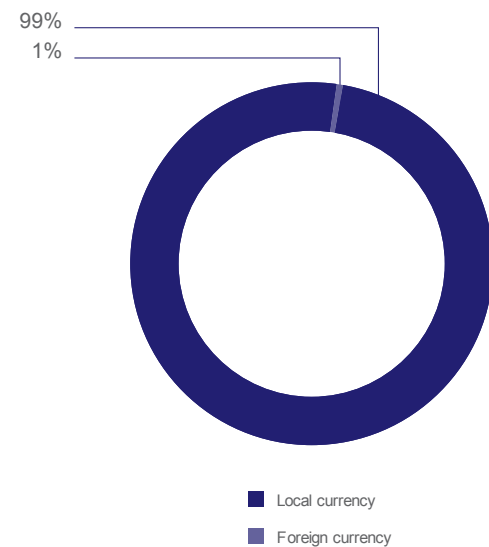


- Chemical and Pharmaceuticals
- Agriculture
- Textile
- Cement
- Sugar
- Construction
- Ready made garments
- Footwear and leather garments
- Automobile and transportation equipment
- Financial
- Oil Refining / Marketing
- Distribution / Trading
- Electronics and electrical appliances
- Production and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

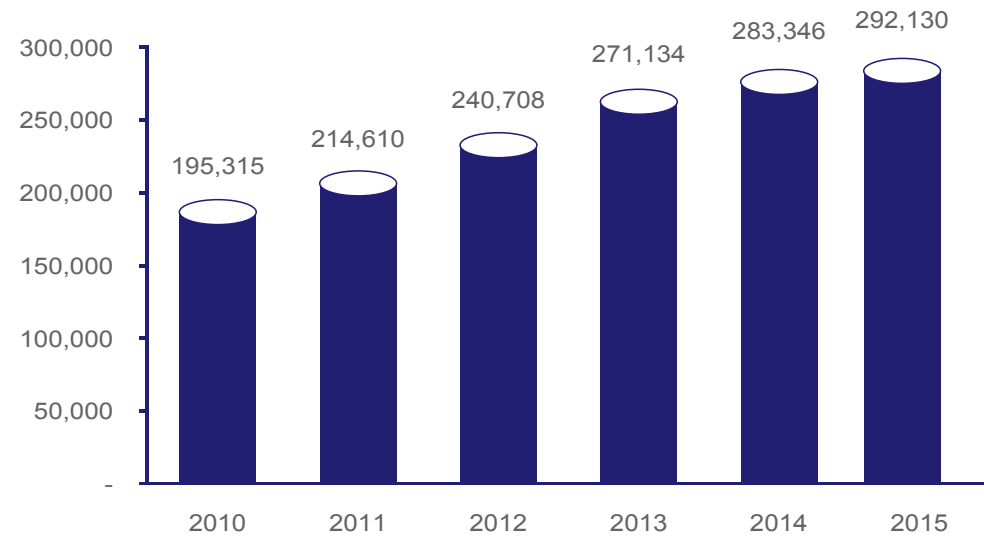
**Advances Categorisation**



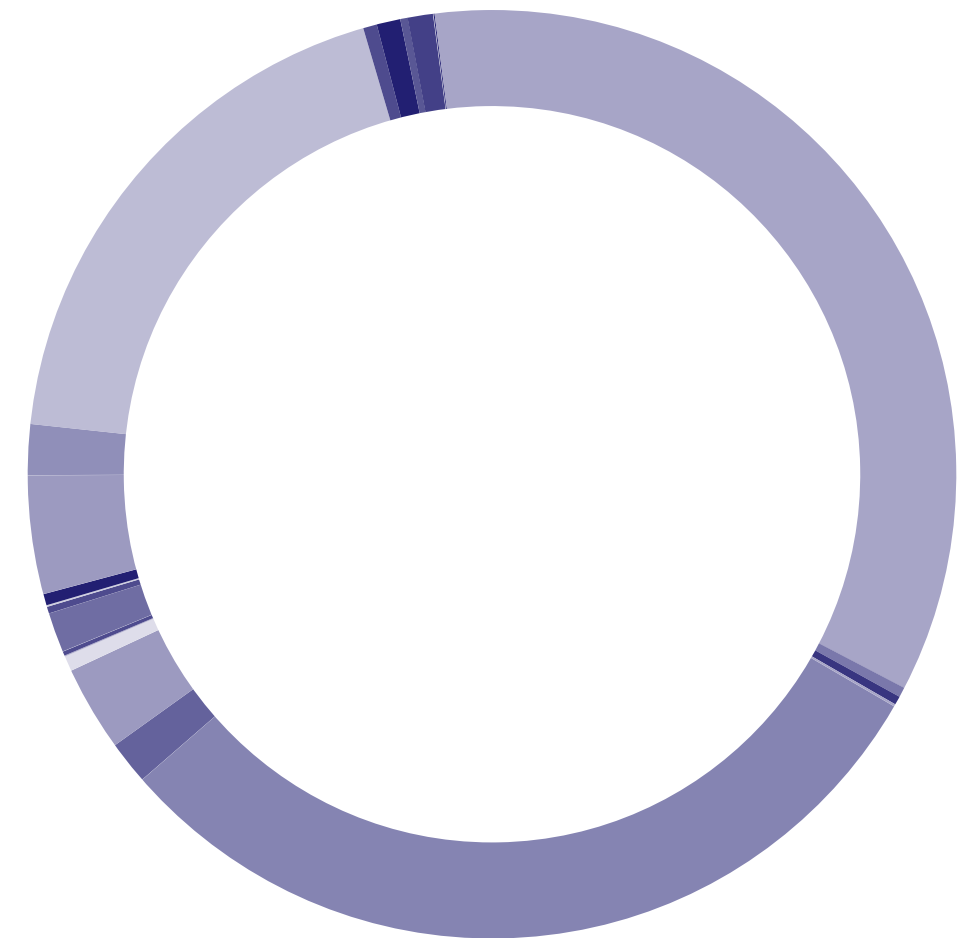
**Advances by Currency**



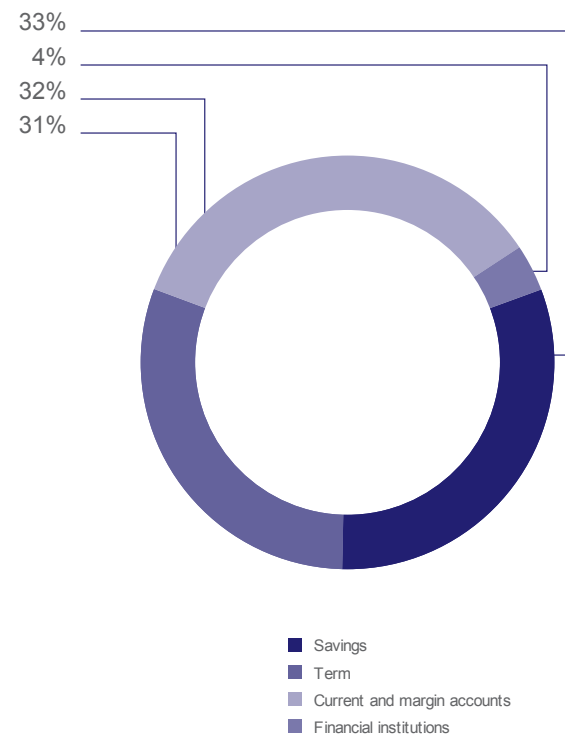
**Deposits**  
Rupees in Million



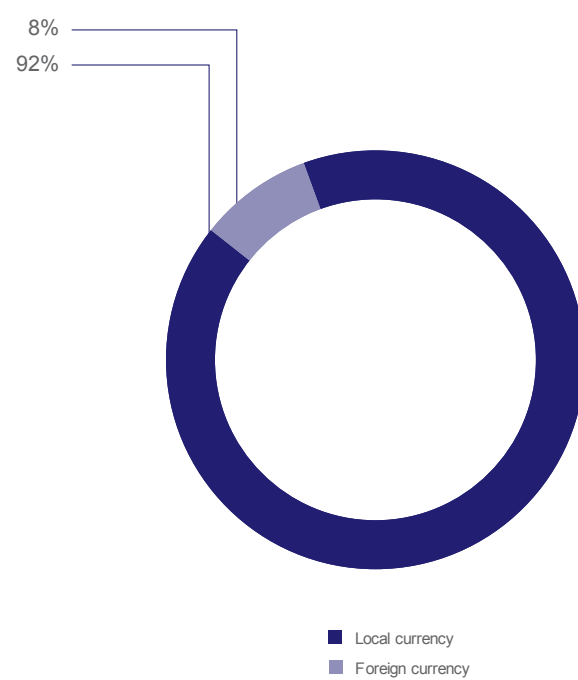
**Deposits**



**Deposits Categorisation**



**Deposits by Currency**



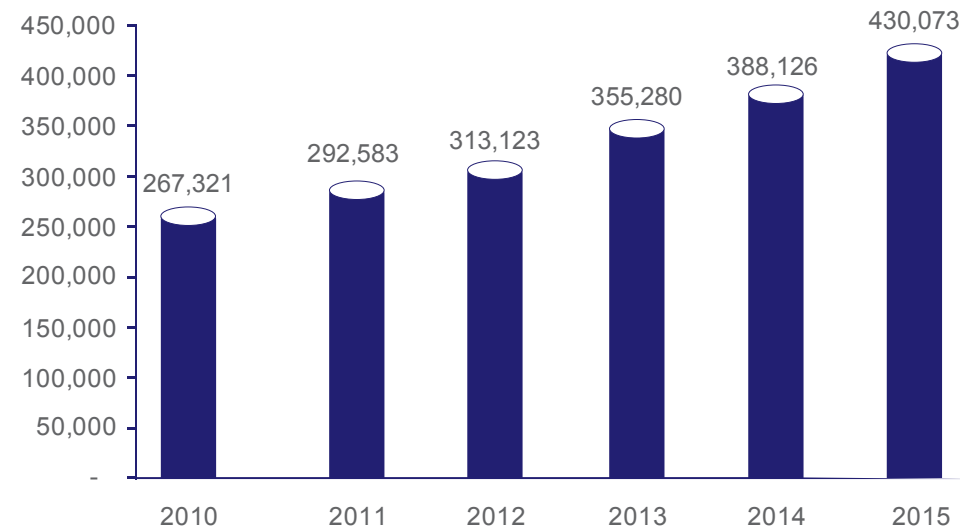
- Chemical and Pharmaceuticals
- Agriculture
- Textile
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- Sugar
- Construction
- Ready made garments
- Footwear and leather garments
- Automobile and transportation equipment
- Financial
- Oil Refining / Marketing
- Distribution / Trading
- Electronics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

# TOTAL ASSETS AND NET ADVANCES TO DEPOSITS

# INVESTMENTS

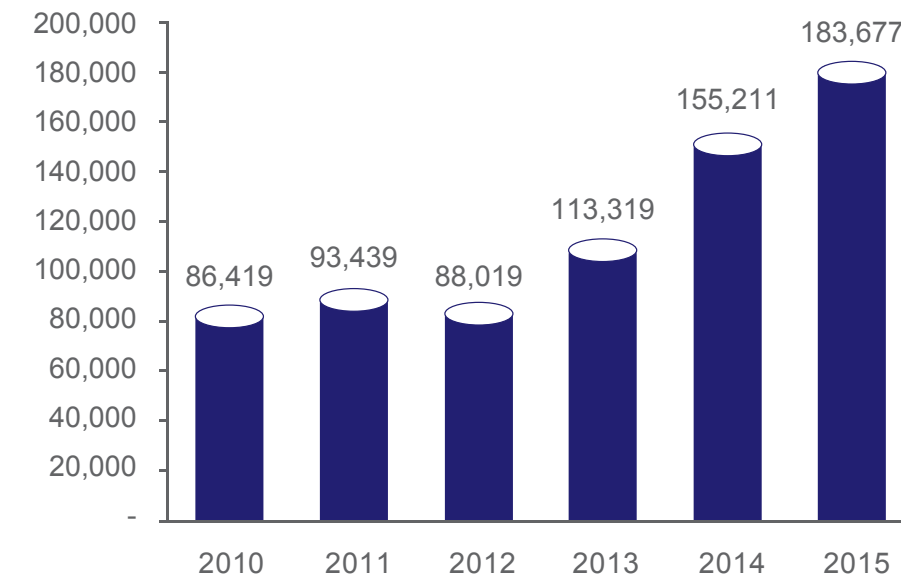
## Total Assets

Rupees in Million



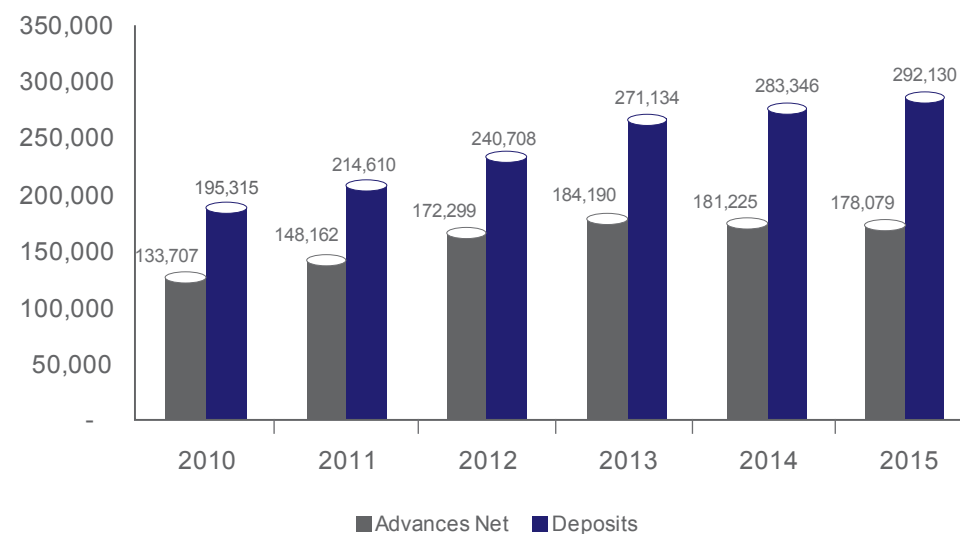
## Investments

Rupees in Million

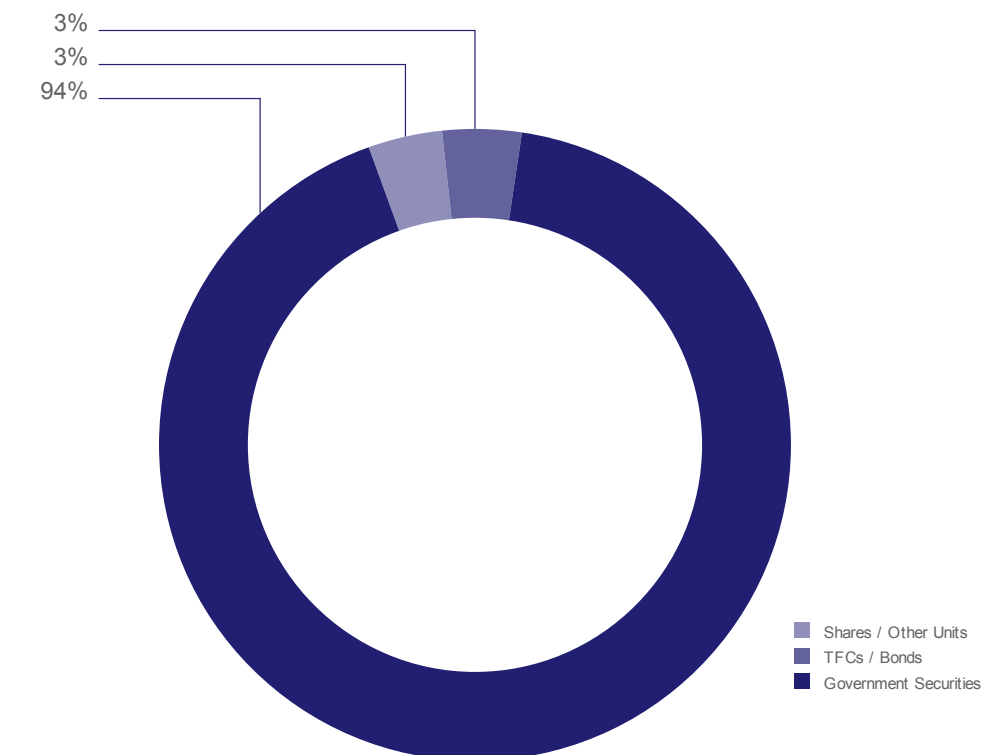


## Net Advances to Deposits

Rupees in Million

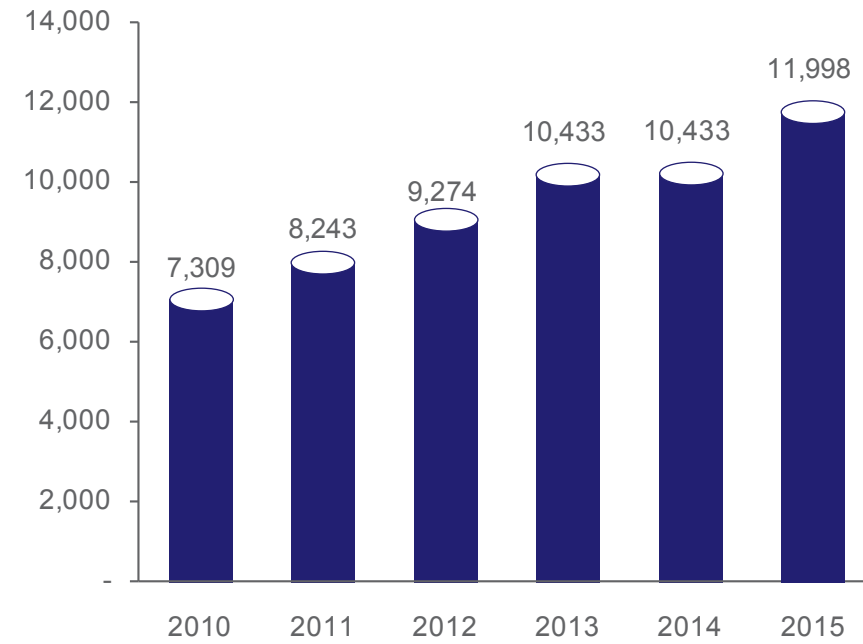


## Investments Categorisation



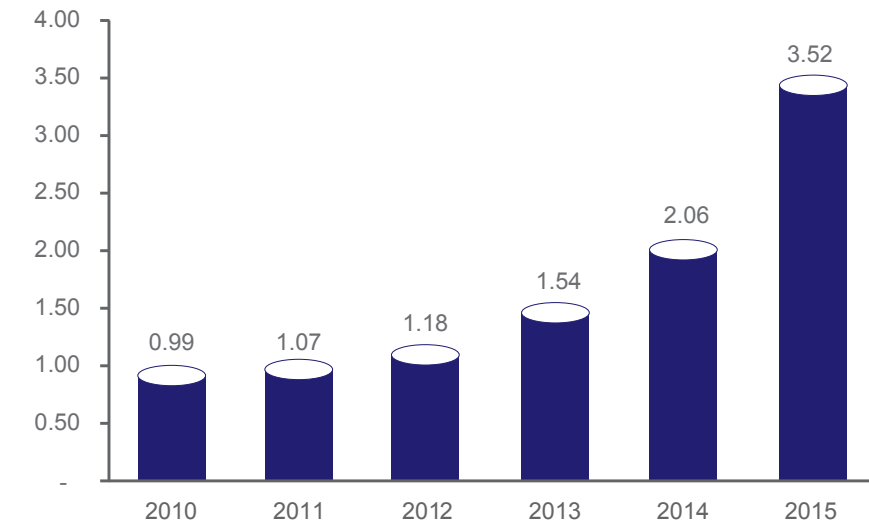
**Paidup Capital**

Rupees in Million



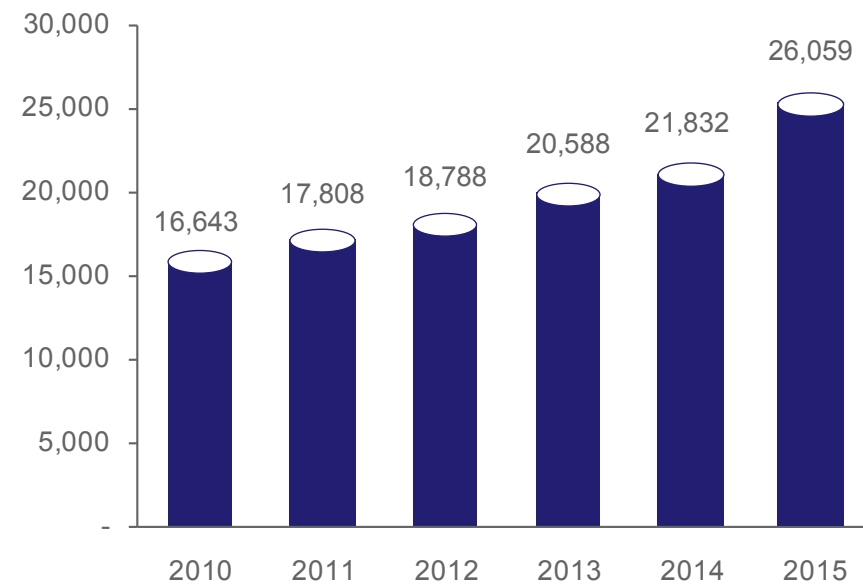
**Earning Per Share**

In Rupees



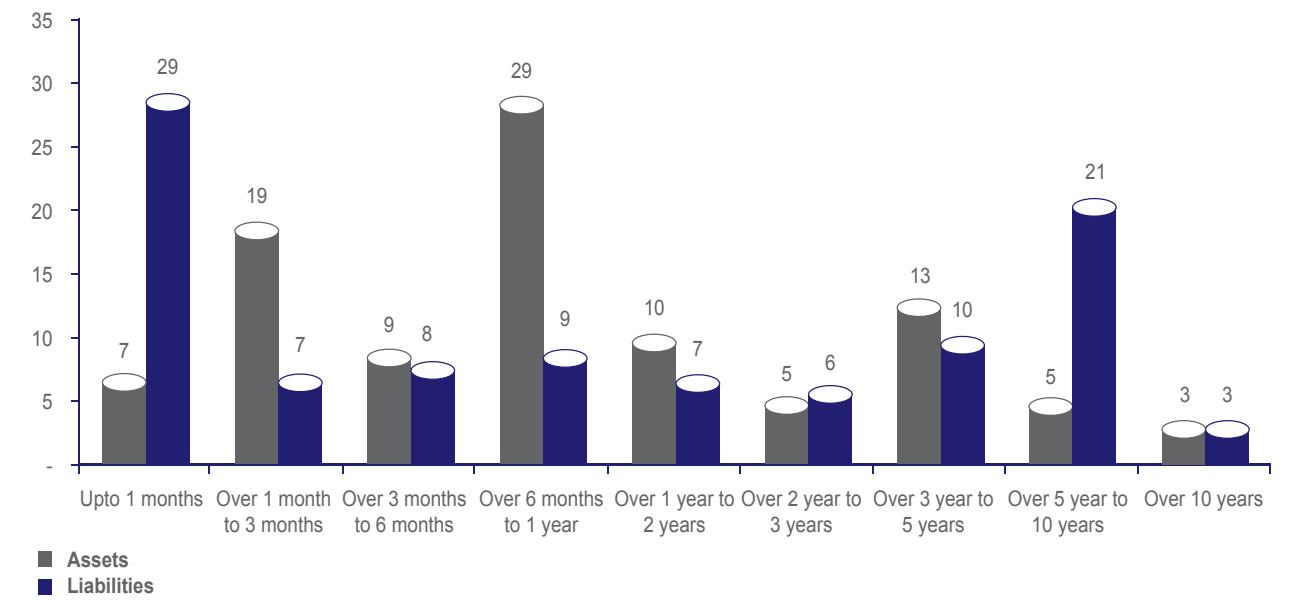
**Shareholders' Equity**

Rupees in Million

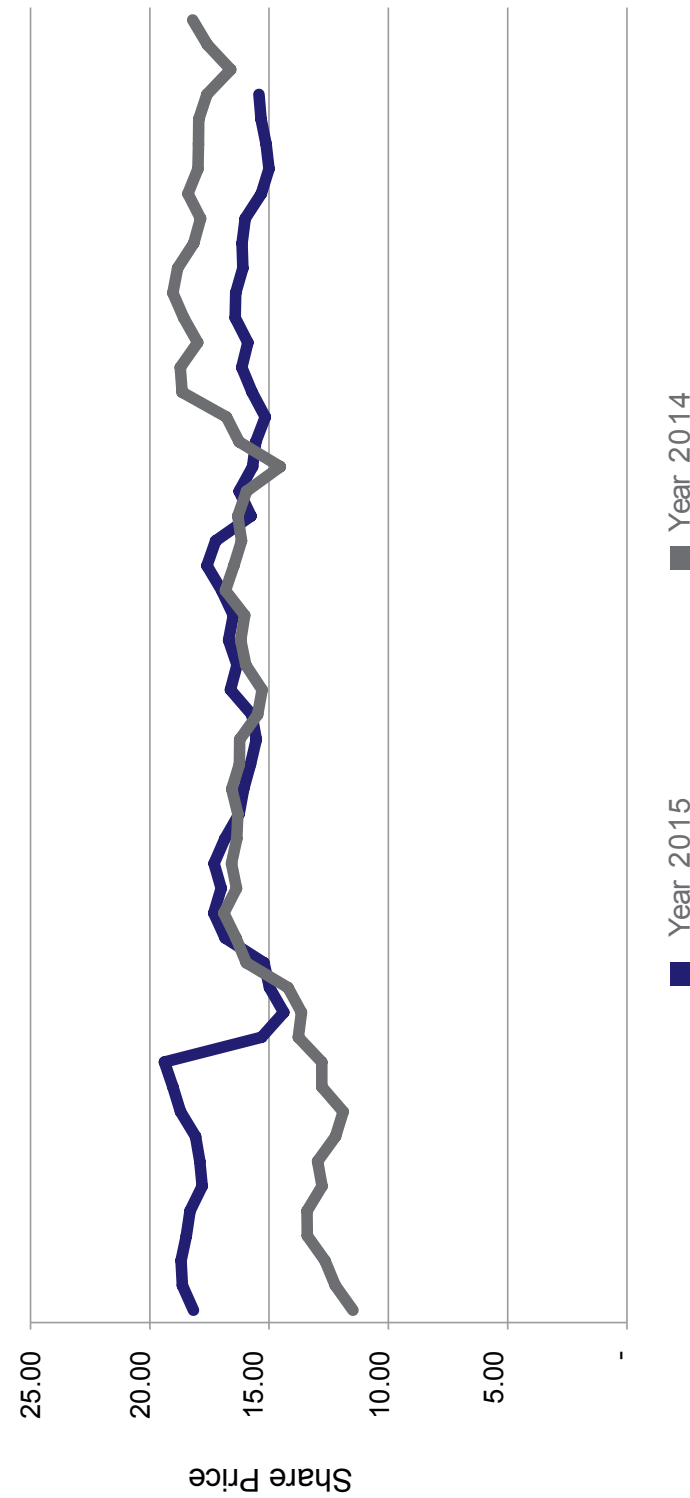


**Maturity Profile**

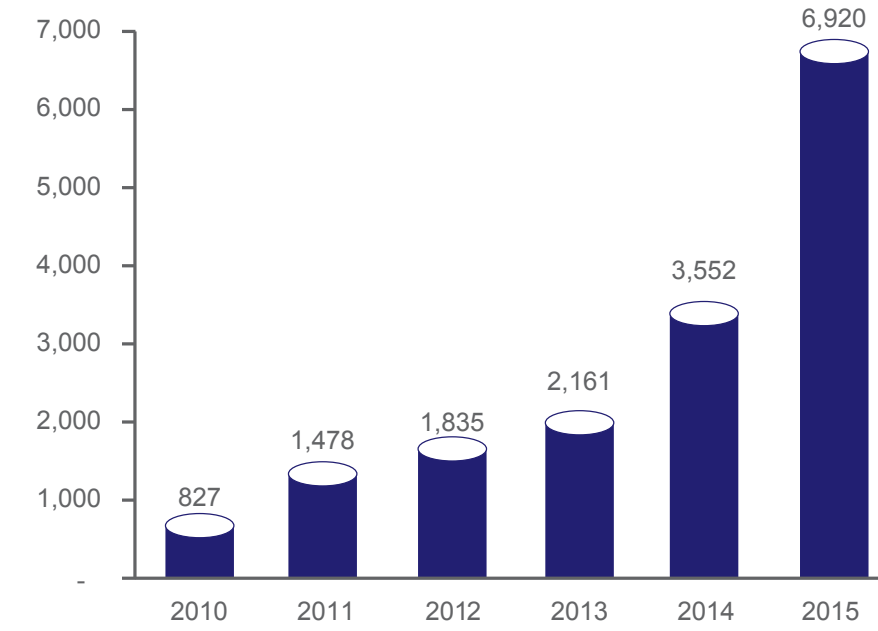
Percentage



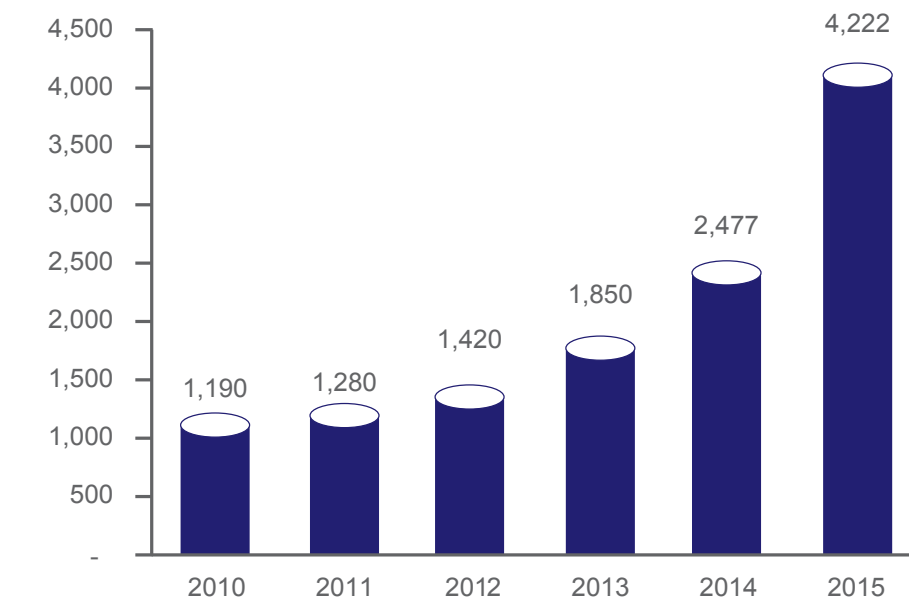
FBL Share Price Movement 2015 vs 2014



Profit before tax  
Rupees in Million



Profit after tax  
Rupees in Million





## QUARTERLY PERFORMANCE 2015 AND 2014

### STATEMENT OF FINANCIAL POSITION

Rupees in Million

	2015				2014			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
<b>ASSETS</b>								
Cash and balances with treasury banks	26,084	18,008	24,114	23,959	20,286	19,240	27,306	22,029
Balances with other banks	1,068	730	753	986	1,423	1,068	1,156	1,308
Lendings to financial institutions	12,088	5,128	7,820	1,200	-	6,761	-	9,960
Investments	183,677	198,499	201,217	170,838	155,211	108,537	111,192	93,802
Advances	178,079	179,715	186,143	176,722	181,225	174,548	175,596	178,747
Operating fixed assets	11,343	11,452	11,531	11,341	11,543	9,912	10,151	10,094
Deferred tax assets - net	3,087	2,727	2,964	2,587	2,429	4,425	4,312	3,866
Other assets	14,647	13,535	16,009	13,364	16,009	14,221	16,039	13,978
	<b>430,073</b>	<b>429,794</b>	<b>450,551</b>	<b>400,997</b>	<b>388,126</b>	<b>338,712</b>	<b>345,752</b>	<b>333,784</b>
<b>LIABILITIES</b>								
Bills payable	6,009	5,339	6,200	4,474	5,348	5,561	9,253	4,871
Borrowings	90,565	94,344	108,519	78,416	60,927	31,852	30,279	28,169
Deposits and other accounts	292,130	288,708	296,156	276,869	283,346	267,085	271,944	266,054
Sub-ordinated loans	2,994	2,995	2,995	2,995	2,995	3,245	3,245	3,495
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-
Other liabilities	8,022	8,748	8,483	10,246	9,208	8,943	9,303	9,668
	<b>399,720</b>	<b>400,134</b>	<b>422,353</b>	<b>373,000</b>	<b>361,824</b>	<b>316,686</b>	<b>324,024</b>	<b>312,257</b>
	<b>30,353</b>	<b>29,660</b>	<b>28,198</b>	<b>27,997</b>	<b>26,302</b>	<b>22,026</b>	<b>21,728</b>	<b>21,527</b>
<b>REPRESENTED BY</b>								
Share capital	11,998	11,998	11,998	10,433	10,433	10,433	10,433	10,433
Reserves	6,423	5,610	5,641	7,237	5,703	5,239	5,270	5,301
Unappropriated profit	7,638	7,534	6,726	6,031	5,696	5,130	4,434	4,053
	<b>26,059</b>	<b>25,142</b>	<b>24,365</b>	<b>23,701</b>	<b>21,832</b>	<b>20,802</b>	<b>20,137</b>	<b>19,787</b>
Surplus on revaluation of assets	4,294	4,518	3,833	4,296	4,470	1,224	1,591	1,740
	<b>30,353</b>	<b>29,660</b>	<b>28,198</b>	<b>27,997</b>	<b>26,302</b>	<b>22,026</b>	<b>21,728</b>	<b>21,527</b>
<b>PROFIT AND LOSS ACCOUNT</b>								
Mark-up / return / interest earned	7,719	8,057	8,103	8,433	8,759	7,874	7,904	7,776
Mark-up / return / interest expensed	4,383	4,660	4,647	4,668	4,882	4,598	4,544	4,456
Net mark-up / interest income	3,336	3,397	3,456	3,765	3,877	3,276	3,360	3,320
Provision and write offs	179	230	750	234	448	439	833	639
Non mark-up / interest income	1,034	907	1,483	2,141	1,197	972	1,133	1,072
Non mark-up / interest expenses	2,855	2,848	2,701	2,794	2,949	2,803	3,419	3,125
Share of loss on associate	(2)	(4)	1	(2)	1	(2)	1	(1)
Profit before taxation	1,334	1,222	1,489	2,874	1,678	1,004	242	627
Taxation charge / (reversal)	474	428	801	994	617	328	(66)	195
Profit after taxation	<b>860</b>	<b>794</b>	<b>688</b>	<b>1,880</b>	<b>1,061</b>	<b>676</b>	<b>308</b>	<b>432</b>

مسئلہ عزم

## HORIZONTAL ANALYSIS

### STATEMENT OF FINANCIAL POSITION

	2015	2014	2013	2012	2011	2010	2015 vs 2014	2014 vs 2013	2013 vs 2012	2012 vs 2011	2011 vs 2010	
	Rupees in Million						Variance %					
<b>ASSETS</b>												
Cash and balances with treasury												
banks	26,084	20,286	28,422	24,509	18,445	17,429	29	(29)	16	33	6	107
Balances with other banks	1,068	1,423	1,012	1,209	4,686	5,728	(25)	41	(16)	(74)	(18)	1,025
Lendings to financial institutions	12,088	-	300	-	-	-	100	(100)	100	-	-	(100)
Investments	183,677	155,211	113,319	88,019	93,439	86,419	18	37	29	(6)	8	53
Advances	178,079	181,225	184,190	172,299	148,162	133,707	(2)	(2)	7	16	11	46
Operating fixed assets	11,343	11,543	10,251	10,860	10,850	8,726	(2)	13	(6)	-	24	213
Deferred tax assets - net	3,087	2,429	3,981	4,387	5,180	5,017	27	(39)	(9)	(15)	3	292
Other assets	14,647	16,010	13,804	11,839	11,821	10,295	(9)	16	17	-	15	107
	430,073	388,127	355,279	313,122	292,583	267,321	11	9	13	7	9	48
<b>LIABILITIES</b>												
Bills payable	6,009	5,348	4,969	4,244	3,076	3,219	12	8	17	38	(4)	120
Borrowings	90,565	60,927	45,447	35,568	39,697	34,636	49	34	28	(10)	15	(1)
Deposits and other accounts	292,130	283,346	271,134	240,708	214,610	195,315	3	5	13	12	10	58
Sub-ordinated loans	2,994	2,995	3,495	4,195	4,395	4,595	-	(14)	(17)	(5)	(4)	360
Liabilities against assets												
subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	8,022	9,209	8,068	7,370	11,577	13,038	(13)	14	9	(36)	(11)	87
	399,720	361,825	333,113	292,085	273,355	250,803	10	9	14	7	9	49
	30,353	26,302	22,166	21,037	19,228	16,518	15	19	5	9	16	29
<b>REPRESENTED BY</b>												
Share capital	11,998	10,433	10,433	9,274	8,243	7,337	15	-	12	13	12	20
Reserves	6,423	5,703	6,554	6,309	6,591	7,355	13	(13)	4	(4)	(10)	83
Unappropriated profit	7,638	5,696	3,601	3,205	2,974	1,951	34	58	12	8	52	61
	26,059	21,832	20,588	18,788	17,808	16,643	19	6	10	6	7	47
Surplus on revaluation of assets	4,294	4,470	1,578	2,249	1,420	(125)	(4)	183	(30)	58	(1,236)	(109)
	30,353	26,302	22,166	21,037	19,228	16,518	15	19	5	9	16	29

## HORIZONTAL ANALYSIS

### PROFIT AND LOSS ACCOUNT

	2015	2014	2013	2012	2011	2010	2015 vs 2014	2014 vs 2013	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009
	Rupees in Million						Variance %					
Mark-up / return / interest earned	32,313	32,313	27,790	28,802	28,825	19,710	-	16	(4)	-	46	16
Mark-up / return / interest expensed	18,358	18,480	16,945	19,839	19,619	13,919	(1)	9	(15)	1	41	16
<b>Net mark-up / interest income</b>	<b>13,955</b>	<b>13,833</b>	<b>10,845</b>	<b>8,963</b>	<b>9,206</b>	<b>5,791</b>	<b>1</b>	<b>28</b>	<b>21</b>	<b>(3)</b>	<b>59</b>	<b>16</b>
Provision against non-performing loans and advances - net (Reversal) / provision for consumer and small enterprise loans - general	1,026	2,056	1,906	964	330	1,906	(50)	8	98	192	(83)	(3)
Provision against off balance sheet obligations	(7)	33	123	25	(77)	(90)	(121)	(73)	392	(132)	(14)	233
Provision for diminution in value of investments - net	20	7	11	40	-	-	186	(36)	(73)	100	-	-
Recoveries against written-off debts - net	455	397	111	415	409	287	15	258	(73)	1	43	14
	(99)	(134)	(34)	(42)	33	98	(26)	294	(19)	(227)	(66)	-
	1,395	2,359	2,117	1,402	695	2,201	(41)	11	51	102	(68)	-
<b>Net mark-up / interest income after provisions</b>	<b>12,560</b>	<b>11,474</b>	<b>8,728</b>	<b>7,561</b>	<b>8,511</b>	<b>3,590</b>	<b>9</b>	<b>31</b>	<b>15</b>	<b>(11)</b>	<b>137</b>	<b>28</b>
<b>Non mark-up / interest income</b>												
Fee, commission and brokerage income	2,303	2,076	2,237	1,858	1,773	1,141	11	(7)	20	5	55	29
Dividend income	319	182	479	432	619	335	75	(62)	11	(30)	85	(50)
Income from dealing in foreign currencies	965	1,073	949	769	851	519	(10)	13	23	(10)	64	30
Gain on sale of securities - net	1,738	460	306	1,215	(256)	1,340	278	50	(75)	(575)	(119)	62
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(27)	31	(19)	43	(58)	68	(187)	(263)	(144)	(174)	(185)	(248)
Other income	267	551	575	967	1,141	609	(52)	(4)	(41)	(15)	87	671
<b>Total non mark-up / interest income</b>	<b>5,565</b>	<b>4,373</b>	<b>4,527</b>	<b>5,284</b>	<b>4,070</b>	<b>4,012</b>	<b>27</b>	<b>(3)</b>	<b>(14)</b>	<b>30</b>	<b>1</b>	<b>43</b>
	18,125	15,847	13,255	12,845	12,581	7,602	14	20	3	2	65	36
<b>Non mark-up / interest expenses</b>												
Administrative expenses	10,591	12,162	11,079	10,810	10,814	6,644	(13)	10	2	-	63	55
Other provisions / (reversal) - net	386	(89)	(95)	91	225	62	(534)	(6)	(204)	(60)	263	(1,133)
Other charges	221	222	117	103	64	69	-	90	14	61	(7)	109
<b>Total non mark-up / interest expenses</b>	<b>11,198</b>	<b>12,295</b>	<b>11,101</b>	<b>11,004</b>	<b>11,103</b>	<b>6,775</b>	<b>(9)</b>	<b>11</b>	<b>1</b>	<b>(1)</b>	<b>64</b>	<b>57</b>
	6,927	3,552	2,154	1,841	1,478	827	95	65	17	25	79	(36)
Share of loss of associate	(7)	(1)	7	(5)	-	-	600	(114)	(240)	100	-	-
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit before taxation</b>	<b>6,920</b>	<b>3,551</b>	<b>2,161</b>	<b>1,836</b>	<b>1,478</b>	<b>827</b>	<b>95</b>	<b>64</b>	<b>18</b>	<b>24</b>	<b>79</b>	<b>(36)</b>
Taxation - Current	3,039	1,712	1,078	268	393	239	78	59	302	(32)	64	(79)
Taxation - Prior years	265	(813)	(1,613)	(227)	289	192	(133)	(50)	611	(179)	51	(93)
Taxation - Deferred	(606)	175	846	375	(484)	(794)	(446)	(79)	126	(177)	(39)	(80)
	2,698	1,074	311	416	198	(363)	151	245	(25)	110	(155)	(467)
<b>Profit after taxation</b>	<b>4,222</b>	<b>2,477</b>	<b>1,850</b>	<b>1,420</b>	<b>1,280</b>	<b>1,190</b>	<b>70</b>	<b>34</b>	<b>30</b>	<b>11</b>	<b>8</b>	<b>(1)</b>
<b>Basic earnings per share</b>	<b>3.52</b>	<b>2.06</b>	<b>1.54</b>	<b>1.18</b>	<b>1.07</b>	<b>0.99</b>	<b>70</b>	<b>34</b>	<b>30</b>	<b>11</b>	<b>8</b>	<b>(1)</b>

## VERTICAL ANALYSIS

### STATEMENT OF FINANCIAL POSITION

	2015						2014					
	2015	2014	2013	2012	2011	2010	2015	2014	2013	2012	2011	2010
	Rupees in Million						Variance (%)					
<b>ASSETS</b>												
Cash and balances with treasury												
banks	26,084	20,286	28,422	24,509	18,445	17,429	6	5	8	8	6	7
Balances with other banks	1,068	1,423	1,012	1,209	4,686	5,728	-	-	-	-	2	2
Lendings to financial institutions	12,088	-	300	-	-	-	3	-	-	-	-	-
Investments	183,677	155,211	113,319	88,019	93,439	86,419	43	40	32	28	32	32
Advances	178,079	181,225	184,190	172,299	148,162	133,707	41	47	52	56	50	50
Operating fixed assets	11,343	11,543	10,251	10,860	10,850	8,726	3	3	3	3	4	3
Deferred tax assets - net	3,087	2,429	3,981	4,387	5,180	5,017	1	1	1	1	2	2
Other assets	14,647	16,010	13,804	11,839	11,821	10,295	3	4	4	4	4	4
	430,073	388,127	355,279	313,122	292,583	267,321	100	100	100	100	100	100
<b>LIABILITIES</b>												
Bills payable	6,009	5,348	4,969	4,244	3,076	3,219	1	1	1	1	1	1
Borrowings	90,565	60,927	45,447	35,568	39,697	34,636	21	16	13	12	13	12
Deposits and other accounts	292,130	283,346	271,134	240,708	214,610	195,315	68	73	76	77	73	73
Sub-ordinated loans	2,994	2,995	3,495	4,195	4,395	4,595	1	1	1	1	2	2
Liabilities against assets subject												
to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	8,022	9,209	8,068	7,370	11,577	13,038	2	2	2	2	4	5
	399,720	361,825	333,113	292,085	273,355	250,803	93	93	94	93	93	93
	30,353	26,302	22,166	21,037	19,228	16,518	7	7	6	7	7	7
<b>REPRESENTED BY</b>												
Share capital	11,998	10,433	10,433	9,274	8,243	7,337	3	3	3	3	3	3
Reserves	6,423	5,703	6,554	6,309	6,591	7,355	1	2	2	2	3	3
Unappropriated profit	7,638	5,696	3,601	3,205	2,974	1,951	2	1	1	1	1	1
	26,059	21,832	20,588	18,788	17,808	16,643	6	6	6	6	7	7
Surplus on revaluation of assets	4,294	4,470	1,578	2,249	1,420	(125)	1	1	-	1	-	-
	30,353	26,302	22,166	21,037	19,228	16,518	7	7	6	7	7	7

## VERTICAL ANALYSIS

### PROFIT AND LOSS ACCOUNT

	2015						2014					
	2015	2014	2013	2012	2011	2010	2015	2014	2013	2012	2011	2010
	Rupees in Million						Variance (%)					
Mark-up / return / interest earned	32,313	32,313	27,790	28,802	28,825	19,710	100	100	100	100	100	100
Mark-up / return / interest expensed	18,358	18,480	16,945	19,839	19,619	13,919	57	57	61	69	68	71
<b>Net mark-up / interest income</b>	<b>13,955</b>	<b>13,833</b>	<b>10,845</b>	<b>8,963</b>	<b>9,206</b>	<b>5,791</b>	<b>43</b>	<b>43</b>	<b>39</b>	<b>31</b>	<b>32</b>	<b>29</b>
Provision against non-performing loans and advances - net (Reversal) / provision for consumer and small enterprise loans - general	1,026	2,056	1,906	964	330	1,906	3	6	7	3	1	10
Provision against off balance sheet obligations	(7)	33	123	25	(77)	(90)	-	-	-	-	-	-
Provision for diminution in value of investments - net	20	7	11	40	-	-	-	-	-	-	-	-
Recoveries against written-off debts - net	455	397	111	415	409	287	1	1	-	1	1	1
	(99)	(134)	(34)	(42)	33	98	-	-	-	-	-	-
	1,395	2,359	2,117	1,402	695	2,201	4	7	7	4	2	11
<b>Net mark-up / interest income after provisions</b>	<b>12,560</b>	<b>11,474</b>	<b>8,728</b>	<b>7,561</b>	<b>8,511</b>	<b>3,590</b>	<b>39</b>	<b>36</b>	<b>32</b>	<b>27</b>	<b>30</b>	<b>18</b>
<b>Non mark-up / interest income</b>												
Fee, commission and brokerage income	2,303	2,076	2,237	1,858	1,773	1,141	7	6	8	6	6	6
Dividend income	319	182	479	432	619	335	1	1	2	1	2	2
Income from dealing in foreign currencies	965	1,073	949	769	851	519	3	3	3	3	3	3
Gain on sale of securities - net	1,738	460	306	1,215	(256)	1,340	5	1	1	4	(1)	7
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(27)	31	(19)	43	(58)	68	-	-	-	-	-	-
Other income	267	551	575	967	1,141	609	1	2	2	3	4	3
<b>Total non mark-up / interest income</b>	<b>5,565</b>	<b>4,373</b>	<b>4,527</b>	<b>5,284</b>	<b>4,070</b>	<b>4,012</b>	<b>17</b>	<b>13</b>	<b>16</b>	<b>17</b>	<b>14</b>	<b>21</b>
	18,125	15,847	13,255	12,845	12,581	7,602	56	49	48	44	44	39
<b>Non mark-up / interest expenses</b>												
Administrative expenses	10,591	12,162	11,079	10,810	10,814	6,644	33	38	40	38	38	34
Other provisions / (reversal) - net	386	(89)	(95)	91	225	62	1	-	-	-	1	-
Other charges	221	222	117	103	64	69	1	1	-	-	-	-
<b>Total non mark-up / interest expenses</b>	<b>11,198</b>	<b>12,295</b>	<b>11,101</b>	<b>11,004</b>	<b>11,103</b>	<b>6,775</b>	<b>35</b>	<b>39</b>	<b>40</b>	<b>38</b>	<b>39</b>	<b>34</b>
	6,927	3,552	2,154	1,841	1,478	827	21	10	8	6	5	5
Share of loss of associate	(7)	(1)	7	(5)	-	-	-	-	-	-	-	-
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit before taxation</b>	<b>6,920</b>	<b>3,551</b>	<b>2,161</b>	<b>1,836</b>	<b>1,478</b>	<b>827</b>	<b>21</b>	<b>10</b>	<b>8</b>	<b>6</b>	<b>5</b>	<b>5</b>
Taxation - Current	3,039	1,712	1,078	268	393	239	9	5	4	1	1	1
Taxation - Prior years	265	(813)	(1,613)	(227)	289	192	1	(3)	(6)	(1)	1	1
Taxation - Deferred	(606)	175	846	375	(484)	(794)	(2)	1	3	1	(2)	(4)
	2,698	1,074	311	416	198	(363)	8	3	1	1	-	(2)
<b>Profit after taxation</b>	<b>4,222</b>	<b>2,477</b>	<b>1,850</b>	<b>1,420</b>	<b>1,280</b>	<b>1,190</b>	<b>13</b>	<b>7</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>7</b>

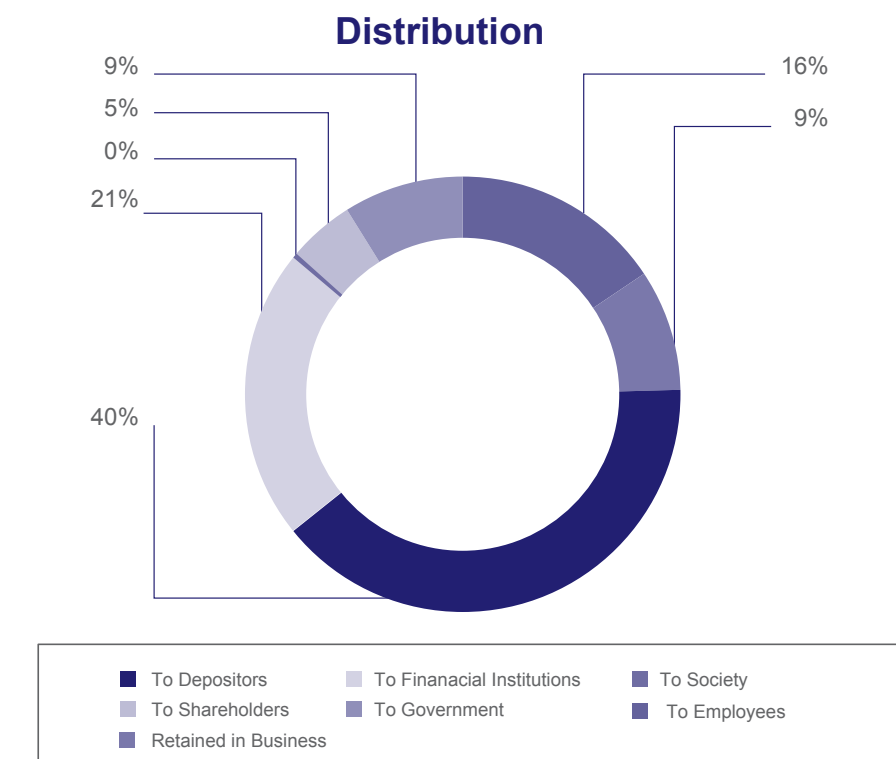
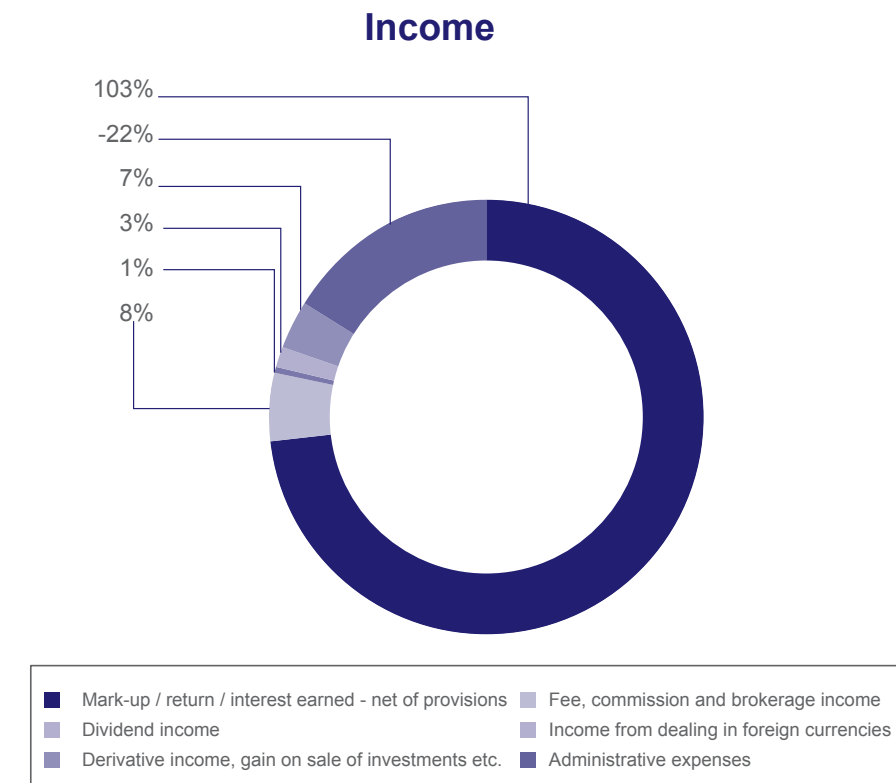
## STATEMENT OF VALUE ADDED

	2015		2014	
	Rupees '000	%	Rupees '000	%
Mark-up / return / interest earned - net of provisions	<b>30,912,091</b>	<b>103</b>	29,953,051	108
Fee, commission and brokerage income	<b>2,303,447</b>	<b>8</b>	2,075,945	7
Dividend income	<b>318,715</b>	<b>1</b>	182,435	1
Income from dealing in foreign currencies	<b>964,961</b>	<b>3</b>	1,072,939	4
Derivative income, gain on sale of investments etc.	<b>1,977,217</b>	<b>7</b>	1,042,850	4
	<b>36,476,431</b>	<b>122</b>	34,327,220	124
Administrative expenses	<b>6,477,656</b>	<b>(22)</b>	6,587,417	(24)
<b>Value Added</b>	<b>29,998,775</b>	<b>100</b>	27,739,803	100

### Distributed as follows:

To Employees As remuneration	<b>4,671,188</b>	<b>16</b>	5,670,829	20
To Government As income tax	<b>2,697,713</b>	<b>9</b>	1,074,826	4
To Depositors As profit on investments	<b>11,911,428</b>	<b>40</b>	13,990,871	50
To Financial Institutions As profit on borrowings	<b>6,446,543</b>	<b>21</b>	4,489,320	16
To Society As donations	<b>49,539</b>	<b>-</b>	36,998	-
To Shareholders As dividends / bonus	<b>1,564,904</b>	<b>5</b>	-	-
Retained in Business As reserves and retained profits	<b>2,657,460</b>	<b>9</b>	2,476,959	9
	<b>29,998,775</b>	<b>100</b>	27,739,803	100

## STATEMENT OF VALUE ADDED



## NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

Notice is hereby given that the 21<sup>st</sup> Annual General Meeting of Faysal Bank Limited ("FBL") will be held on March 29, 2016 at 11:00 a.m. at Beach Luxury Hotel, Jasmine Hall, Karachi to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of the 20<sup>th</sup> Annual General Meeting held on March 27, 2015.
2. To receive and adopt Annual Audited Accounts, Statement of Compliance with Code of Corporate Governance of FBL for the year ended December 31, 2015 together with the Directors' and Auditors' Reports thereon.
3. To consider and approve as recommended by the Board of Directors 10% Final Cash Dividend for the year ended December 31, 2015.
4. To appoint External Auditors for the ensuing financial year 2016 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:

- 1 **To consider and approve FBL's investment of up to PKR 500 Million into the funds of Faysal Asset Management Limited (FAML) to be launched during 2016 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 compliance of all the regulatory requirements, investment of Faysal Bank Limited up to PKR 500 Million as seed money in the funds of FAML, an associated company of Faysal Bank Ltd be and is hereby approved."

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

- 2 **To Consider and approve the amount of remuneration paid to the Non-Executive / Independent Directors of FBL during the year 2015 for attending the Board meetings / Sub-Committees and in that connection to pass the following resolution as an Ordinary Resolution, with or without modification, addition or deletion:**

#### RESOLVED THAT:

"The remuneration paid to the Chairman, Non-Executive and Independent Directors of Faysal Bank Limited for attending Board meetings and meetings of the Board Committees i.e. (Recruitment,

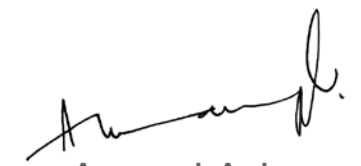
## NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

Nomination and Remuneration Committee; Board Risk Management Committee; Board Audit & Corporate Governance Committee and Board Steering Committee for conversion of Faysal Bank Limited into Islamic Bank) as disclosed in Note 38 of the Audited Financial Statements of the Bank for the year ended December 31, 2015, be and is hereby approved."

**To transact any other Business with the permission of the Chairman.**

Dated: March 6, 2016  
Karachi.

**By the order of the Board**



**Aurangzeb Amin**  
Company Secretary &  
Head of Legal

### Notes:

1. The Share Transfer Books of the Bank shall remain closed from **March 23, 2016 to March 29, 2016** (both days inclusive). Transfer received at the Share Registrar of the Bank, by the close of business on March 22, 2016 will be treated in time for attending Annual General Meeting will be held on March 29, 2016 at Karachi.
2. The Share Transfer Books of the Bank will now be closed from **April 5, 2016 to April 11, 2016** (both days inclusive). Transfers received at the Office of our Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi at the close of business on April 4, 2016 will be treated in time for the purpose of entitlement of 10% Final Cash Dividend for the year ended December 31, 2015.
3. A member entitled to attend and vote at the Meeting may appoint another Member as per his / her proxy to attend and vote for him / her provided that a corporation may appoint as its proxy a person who is not a member, but is duly authorised by the corporation. Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the holding of the Meeting.
4. Members are required to timely notify any change in their address to Bank's Shares Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

#### A. For attending the Meeting :

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his / her identity by showing his / her original Computerised National Identity

## NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

Card (CNIC) or original passport at the time of attending the Meeting.

- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

### B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CINC or original passport at the time of the Meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

### 6. Computerised National Identity Card (CNIC) / National Tax Number (NTN)

With reference to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 19(I) / 2014 dated January 10, 2014 and SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or their authorised person, except in case of minor(s) and corporate members. All those individual members holding physical shares who have not yet recorded their CNIC No. are once again reminded to immediately submit the copy of their CNIC to Company's Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi; Members while sending CNIC must quote their respective folio numbers.

The corporate members having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate entities having physical shares should send a copy of their NTN certificate to Company's Share Registrar. The corporate members while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

### 7. Dividend Mandate Option

In pursuance to the directions given by SECP vide Circular No. 8(4)SM / CDC 2008 dated April 5, 2013 the members may authorise the Company to directly credit in their bank account the dividend declared in the annual general meeting. In view of that, you are hereby encouraged to provide a duly filled and signed dividend mandate for e-dividend facility. The dividend mandate form has been uploaded on FBL's website - [www.faysalbank.com](http://www.faysalbank.com)

The members who hold shares in physical form are requested to submit the dividend mandate form duly filled to our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House,

## NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. The members who hold shares in dematerialised form are requested to submit the members who hold shares in dematerialised form are requested to submit the dividend mandate form duly filled to their participant / investor account services in the CDC.

### 8. Availability of Audited Financial Statements on Company's Website

The Company has placed the Audited Annual Financial Statements for the year ended December 31, 2015 along with Auditors and Directors Reports thereon on its website: [www.faysalbank.com](http://www.faysalbank.com)

### 9. Transmission of Financial Statements to the Members through e-mail

In pursuance of SECP notification S.R.O 787 (I) / 2014 dated September 08, 2014, the companies have been allowed to circulate their Annual Balance Sheet and Profit and Loss Account, Auditor's Report and Director's Report (Annual Financial Statements) along with Notice of Annual General Meeting (Notice) through e-mail to the members of the Company. Members desiring to avail this facility may provide the requisite information to the Company Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi for which form may be downloaded from the Company's website: [www.faysalbank.com](http://www.faysalbank.com)

### 10. Deduction of Income Tax from Dividend for Filer and Non-Filer

Pursuant to the amendment in section 150 of the Income Tax Ordinance, 2001 through Finance Act 2015, the revised Income Tax Rates on Dividend Income are as follows:

I. Income Tax Return Filer	12.5%
II. Income Tax Return Non Filer	17.5%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website.

The FBR has clarified that shareholders accounts jointly held by filers and No filers shall be dealt with separately and in such particular situation, each account holder is to be treated individually as either a filer or a non-filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the close of business on April 4, 2016.

Company Name	Folio / CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

## NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

### 11. Consent for Video Conference Facility:

Members can also avail video conference facility. In this regard, please fill the following and submit the registered address of the Company 10 days before holding of the AGM.

If the Company receives consents from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the Meeting through video conference at least 10 days prior to date of the Meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

The Company will intimate members regarding venue of the video conference facility at least 10 days before the date of AGM along with complete information necessary to enable them to access such facility.

"I / We \_\_\_\_\_ of \_\_\_\_\_ being a member of Faysal Bank Limited, holder of \_\_\_\_\_ Ordinary Shares as per registered Folio # CDC ID & A/C No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.  
My email address \_\_\_\_\_"

Signature of Shareholder

### 12. Change of Address and Non Deduction of Zakat Declaration Form

The Zakat will be deducted from the dividend at source at the rate of 2.5% of the paid-up value of the shares (Rs.10/each) under Zakat and Ushr Laws and will be deposited in the prescribed time in the Government Treasury. Physical Shareholders are requested to notify any Change in their address immediately and if applicable provide their non-deduction of Zakat Declaration Form to our Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. Members holding shares in CDC / Participants accounts are also requested to update their address and if applicable, to provide their non-deduction of Zakat Declaration Form to CDC or their Participants / Stock Broker

For any query / problem / information, members may contact our Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

#### **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 to be held on March 29, 2016.

**To consider and approve FBL's Investment of up to PKR 500 Million 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 500 Million is sought from shareholders.

## NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

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

**a) 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.

**b) 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.

**c) Maximum amount of investment**

Investment of up to PKR 500 Million

**d) Maximum price at which securities will be acquired**

Face value

**e) Maximum number of securities to be acquired**

Dependent upon number of funds launched by FAML.

**f) Number of securities and percentage thereof held before and after the proposed investment**

Not applicable

**g) Fair market value of securities**

Not applicable

**h) Break-up value of securities intended to be acquired on the basis of the latest Audited financial statements**

Not applicable

**i) Earnings per Share of the associated company for the last three years**

Not applicable

**j) Source of funds from which securities will be acquired**

Units will be purchased from FBL's own sources.

**k) Salient features of the agreements(s) if any, entered into with the associated company with regards to the proposed investment**

Not applicable

## NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

### l) 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.

**To Consider and approve the amount of remuneration paid to the Non-Executive / Independent Directors of FBL during the year 2015 for attending the Board meetings / Sub-Committees and in that connection to pass the following resolution as an ordinary resolution, with or without modification, addition or deletion:**

#### RESOLVED THAT:

“The remuneration paid to the Chairman, Non-Executive and Independent Directors of Faysal Bank Limited for attending Board meetings and meetings of the Board Committees i.e. (Recruitment, Nomination and Remuneration Committee; Board Risk Management Committee; Board Audit & Corporate Governance Committee and Board Steering Committee for conversion of Faysal Bank Limited into Islamic Bank) as disclosed in Note 38 of the Audited Financial Statements of the Bank for the year ended December 31, 2015, be and is hereby approved.”

## REPORT OF THE BOARD AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Board of Directors of Faysal Bank Limited (FBL) reconstituted the Terms of Reference of the Board Audit Committee and renamed it as Board Audit and Corporate Governance Committee (BACGC) in September 2014 in the wake of functional changes being made in FBL. The BACGC comprises of three directors having vast experience and knowledge of banking, finance, audit and accounting. The Chairman is an independent director and the other two members are non-executive directors. The BACGC has been proactively focusing on the effectiveness of the internal control, compliance risk management systems and application of Corporate Governance best practices at FBL. The BACGC has approved the Charter of Internal Audit, providing resources and complete independence to the Head of Internal Audit along with free access to the BACGC.

During year 2015, five (5) BACGC meetings were held and the following major activities were performed by the BACGC in accordance with its terms of reference as approved by the Board of Directors of the Bank.

- BACGC reviewed quarterly, half yearly and annual financial statements of the Bank and recommended the same for the approval of the Board.
- BACGC not only reviewed the management letter issued by the external auditors and management's response thereto but also held detailed discussions with external auditors on major observations. The appointment of external auditors and their fee was also recommended to the Board.
- BACGC reviewed and approved the scope and the extent of the work to be performed by Internal Audit (IAD) including Shariah Audit, reviewed high risk observations and ensured monitoring and timely implementation of IAD recommendation. BACGC also reviewed adequacy and quality of IAD resources.
- BACGC reviewed major findings of internal investigations with respect to fraud & forgery along with management's action thereon. BACGC also reviewed quarterly update of frauds, forgeries and dacoities.
- BACGC reviewed related party transactions and recommended the same for Board's approval.
- BACGC reviewed the Institutional Risk Assessment Framework (IRAF) – Self Assessment Questionnaire
- BACGC reviewed the implementation of Internal Controls over Financial Reporting (ICFR) program across the Bank.
- BACGC reviewed the quarterly Compliance Activity report.
- BACGC reviewed the SBP inspection report and SBP's thematic review reports along with monitoring the compliance status of these reports.
- BACGC reviewed statement on internal control system and recommended the same for endorsement by the Board.
- BACGC conducted self-assessment of its performance to review compliance with SECP code of corporate governance. The self-assessment report was also presented to the Board.



Mian Muhammad Younis  
Chairman - BACGC



## AUDITORS' REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code), prepared by the Board of Directors of **Faysal Bank Limited** ('the Bank') for the year ended December 31, 2015 to comply with the requirements of Rule 5.19 of the Listing Rulebook of the Pakistan Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price 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 as applicable to the Bank for the year ended December 31, 2015.

*Attestation signature*

Chartered Accountants  
Dated: March 4, 2016  
Karachi.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

**Name of Company: Faysal Bank Limited**  
Year Ended: December 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in of Rule 5.19 of the Pakistan Stock Exchange Regulations issued by the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited into which the Islamabad Stock Exchange Limited and the Lahore Stock Exchange Limited have merged) where the Bank is listed for the purpose of establishing a framework of good corporate governance whereby a listed company is managed in compliance with the best practices of the Corporate Governance.

The Board of Directors of Faysal Bank Limited (the Bank) has adopted and applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Bank encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Farooq Rahmatullah Mian Muhammad Younis
Executive Directors	Mr. Nauman Ansari, President & CEO
Non-Executive Directors	Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery Mr. Juma Hasan Ali Abul Mr. Imtiaz Ahmad Pervez Mr. Abdulelah Ebrahim Mohamed Al-Qasimi

The Independent Directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including the Bank.

3. All the Resident Directors of the Bank are registered as 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 broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy due to resignation of Mr. Muhammad Wasif Ijlal occurred on the Board on 03-12-2015 which was filled by the Directors on 18/01/2016 by co-opting Mr. Abdulla Abdulaziz Ali Taleb subject to regulatory approvals. The same was filled within 47 days of the casual vacancy.
5. The Bank has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of President & CEO, other Executive and Non-Executive Directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board of Directors met nine times in the year 2015, once in every quarter. Written notice of the Board meetings, along with agenda and working papers, were circulated atleast seven days before the meetings except in one emergency meeting where the notice period was reduced. The minutes of the

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- meetings were appropriately recorded and circulated.
9. The Board arranged an Orientation Workshop for its Directors during the year.
  10. The Board had approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
  11. The Directors of Faysal Bank Limited are professionally qualified and experienced persons and are well aware of their duties and responsibilities. The entire Board of Directors of the Bank has completed Directors Training Program from the Pakistan Institute of Corporate Governance.
  12. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient features required to be disclosed.
  13. The financial statements of the Bank were duly endorsed by the President & CEO and CFO before approval of the Board.
  14. 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.
  15. The Bank has complied with all corporate and financial reporting requirements of the CCG.
  16. The Board has formed a Board Audit & Corporate Governance Committee. It comprises of three members, all of whom are Non-Executive Directors and the Chairman of the Committee is an Independent Director.
  17. The Board Audit & Corporate Governance Committee (BACGC) held five (05) meetings, one in every quarter prior to approval of interim and final results of the Bank as required by the CCG. The terms of reference have been formed and advised to the committee for compliance.
  18. The Board has formed a Recruitment, Nomination and Remuneration Committee (RNRC). It comprises of four members, of whom three are Non-Executive / Independent and one is Executive Director. The Chairman of the Committee is a Non-Executive Director.
  19. The Board Audit & Corporate Governance Committee members met with External Auditors of the Bank without CFO and Head of Internal Audit and also met with Head of Internal Audit and other members of the Internal Audit function without CFO as required under the provisions of CCG.
  20. The Board has set up an Internal Audit function. 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.
  21. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP); 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 ICAP.
  22. 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.
  23. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's securities, was determined

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- and intimated to Directors, employees and stock exchanges.
24. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
  25. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore  
Dated: February 25, 2016



**Nauman Ansari**  
President & CEO

On behalf of the Board of Directors, I am pleased to present the 21st Annual Report of Faysal Bank Limited along with Audited Financial Statements and the Auditors' Report thereon for the year ended December 31, 2015.

### Economic Update:

Pakistan's economy performed rather well in CY'15 despite headwinds from sluggish global economic growth. Key macroeconomic indicators exhibited noteworthy improvements; Large scale manufacturing gained traction, inflation was benign, fiscal consolidation remained on track and the current account vulnerabilities were substantially reduced. These coupled with improvement in FX reserves and pick up in credit sector reflect the rise of investor and consumer confidence in Pakistan's economy.

Large Scale Manufacturing (LSM) recorded noticeable improvement in first five months of FY'16 (4.43 percent compared to 3.14 percent in FY'15) aided primarily by better energy situation, low international prices of key inputs and monetary easing. These factors were also instrumental in escalating credit to private sector which increased by PKR 340 bln in FY'16 compared to PKR 225 bln in FY'15. The services sector which had witnessed stellar growth in FY'15 (5.0 percent YoY) is expected to grow at a similar pace going forward. In view of these advances, real GDP is set to maintain the previous year's growth momentum. Going forward the uptick in economic activity shall continue to gain momentum on the back of infrastructure and energy related projects under China Pakistan Economic Corridor (CPEC).

The headline inflation continued its downward trajectory – reaching an average rate of 2.07 percent in 1st half of FY'16 against 4.56 percent for full FY'15. This was mainly due to a sharp fall in energy and commodity prices and a relatively stable PKR. This enabled the SBP to reduce the Discount Rate by a cumulative 350 bps during the course of the year. However, inflation is expected to rebound somewhat in the future (average 3.7 percent in FY'16 according to IMF) due to the bottoming out of the effects of low commodity and food prices and low base effect coming into play.

The overall budget deficit in 1st quarter of FY'16 was lower than that of last year, recorded at PKR 306 bln and well below IMF target of PKR 329 bln. It is pertinent to mention that government took additional tax measures in Oct'15 to boost FBR revenues which helped in containing fiscal deficit. However, going forward fiscal consolidation is challenged by lower than expected tax revenues. Pakistan's current tax-to-GDP ratio of around 11 percent is too low to provide fiscal space for growth enhancing spending on infrastructure, health and education. The loss making PSEs continue to be a drain on the national exchequer. Swift government actions are required to mobilise additional revenue with focus on broadening tax base and expedite privatisation of loss making PSEs.

Improvements in the external sector witnessed in CY'14 consolidated further in CY'15 primarily due to a windfall from low international oil prices and modest growth in remittances (6.3 percent YoY). However, dwindling exports (11 percent YoY decline) continues to obscure the overall performance of the external sector. Lackluster performance of exports can be primarily attributed to sluggish global demand; energy shortages; and overvalued PKR parity as suggested by real effective exchange rate (recorded at approx. 120 in Dec'15) which is eroding our exports competitiveness in international arena. The PKR remained relatively stable against the USD during CY'15, depreciating by a meagre 4.18% against the Greenback.

### Bank's Performance:

#### a) Corporate and Investment Banking

The Corporate Banking continued to play its role of providing finance to promote economic activity in the country. Their focus remained on selected growth of creditworthy advances with efficient usage of capital and consolidation of portfolio.

#### Project Finance and Syndications

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

- FBL as part of the joint consortium has arranged and closed (as Lead Advisor and Arranger) PKR 16.7 bln conventional and Islamic mode of financing for the largest gas utility company operating in northern part of the country for its pipe line infrastructure in relation to LNG.
- FBL has participated as Joint Arranger in Islamic leg of PKR 25.5 bln financing split into Islamic and Conventional mode for construction and rehabilitation of 136 km Motorway connecting Hyderabad to Karachi.
- FBL has successfully closed its sole mandate for arranging Islamic financing of PKR 3.3 bln for a largest state owned marine transportation company for the purpose of refinancing an existing expensive and conventional loan.
- FBL has successfully closed its sole mandate for arranging PKR 1.1 bln working capital financing for a newly commissioned 62.4 MW bagasse based cogeneration power plant in Punjab.
- FBL has successfully achieved financial closure under a jointly mandated PKR 15 bln transaction for the gas utility and distribution company operating in the Southern part of the country for its pipe line infrastructure project in relation to LNG.
- FBL has successfully achieved financial closure under a joint mandate of PKR 12 bln for one of the oldest and largest telecom operators in Pakistan to support its infrastructure expansion.
- FBL as part of the Mandated Lead Arrangers group has structured and arranged PKR 55 bln split into Islamic and Conventional financing for the first ever coal mining company sponsored by some of the largest conglomerates in Pakistan. The project is for development of 6.5 MTPA coal mine in Thar. FBL participated in the Islamic tranche.
- FBL has participated as Joint Arranger for a financing mandate of PKR 22 bln which has an Islamic leg. The financing was arranged for a coal fired (mine mouth) power plant in Thar under an SPV put up by one of the largest and strongest conglomerate in the business sector along with a strong Chinese partner.
- FBL has successfully achieved financial closure under a joint mandate for PKR 10.5 bln for a 50MW wind power project based in Jhimpir, setup by one of the biggest groups in Pakistan in the business sector.

- FBL as Joint Arranger has participated in financing of PKR 21.86 bln for a 118 MW coal based power project which is setup for providing electricity and steam to the parent company as well as sale of electricity to KE.

### b) Retail Banking:

#### Branch Distribution

This year saw an enhanced focus on deposit mobilisation and cross sell through branches, moving the Bank towards a performance based multiproduct sales model. To protect margins in wake of sharp decline in Discount Rate by 350 bps, the Bank re-profiled the savings book along with sharp focus on market competitive pricing and related discipline, consistent with our business strategy of growing the current and savings accounts (CASA) book. CASA deposits now stands at PKR 196.5 bln contributing 67.2% of total deposits as of December 31, 2015. This year, the Bank managed to increase CASA contribution of 160 bps from previous year level of 65.6%. Consequent to this, cost of funds dropped which contributed to profitability of Retail Banking.

The deposits growth effort was significantly hampered by Federal Board of Revenue's (FBR) decision to impose withholding tax on non-filers on banking transactions in the 1st half of FY'16. This measure adversely affected customer-confidence across the industry as well as FBL. However, with the beginning of the new year, there is an increased level of acceptance around the new tax environment and we hope to leverage positive market sentiments to further grow our deposits base.

#### Consumer Finance

Consumer Finance shall continue to maintain focus on strategic objectives of further penetration into profitable segments, continued focus on risk management, maintenance of cost discipline and adhering to regulatory requirements. Consumer Finance continues to follow a growth trajectory in line with the objective of selling multiple products at optimum cost levels. The segment has worked on key initiatives to support the Bank meeting its business objectives. These include expansion of Bank's premium product suite with the launch of "World Credit Card" and enhancing our existing value proposition with the launch of Lifestyles program, which includes over 100 alliances.

#### Wealth Management

The Wealth Management business performed remarkably well during the course of the year with over 40% growth in business volume and significant increase in product penetration within our customer base. The Bancassurance product menu was further enriched with the onboarding of IGI Life Insurance as our new business partner. Furthermore, the investments proposition was further strengthened with the introduction of new funds through the FBL branch network. Going forward, the FBL plans to evolve its Wealth Management platform as a comprehensive array of investment and insurance solutions to cater to both mass market segment as well as specialised offerings for our High Net Worth clients.

### Agri Business

FBL continues to maintain its leadership position amongst commercial banks in the industry through continued zeal for innovation and providing unique and tailored Agri solutions to the farming community of Pakistan. The farmers however, faced unprecedented price crash of Agri commodities specially Cotton and Rice. Cotton additionally suffered on yield side as a result of which the country is expected to harvest 33% lesser crop during the year. This situation has caused demand side issues resulting in lower disbursements and has also adversely affected the Agri portfolio's health in terms of timely repayment of dues. The Bank has increased proactive monitoring and enhanced efforts for recovery of the portfolio.

### SME and Commercial

FBL is one of the key players of the financial sector being actively involved in lending to Commercial and SME's. Bank has strong presence in most major cities across Pakistan, catering to the financial needs of businesses in various industrial sectors. An aggressive strategy is developed for 2016 and we are fully geared up to grow the CBSME business with increased emphasis on the corporate value chain.

### c) Islamic Banking

Barkat Islamic offer customised, wide range of shariah compliant products under one roof which addresses all Islamic Banking requirements of customers. Barkat Islamic Banking continued on its growth strategy by increasing its foot print across Pakistan by opening 5 new branches and converting 5 conventional branches into Islamic. Now Islamic Banking has 68 branches in 30 cities and 1 Islamic sub-branch.

Barkat enhanced its product menu which now includes:

- Barkat Asaan Current and Savings Account, to extend benefits of financial services to the unbanked market segment mainly consisting of low risk / income customers.
- Barkat Islamic Banking launched two debit Cards: Barkat Visa Gold and Barkat Visa Platinum Debit cards.

The Barkat Islamic Banking acted as a Shariah Advisor for two of the syndicated transactions and also participated in several other syndicated Islamic transactions involving hybrids structures.

### d) Treasury

2015 Proved to be a stellar year for FBL. The business units reaped the rewards from the investments made over the preceding years in the development and constant upgrading of the homegrown IT Platform as well as various financial models.

The Money Market Desk positioned itself for a steep fall in interest rates by increasing the quantum and duration of the securities portfolio. A significant portion of this position was funded from the secondary market. Once the discount rate moved downwards these positions enabled the Bank to substantially enhance both accrual income through carry trades as well as realise substantial capital gains.

The Fixed Income sales and distribution business also witnessed significant growth. In addition to catering to the traditional client base of insurance companies, Provident and Pension Funds, Corporate and Asset Management Companies, the Treasury marketed fixed income investments to an array of individual customers as well. Since there was a substantial appreciation in the underlying value of these securities our customers reaped the benefits of timely investment advice given to them.

In addition to serving existing clients, the Derivatives and Structured Solution Desk offered an array of structures and balance sheet solutions to a multitude of new market entrants. There was a significant market interest in exploring Interest rate swaps due to the volatile behavior of interest rates.

FBL's Equity trading desk remained an active player in the capital markets despite significant headwinds from a global equity meltdown. The KSE 100 index grew by a mere 2.1% during CY'15 vs. 27% in CY'14. Despite these challenges our Equity desk managed to outperform the KSE100 index.

#### e) Special Assets Management (SAM)

Country's overall sluggish economic condition coupled with hardcore relationships with delinquent customers and long drawn legal procedures, SAM's business is even more difficult. By adopting new end-to-end tools to coup the complex issues and given the strategic importance of NPLs management, our team has maintained its tempo by putting in vigorous efforts thus managing to contribute P&L of Rs.1,097 million in 2015.

#### f) People

##### Human Resources (HR)

Several initiatives were introduced by Human Resource Function during 2015 to provide excellent banking experience to our customers. FBL has been investing in service quality and staff engagement interventions for improving staff quality, inviting people from different departments for their personal / professional views on building a stronger franchise.

"Business and Operations Talent Acquisition Plan" was launched to hire bright and competent trainee officers from Universities campus. In the 1st phase, campus drives were held at different universities wherein assessment tests and panel interviews were conducted. Bank continues to be the Bank of choice to many graduates.

#### Learning & Development (L&D)

L&D endeavored the most in 2015 to cover product and process trainings keeping in view that these two aspects are critical to staff's ability to perform their jobs. A total of 13,798 participants were successfully trained in 120 courses which included class room and on line training. Mystery shopping results stood from 75% to 78% for trained staff for most training programs. Bank induction programs such as the Branch Banking Certification Program and Branch Service Officer Development Program also covered 738 newly hired staff on product and process training. All staff hired in Barkat Islamic Banking attended newly introduced 5 day mandatory islamic certification program at various locations thereby complying with SBP directives.

L&D conducted training needs analysis exercise for the upcoming conversion of Faysal Bank's business to Islamic and accordingly developed specific training program. A total of 3,226 participants have been trained since 2014 on various courses as part of the business transformation plan.

#### Internal Communication

The platform of Internal Communication was utilised effectively in 2015 disseminating information. Premium discounts made by many renowned organisations were offered to our staff. Two mega events FBL Family Fiesta and Movie Time, were successfully organised in the main cities. Further, exclusive interactive sessions were conducted in collaboration with Bayer Pakistan for our female staff in Karachi and Lahore to raise awareness on different health issues. Leading cellular operators also facilitated our staff with biometric verification at Faysal House.

Our home grown quarterly "The Blue Octagram" is uploaded for our employees.

#### g) Risk Management

The Risk Management function continued to play its role both on a strategic and operative level to ensure institution of risk awareness and management culture across the Bank which has helped improve overall control environment. It also ensured sound health of the Bank's risk profile through both effective monitoring and proactive approach along with continuous improvement in risk management policies, processes & procedures.

Retail Risk Management assisted the business to launch new initiatives for acquisition of new customers, which included exploration of new low risk segments and tailor made policies to target preferred segments more effectively. Furthermore, various strategic initiatives were undertaken to streamline and simplify policies & processes to offer improved service standards to customers, while maintaining overall control. The Retail Risk Management function also ensured effective collection and recovery efforts.

The Enterprise Risk Management function ensured that the Bank remained fully compliant with SBP/Regulatory Basel related capital requirements while maintaining satisfactory capital adequacy levels, with comfortable cushion available to support its growth plans in the coming years. Obligor Risk Rating (ORR) and Facility Risk Rating (FRR) models for different business segments were updated to incorporate the impacts of latest available statistics. Monitoring of treasury activities was strengthened through Live Limit Monitoring for all key regulatory and internal limits. To further

strengthen Risk awareness culture, online training for Operational Risk Management (ORM) coordinators is now being undertaken via e-learning training module. The Bank implemented SBP's regulatory ORM related guidelines which augment the Bank's initiatives to further improve upon the internal control environment.

### h) Support Services

Information Technology has endeavored to provide seamless and efficient services to internal as well as external customers. Key achievements are as follows:

- Establishment of IT Governance to create value for business stakeholders and building understanding to develop alignment between business and technology on priorities and resource allocation.
- Formulation of 24/7 Integrated Operations Monitoring Station (IOMS), the dedicated taxonomy seeking to establish and execute mandatory procedure of 24 by 7 operations at Faysal House, Karachi as Primary Site whereas Lahore as DR Site. Video Walls have also been setup towards continuous visualisation and monitoring real-time dynamics, progress and health of enterprise IT resources.
- Implementation of a comprehensive centralised Islamic Pool Management solution thereby automating General LCY and FCY pools.
- Implementation of Bio-Metric Technology at the Branch Level for verification of particulars of prospective customers for opening of Accounts - in compliance with regulatory guidelines.
- Implementation of Data Mart extracting the data from eight different sources in order to orchestrate the comprehensive Customer View using Data Integration Framework (DIF) capable of accumulating data in various dimensions for Interfacing, Integration, MIS and BI prospective.
- Formulation of IT Help Hotline Service to reduce TAT for internal and external customers.

### i) Financial Perspective

#### Management Information

The Financial Control Unit aims to provide timely and accurate MIS to business partners. In this regard, regular view and upgradation have been made in QlikView Business Intelligence system. The dashboards today not only provide data regarding deposits mobilisation, lending, documentary credit and CRM but also provide segment wise Monthly Profitability Report to user for reviewing their performance. Businesses have been provided with their customer wise profitability to evaluate their relationships and to explore cross sale opportunities.

#### Cost Efficiency

Bank's strategy is to redefine processes and develop alternates to enhance core income and

improve Cost Efficiency. The focus was on rationalising costs on sustainable basis without affecting smooth operations.

#### Energy Saving Measures

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

### j) Corporate Social Responsibility:

Faysal Bank made every best possible effort to spread its CSR work in 2015, making significant contribution in areas of great social importance. During the year our total spending in health sector was more than PKR 67 million whereas about PKR 10 million was disbursed to organisations involved in quality education and vocational training. New relationships were entertained with Non Profit Organisations while fulfilling our ongoing commitment with different organisations with whom we had long term association. Some notable health and educational organisations we worked with in 2015 are:

#### Health

- Aga Khan Hospital & Medical College Foundation
- Patient's Aid Foundation (Jinnah Hospital)
- Sindh Institute of Urology & Transplantation
- Poor Patients Aid Society (Civil Hospital)
- The Indus Hospital
- The Cardiovascular Foundation

#### Education / Vocational Training

- The Hunar Foundation
- Ida Rieu Welfare Association
- The Helppcare Society

#### Future Outlook:

The Bank has recently developed a strategy which has a strong focus on growing Islamic business and going forward branch expansion will be on Islamic side. Also in booking new assets preference will be given to Islamic structures.

## DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

The Bank has planned to aggressively grow its branch network during 2016 in financial hubs and agriculture areas to provide door step convenience to customers. These branches by generating low cost core deposits shall improve CASA mix and hence reducing average cost of funding and will also cater to the banking requirements of the businesses in that area. Moreover, branches have also been transformed to a multiproduct selling hub through facilitation, persuasion and training. Cross sell opportunities are being converted into business through synergies and partnerships between Corporate, Commercial, SME, Agri and Retail segments.

### Financial Highlights:

	2015	2014
	PKR in million	
Operating profit	8,313	5,910
Provision for non-performing advances	(919)	(1,954)
Provision for diminution in value of investments	(454)	(397)
Provision against off balance sheet obligations	(20)	(7)
	<u>(1,393)</u>	<u>(2,358)</u>
Profit before tax	6,920	3,552
Provision for taxation	(2,698)	(1,075)
Profit after tax	4,222	2,477
Un-appropriated profit brought forward	5,696	3,601
	<u>9,918</u>	<u>6,078</u>
Appropriations / Transfers:		
Issue of bonus shares @ 15%	(1,565)	-
Transfer to statutory reserve	(844)	(496)
Transfer from surplus on revaluation of fixed assets - net of tax	54	87
Re-measurement of post-employment obligation – net of tax	75	27
	<u>(2,280)</u>	<u>(382)</u>
Un-appropriated profit carried forward	7,638	5,696
Earning per share – Rupees	<u>3.52</u>	<u>2.06</u>

Bank has earned healthy Profit after Tax (PAT) of PKR 4.222 bln during 2015 against PKR 2.477 bln (PAT) for 2014 thereby registering a 70.4% increase. Resultantly, EPS of the Bank has increased to PKR 3.52 from PKR 2.06 as compared to corresponding year. This achievement is due to the timely and effective initiatives taken for maintaining revenue stream in low interest rates and economic growth conditions.

To earn better spreads, Bank's strategy is mobilization of low cost deposits, effective management of NPL's and strict monitoring of administrative expenses. In all these areas, Bank has managed to excel and thereby net margins were protected, expenses were reduced and NPL charged was minimized.

## DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

The Banks non-funded income was higher than last year by 27.2% mainly due to realization of some gains on investment portfolio and higher fee and commission income.

Over the years, rigorous cost reduction efforts have enabled the Bank to bring administrative expenses to the level of year 2013. Bank has continued to keep the cost under strict control and alongside this drive, it has provided room to invest in normal business activities like deposit mobilization, launching new initiatives, opening branches and withstanding economic factors like inflation, ever increasing energy prices and indirect taxes on services.

NPL coverage has increased from 78.6% to 79.2%. This healthy coverage ratio reflects that the Bank has taken sufficient provision on impaired assets and there is less likelihood of higher provision charge in coming years.

The provision for tax is higher due to higher profitability and charge of 4% super tax on 2014 profits levied by the Finance Act, 2015.

On the balance sheet side capital base increased as a result of bonus issue. Advances level was maintained and surplus funds were invested in better yield government securities. Investments increased to PKR 183.7 bln which is higher by 18.3% from 2014 level of PKR 155.2 bln. Deposits were marginally improved as Bank concentrated on mobilizing low cost core deposits so as to maintain its cost of fund at desirable levels. Total assets of your Bank have increased from PKR 388 billion to PKR 430 billion.

The Board of Directors has recommended final cash dividend of PKR 1.00 per share (10%) for the year 2015.

### 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, 2015:

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 ratings are reproduced below:

AA: Very High Credit Quality. "AA" rating denotes a very low expectation of credit risk. It indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

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

### Corporate Governance:

The Bank has implemented the requirements of the Code of Corporate Governance (the Code) relevant to the year ended December 31, 2015. A prescribed statement by the management along with the auditor's review report thereon forms part of this Annual Report.

Statement under clause xix of the code:

- a. The financial statements prepared by the management of the Bank present fairly the state of affairs, the results of its operations, cash flows and changes in equity;
- 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. Accounting estimates are based on reasonable and prudent judgement.
- 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 effectively 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. Summarised 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 PKR 888.381 million and PKR 491.594 million respectively as per the latest audited financial statements.
- j. The details of the Board and Committees' Meetings held and attended by the directors form part of this Annual Report;
- k. All Board members have been certified from Pakistan Institute of Corporate Governance as 'Certified Directors'.
- l. The prescribed pattern of shareholding is given as a part of this Annual Report.

- m. No trades in the shares of the Bank were carried out by the Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children during the year 2015.

### Statement of Internal Control:

This Board is pleased to endorse the statement made by the management relating to internal controls. The system of internal controls is sound in design and has been effectively implemented and monitored. The management's Statement of Internal Controls is included in this Annual Report.

### Risk Management Framework

Risk Management Group (RMG) organised under the Chief Risk Officer (CRO), has been authorised by the Board of Directors (BoD) to implement a Risk Management framework across the Bank. Risk Management framework is built around the principles of Integrated Risk Management for managing Credit Risk, Market Risk, Liquidity Risk and Operational Risk. The primary objective of this architecture is to inculcate risk management into the organisation 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 Banks depositors and shareholders.

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 organisational structure clearly defining 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 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 emphasises 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 - dynamic and well-defined limits structure for money market, foreign exchange, equity and derivatives portfolios.



## DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

- 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 categorisation.

### Risk Processes:

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

- Develop and update policies and limits for approval by Senior Management/Board
- Monitor policy compliance
- Maintain contingency plans
- Track variables for changing risk conditions and provide timely reports to Senior Management
- Generate a healthy critique on Asset Portfolio Quality and Credit Management Process
- Prevent and detect fraud incidents and 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.

### Auditors:

The present auditors', A. F. Ferguson & Co., Chartered Accountants, will retire on the date of next Annual General Meeting. They have completed five year of audit however, State Bank of Pakistan has allowed them to continue as auditor as per their approval letter reference BPRD/CS&MRPD/8106/3880/15 dated February 18, 2015 hence they are eligible for re-appointment. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of A. F. Ferguson & Co., Chartered Accountants, as the Auditors of the Bank for the financial year 2016.

### Acknowledgement:

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

## DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

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  
Lahore  
Dated: February 25, 2016

## STATEMENT ON INTERNAL CONTROLS

This statement is presented to comply with the requirements of the State Bank of Pakistan (SBP) issued vide BSD Circular No. 07 dated May 27, 2004 "Guidelines on Internal Controls" and OSED Circular No. 01 of 2014 dated February 07, 2014 "Instructions on Inter Controls over Financial Reporting (ICFR)".

The Management of Faysal Bank Limited is responsible for establishing and maintaining adequate and effective internal control system in the Bank.

The management of the Bank fully recognizes this responsibility, appreciates its value and significance and therefore, has designed the Bank's Internal Control Program to provide reasonable assurance on the reliability of financial reporting, effectiveness of the operations and compliance with applicable laws and regulations.

Accordingly, policies and procedures encompassing various business and operational areas are in place, kept updated and communicated across all pertinent levels of the organization. The policies are approved by the Board of Directors and the procedures are approved by the Senior Management. The Bank's Internal Audit function keeps monitoring of compliance with these policies and procedures and regularly apprises the management and the Board on the same through Board's Audit and Corporate Governance Committee.

The management takes remedial measures to address weaknesses identified by internal and external auditors. These remedial measures, which include improvements in internal controls to ensure non recurrence of those exceptions, are monitored by Compliance Committee.

While the Internal Controls System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of controls. Accordingly, even an effective internal control system can provide reasonable but not absolute assurance that the system's objective will be achieved.

Additionally, the Bank has completed all stages of the ICFR roadmap, issued vide BSD Circular No. 05 dated February 24, 2009 of the State Bank of Pakistan (SBP). The Bank has adopted the "COSO Internal Control Integrated Framework" in relation to its Internal Control program in order to ensure consistency in the process of compliance with SBP's Internal Control Guidelines involving documentation, risk assessment, gap analysis, controls testing and controls implementation. Furthermore, as per the instructions of State Bank of Pakistan on the subject, the Bank will submit the Long Form Report of statutory auditors on review for the ICFR program for the year ended December 31, 2015 within the regulatory deadline.

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 and ICFR program.

  
Nauman Ansari  
President & CEO

Lahore  
February 25, 2016

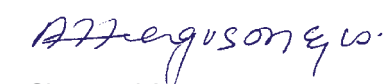
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Faysal Bank Limited** (the Bank) as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for thirty 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 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied;
  - (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 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, 2015, and its true balance of the 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: **Noman Abbas Sheikh**  
Dated: March 4, 2016  
Karachi.

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	Note	2015	2014
		----- Rupees '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	8	26,084,007	20,285,851
Balances with other banks	9	1,068,451	1,422,699
Lendings to financial institutions	10	12,088,403	-
Investments	11	183,677,239	155,210,513
Advances	12	178,079,084	181,224,805
Operating fixed assets	13	11,342,980	11,543,356
Deferred tax assets - net	14	3,087,325	2,428,816
Other assets	15	14,645,371	16,009,744
		<b>430,072,860</b>	<b>388,125,784</b>
<b>LIABILITIES</b>			
Bills payable	16	6,009,238	5,347,774
Borrowings	17	90,565,242	60,926,863
Deposits and other accounts	18	292,130,258	283,345,739
Sub-ordinated loans	19	2,994,000	2,995,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	20	8,021,649	9,207,632
		<b>399,720,387</b>	<b>361,823,208</b>
<b>NET ASSETS</b>		<b>30,352,473</b>	<b>26,302,576</b>
<b>REPRESENTED BY</b>			
Share capital	21	11,997,601	10,432,697
Reserves	22	6,422,761	5,703,155
Unappropriated profit		7,638,330	5,696,366
		<b>26,058,692</b>	<b>21,832,218</b>
Surplus on revaluation of assets - net of tax	23	4,293,781	4,470,358
		<b>30,352,473</b>	<b>26,302,576</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	24		

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, 2015

	Note	2015	2014
		-----Rupees '000-----	
Mark-up / return / interest earned	26	32,312,553	32,312,633
Mark-up / return / interest expensed	27	18,357,971	18,480,191
<b>Net mark-up / interest income</b>		<b>13,954,582</b>	<b>13,832,442</b>
Provision against non-performing loans and advances - net (Reversal) / provision for consumer and small enterprise loans - general	12.4	1,026,128	2,055,820
Provision against off balance sheet obligations	12.4 & 12.5	(6,852)	33,159
Provision for diminution in value of investments - net	20.2	19,929	6,981
Recoveries against written-off debts - net	11.3	454,551	397,383
	12.7.1	(100,296)	(134,506)
		<b>1,393,460</b>	<b>2,358,837</b>
<b>Net mark-up / interest income after provisions</b>		<b>12,561,122</b>	<b>11,473,605</b>
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		2,303,447	2,075,945
Dividend income		318,715	182,435
Income from dealing in foreign currencies		964,961	1,072,939
Gain on sale of securities - net	28	1,738,630	460,477
Unrealised (loss) / gain on revaluation of investments classified as held for trading		(27,230)	31,475
Other income	29	265,817	550,898
<b>Total non mark-up / interest income</b>		<b>5,564,340</b>	<b>4,374,169</b>
		<b>18,125,462</b>	<b>15,847,774</b>
<b>Non mark-up / interest expenses</b>			
Administrative expenses	30	10,591,053	12,162,034
Other provisions / (reversal) - net	15.3	386,126	(88,616)
Other charges	31	221,204	221,826
<b>Total non mark-up / interest expenses</b>		<b>11,198,383</b>	<b>12,295,244</b>
		<b>6,927,079</b>	<b>3,552,530</b>
Share of loss of associate	11.7.2	(7,002)	(745)
Extraordinary / unusual items		-	-
<b>Profit before taxation</b>		<b>6,920,077</b>	<b>3,551,785</b>
Taxation - Current	32	3,038,627	1,712,150
Taxation - Prior years	32	264,797	(812,786)
Taxation - Deferred	32	(605,711)	175,462
		<b>2,697,713</b>	<b>1,074,826</b>
<b>Profit after taxation</b>		<b>4,222,364</b>	<b>2,476,959</b>
-----Rupees-----			
<b>Basic earnings per share</b>	33	<b>3.52</b>	<b>2.06</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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		-----Rupees '000-----	
<b>Profit after taxation for the year</b>		<b>4,222,364</b>	2,476,959
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit and loss account</b>			
<b>Components of comprehensive income reflected in equity</b>			
- Remeasurements of defined benefit plan	36.5	<b>115,098</b>	41,466
- Deferred tax liability on remeasurements of defined benefit plan		<b>(40,284)</b>	(14,513)
		<b>74,814</b>	26,953
<b>Comprehensive income transferred to equity</b>		<b>4,297,178</b>	2,503,912
<b>Items that may be reclassified subsequently to profit and loss account</b>			
<b>Components of comprehensive income not reflected in equity</b>			
- Net change in value of available for sale securities		<b>(148,259)</b>	2,506,467
- Deferred tax asset / (liability) on change in value of available for sale securities		<b>25,845</b>	(887,700)
		<b>(122,414)</b>	1,618,767
<b>Total comprehensive income</b>		<b>4,174,764</b>	4,122,679

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, 2015

	Share capital	Reserves				Statutory reserve (note 22.1)	Total	Unappropriated profit	Total
		Reserve for issue of bonus shares	Share premium	Non-distributable capital reserve (NCR) - gain on bargain purchase	Reserve arising on amalgamation				
	----- Rupees '000 -----								
<b>Balance as at January 1, 2014</b>	10,432,697	-	10,131	2,477,908	23,952	4,042,206	6,554,197	3,600,828	20,587,722
Profit after taxation for the year	-	-	-	-	-	-	-	2,476,959	2,476,959
<b>Other comprehensive income for the year</b>									
- Remeasurements of defined benefit plan	-	-	-	-	-	-	-	41,466	41,466
- Tax on remeasurements of defined benefit plan	-	-	-	-	-	-	-	(14,513)	(14,513)
	-	-	-	-	-	-	-	26,953	26,953
Amortisation of intangible assets - customer relationship - net of tax (note 22.2)	-	-	-	(124,867)	-	-	(124,867)	-	(124,867)
Transfer to statutory reserve	-	-	-	-	-	495,392	495,392	(495,392)	-
Provision against non-performing loans and advances directly charged to equity as per SBP directive and adjusted against Non-distributable Capital Reserve	-	-	-	(1,221,567)	-	-	(1,221,567)	-	(1,221,567)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	87,018	87,018
<b>Balance as at December 31, 2014</b>	10,432,697	-	10,131	1,131,474	23,952	4,537,598	5,703,155	5,696,366	21,832,218
Profit after taxation for the year	-	-	-	-	-	-	-	4,222,364	4,222,364
<b>Other comprehensive income for the year</b>									
- Remeasurements of defined benefit plan	-	-	-	-	-	-	-	115,098	115,098
- Tax on remeasurements of defined benefit plan	-	-	-	-	-	-	-	(40,284)	(40,284)
	-	-	-	-	-	-	-	74,814	74,814
<b>Transactions with owners recognised directly in equity</b>									
- Transfer to reserve for issue of bonus shares	-	1,564,904	-	-	-	-	-	1,564,904	(1,564,904)
- Bonus shares issued	1,564,904	(1,564,904)	-	-	-	-	-	(1,564,904)	-
	1,564,904	-	-	-	-	-	-	(1,564,904)	-
Amortisation of intangible assets - customer relationship - net of tax (note 22.2)	-	-	-	(124,867)	-	-	(124,867)	-	(124,867)
Transfer to statutory reserve	-	-	-	-	-	844,473	844,473	(844,473)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	54,163	54,163
<b>Balance as at December 31, 2015</b>	<b>11,997,601</b>	-	<b>10,131</b>	<b>1,006,607</b>	<b>23,952</b>	<b>5,382,071</b>	<b>6,422,761</b>	<b>7,638,330</b>	<b>26,058,692</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


# CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015


Note	2015	2014
	-----Rupees '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,920,077	3,551,785
Less: dividend income	(318,715)	(182,435)
	<b>6,601,362</b>	3,369,350
<b>Adjustments for non-cash and other items:</b>		
Depreciation	602,292	734,477
Amortisation	218,683	234,088
Workers' Welfare Fund	177,179	98,643
Provision against non-performing loans and advances - net	1,026,128	2,055,820
(Reversal) / provision for consumer and small enterprise loans - general	(6,852)	33,159
Provision for diminution in value of investments - net	454,551	397,383
Provision / (reversal) of other provisions - net	386,126	(88,616)
Provision against off balance sheet obligations	19,929	6,981
Unrealised loss / (gain) on revaluation of investments classified as held for trading	27,230	(31,475)
Net gain on disposal of property and equipment	(14,009)	(18,193)
Net gain on disposal of non-banking assets	(115,356)	(145,108)
Charge for defined benefit plan	100,814	65,434
Amortisation of prepaid employee benefits	94,200	322,426
Recoveries against written-off debts	(100,296)	(134,506)
Share of loss from associate	7,002	745
	<b>2,877,621</b>	3,531,258
	<b>9,478,983</b>	6,900,608
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	(12,088,403)	300,000
Held for trading securities	20,488,129	(18,636,968)
Advances - net	2,226,741	(210,541)
Other assets	(1,220,166)	(2,404,914)
	<b>9,406,301</b>	(20,952,423)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	661,464	379,164
Borrowings	29,863,892	15,255,679
Deposits and other accounts	8,784,519	12,211,436
Other liabilities	(1,205,870)	1,095,942
	<b>38,104,005</b>	28,942,221
	<b>56,989,289</b>	14,890,406
Income tax paid	(1,585,982)	(1,411,661)
Contribution to gratuity fund	(28,051)	-
<b>Net cash generated from operating activities</b>	<b>55,375,256</b>	13,478,745
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	(49,096,036)	(1,098,438)
Net investment in held to maturity securities	(495,861)	(20,015,815)
Dividend income received	329,947	181,715
Investment in operating fixed assets	(819,436)	(580,567)
Proceeds realised on disposal of operating fixed assets	20,743	47,069
Proceeds realised on disposal of non-banking assets	356,052	536,940
<b>Net cash used in investing activities</b>	<b>(49,704,591)</b>	(20,929,096)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of sub-ordinated loan	(1,200)	(500,200)
Dividends paid	(44)	(32)
<b>Net cash used in financing activities</b>	<b>(1,244)</b>	(500,232)
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>5,669,421</b>	(7,950,583)
Cash and cash equivalents at the beginning of the year	20,666,451	28,617,034
<b>Cash and cash equivalents at the end of the year</b>	<b>26,335,872</b>	20,666,451

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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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## 1 STATUS AND NATURE OF BUSINESS

**1.1** Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the Companies Ordinance, 1984. Its shares are listed on Pakistan Stock Exchange Limited. The Bank is mainly engaged in Corporate, Commercial and Consumer banking activities. The Bank has a network of 280 branches (2014: 274); including 68 Islamic banking branches (2014: 58) and 1 Islamic sub-branch (2014: 1) in Pakistan.

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

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

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

## 2 BASIS OF PRESENTATION

**2.1** In accordance with the directives of the Federal Government regarding 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.

**2.2** 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.

**2.3** In accordance with the directives issued by the SBP, the statement of financial position and the profit and loss account of Islamic banking branches of the Bank are disclosed in Annexure III to these financial statements.

## 3 STATEMENT OF COMPLIANCE

**3.1** These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the requirements of the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 or the directives issued by the SECP and the SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 or the requirements of the said directives issued by the SECP and the SBP prevail.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has also deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its S.R.O. 633(I)/2014 dated July 10, 2014. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3** IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP's 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** The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of the financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.
- 3.5** As more fully explained in note 3.6.1, the SECP has directed that the requirements of IFRS 10, 'Consolidated Financial Statements' are not applicable in case of investments by Companies in mutual funds established under Trust Deed structure.
- 3.6 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**
- 3.6.1** IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist where the determination of control is difficult to assess. There is no impact of the applicability of this standard on the financial statements of the Bank.
- 3.6.2** IFRS 12, 'Disclosures of interests in other entities', includes the disclosures around significant judgments and assumptions used in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in un-consolidated structured entities. The application of this standard does not have an impact on these financial statements except for certain disclosures as mentioned in note 11.7.1 to these financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

- 3.6.3** IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. Accordingly, the Bank has included an additional disclosure in this regard in note 39 to the financial statements. Notwithstanding the above, the change had no impact on the measurements of the Bank's assets and liabilities.
- 3.6.4** There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.
- 3.7 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**
- 3.7.1** The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

Standard, Interpretations or Amendments	Effective date (accounting periods beginning on or after)
- IFRS 10 - Consolidated Financial Statements - (Amendment)	January 01, 2016
- IFRS 11 - Joint Arrangements - (Amendment)	January 01, 2016
- IAS 16 - Property, Plant and Equipment - (Amendment)	January 01, 2016
- IAS 27 - Separate Financial Statement - (Amendment)	January 01, 2016
- IAS 28 - Investments in associates and joint ventures - (Amendment)	January 01, 2016
- IFRS 15 - Revenue from contracts	January 01, 2018
- IAS 38 - Intangible Assets - (Amendment)	January 01, 2016

- 3.7.2** The SBP vide its BPRD circular No. 01 of 2016, dated January 01, 2016 has instructed Banks that any surplus arising on revaluation of non banking assets acquired in satisfaction of claims shall be transferred to "Surplus on Revaluation of Fixed Assets account" as required under section 235 of the Companies Ordinance, 1984.
- The amendment highlighted in note 3.7.1 and note 3.7.2 may impact the financial statements of the Bank and management is in the process of assessing the full impact of the change.
- 3.7.3** There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2016 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 have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with the 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 estimates are 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 the accounting policies are as follows:

- i) classification and provisioning against investments (notes 7.4 and 11).
- ii) income taxes (notes 7.8, 14 and 32).
- iii) classification and provisioning against advances (notes 7.5 and 12).
- iv) depreciation / amortisation of operating fixed assets (notes 7.6 and 13).
- v) accounting for defined benefit plan (notes 7.11 and 36).
- vi) impairment of intangible assets (notes 7.6 and 13.3).
- vii) impairment of assets (note 7.7).

### 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 disclosed or 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 as 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 as 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 22.2 to these financial statements, the gain on bargain purchase arising on an acquisition made in 2010 has been recognised directly in equity as per the directives of the SBP.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 and is not subsequently reversed.

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 the 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, and overdrawn nostro accounts.

#### 7.3 Lendings to / borrowings from financial institutions

The Bank enters into repurchase agreement (repo) and reverse repurchase agreements (reverse repos) at contracted rates for a specified period of time. These are recorded as under:

##### (a) Sale of securities under repurchase agreements

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

##### (b) Purchase of securities under repurchase agreements

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

##### (c) Bai Muajjal

In Bai Muajjal, the Bank sells Shariah compliant instruments on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the sale and the credit price is recognised over the credit period 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### (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 associates, that do not fall under either held for trading or held to maturity categories.

### (d) Associates

Associates are all entities over which the bank has significant influence but not control.

#### Initial recognition and measurement:

All purchases and sales of investments that require delivery within the time frame established by the 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 classified 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.

#### Subsequent measurement:

##### Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

##### Held to maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

##### Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to the profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### Impairment

Impairment loss in respect of investments classified as available for sale (except term finance certificates and sukuk 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 the fair value of a listed equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of term finance certificates and sukuk certificates is made as per the requirements of 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 therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

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

### Investment in associates

Investments in associates, where the Bank has significant influence, are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associate is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of net assets after the date of acquisition. The Bank's share of post acquisition profit and loss of associates is accounted for in the profit and loss account with a corresponding adjustment to the carrying amount of the investment. When the Bank's share of losses in associates equals or exceeds its interest in the associates, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associates. Profit and losses resulting from upstream and downstream transactions between the Bank and its associates are recognised in the Bank's financial statements only to the extent of unrelated investor's interests in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Bank. Dilution gains and losses arising on investments in associates are recognised in the profit and loss account.

## 7.5 Loans and Advances

**7.5.1** Advances are stated net of specific and general provisions. Specific provision for advances is made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP. The amount of provision is charged to the profit and loss account. General provision against consumer and small enterprises financings portfolio is maintained as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written off when there is no realistic prospect of recovery. In addition to conventional products, the Bank also offers various Islamic financing products which mainly include:

### (a) Murabaha

Murabaha financings are reflected as receivables at the invoiced amount. Actual sales and purchases are not reflected, as the goods are purchased by the customer as an agent of the Bank and all documents relating to purchase are in the customer's name. However, the profit on that sale revenue not due for payment is deferred and is recognised on a time proportion basis. Funds disbursed under Murabaha financing arrangements prior to purchase of goods are recorded as "Advance Against Murabaha".



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### (b) Diminishing Musharaka

In Diminishing Musharaka based financing, the Bank enters into a Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payment agreement for the utilization of the Bank's Musharaka share by the customer.

### (c) Ijarah assets

Ijarah assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged from the date of recognition of ijarah assets on a straight line basis over the period of Ijarah. Impairment of Ijarah assets is determined on the same basis as that of operating fixed assets.

Ijarah income is recognised in income on accrual basis as and when the rental becomes due. Impairment of Ijarah rental is determined in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account.

### (d) Bai Muajjal

In Bai Muajjal financing, the Bank sells Shariah Compliant instruments on credit to customers. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

## 7.5.2 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 lease. A receivable is recognised on the 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. Specific and general provisions for net investment in finance lease 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.

## 7.6 Fixed assets and depreciation

### (a) Tangible assets - owned

Operating fixed assets other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings are carried at revalued amount less any accumulated depreciation and subsequent impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses, if any.

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 13.2 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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. All other repairs and maintenance expenditure are charged to the profit and loss account as and when incurred.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. 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. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

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.

### (b) Tangible assets - leased

Leases are classified as finance lease 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 lease. Lease payments, if any, under operating lease 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. Leasehold land and buildings on leasehold land are subsequently revalued. 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, subsequent costs and gains / losses are recognised in a manner consistent with that for depreciable and other fixed assets which are owned by the Bank.

During the year, the management of the Bank has revised its estimate of the useful life of 'Building on freehold land' and 'Building on leasehold land'. The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors'. The impact of this change is disclosed in note 13.2.3 to these financial statements.

### (c) Capital work in progress

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### (d) Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The intangible assets include directly attributable cost that are capitalised as part of the intangible asset. Amortisation, except for customer relationship is charged applying the straight-line method over the useful lives of the assets. Amortisation is calculated so as to write-off the assets over their expected economic lives at rates specified in note 13.3 to these financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed of. The intangible asset comprising customer relationship is being amortised over the life expectancy of the deposits. The residual values and useful lives are 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 any 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 except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of asset.

An impairment loss is reversed except for impairment loss relating to goodwill, 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, in which case it is recognised in equity or below equity.

#### Current

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 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 and assets acquired in satisfaction of claim

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

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are 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.

Assets acquired in satisfaction of claim are stated at the lower of the financed amount and their market value at the time of acquisition. The Bank carries out periodic valuation of these assets and any decline in their value below the recognised amount is charged to the profit and loss account. These assets are disclosed in other assets as specified by the SBP.

### 7.10 Provisions and contingent assets and liabilities

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.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 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 both by the Bank and the employees.

#### b) Defined benefit scheme

The Bank operates an approved funded gratuity scheme for all its permanent eligible employees and eligible employees who are on contractual service and are employed under non-management cadre. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the differences between the actual investment returns and the return implied by the net interest cost are recognised in the Statement of Financial Position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur.

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

### 7.12 Borrowings / deposits and their costs

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 is 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 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up on subordinated loans is charged to the profit and loss account over the period on an accrual basis and is recognised separately as part of other liabilities.

### 7.14 Revenue recognition and other items

- Mark-up income / interest / profits on advances and returns on investments are recognised on a time proportion basis except that mark-up income / interest / returns / profits on non-performing advances and investments are recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Interest / returns / mark-up income / profits on rescheduled / restructured advances and investments are 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

- 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 SBP. Gains / losses on termination of lease contracts, documentation charges, front-end fee and other lease income are 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, commission on letters of credit / guarantee, other commission and brokerage income is recognised on accrual basis.
- Financial advisory fee is recognised when the right to receive the fee is established.
- Rent and other income is recognised on accrual basis.
- Profit on Bai Muajjal lendings are recognised on straight line basis.

### 7.15 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.

### 7.16 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, if any, 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.

### 7.17 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at committed amounts. 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 7.18 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.

### 7.19 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, certain other assets, bills payable, borrowings, deposits, liabilities against assets subject to finance lease and certain 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 the fair value is positive and liability when the 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 only when permitted by the approved accounting standards as applicable in Pakistan.

### 7.20 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.

### 7.21 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. The segment's results are reviewed regularly, which have been presented according to the functional basis and the guidance of the 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 the SBP. The segments of the Bank are as follows:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### (a) Business Segments

#### (i) Corporate finance

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

#### (ii) Trading and Sales

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

#### (iii) Retail banking

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

#### (iv) Corporate and commercial banking

This includes strategic partnership with Corporate and Commercial entities to provide working capital financing, trade financing, cash management services, project finance, export finance, leasing, guarantees, bills of exchange, deposits and other long term finance.

### (b) Geographical segment

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

	Note	2015	2014
		-----Rupees '000-----	
<b>8</b>	<b>CASH AND BALANCES WITH TREASURY BANKS</b>		
	In hand		
	- local currency	<b>5,672,674</b>	5,493,911
	- foreign currencies	<b>1,785,085</b>	1,935,347
	With the State Bank of Pakistan in		
	- local currency current accounts	8.1 <b>8,903,843</b>	4,446,559
	- foreign currency current accounts	8.2 <b>1,166,291</b>	1,254,532
	- foreign currency deposit accounts	8.3 <b>3,413,193</b>	3,672,057
	With the National Bank of Pakistan in		
	- local currency current accounts	<b>5,125,097</b>	3,455,114
	National prize bonds	<b>17,824</b>	28,331
		<b>26,084,007</b>	<b>20,285,851</b>

**8.1** These include local currency current accounts 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 by the SBP.

**8.2** This represents cash reserve of 5% maintained with the SBP in US dollars current account on deposits held under the New Foreign Currency Accounts (FE-25 deposits) as per BSD Circular No. 14 and 15 dated June 21, 2008.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**8.3** These represent special cash reserve of 15% maintained with SBP in US dollars deposit account under the requirements of BSD Circular No.14 dated June 21, 2008, local US dollars clearing account maintained with SBP to facilitate US dollars clearing and 6% special cash reserve requirement on FE-25 deposits maintained by Islamic Banking branches under the requirements of BSD Circular No.15 dated June 21, 2008. Profit rates on these balances are fixed on monthly basis by the SBP. The SBP has not remunerated any amount on these deposits during the current and the last year.

	Note	2015	2014
-----Rupees '000-----			
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- Current accounts		<b>573,956</b>	868,011
Outside Pakistan			
- Current accounts		<b>494,495</b>	554,688
- Deposit account		-	-
		<b>1,068,451</b>	1,422,699

### 10 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lending	10.2	<b>250,000</b>	-
Bai Muajjal	10.3 & 10.4	<b>11,838,403</b>	-
		<b>12,088,403</b>	-

#### 10.1 Particulars of lendings

In local currency		<b>12,088,403</b>	-
In foreign currency		-	-
		<b>12,088,403</b>	-

**10.2** This represents lending to a commercial bank which carries mark-up at the rate of 6.5% per annum (2014: Nil) and it is due to mature on January 4, 2016.

	2015	2014
-----Rupees '000-----		
<b>10.3</b> Bai Muajjal placements - gross	<b>12,548,068</b>	-
Less: deferred income	<b>(624,116)</b>	-
Less: profit receivable shown in other assets	<b>(85,549)</b>	-
Bai Muajjal placements - net	<b>11,838,403</b>	-

**10.4** These carry profit at rates ranging between 5.9900% to 5.9995 % per annum and are due to mature latest by November 2016 (2014: Nil).

### 11 INVESTMENTS

Investments by type and segments, details of strategic investments and particulars of provisions are given below. The full break down of available for sale investments is given in Annexure I, which forms an integral part of these financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 11.1 Investments by type

Note	2015			2014			
	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	11.2.1	3,204,619	-	3,204,619	16,355,610	7,918,016	24,273,626
Pakistan Investment Bonds	11.2.2	3,150,437	-	3,150,437	2,467,424	318,224	2,785,648
Fully paid up ordinary shares / certificates of closed end mutual funds		482,482	-	482,482	266,393	-	266,393
		<b>6,837,538</b>	<b>-</b>	<b>6,837,538</b>	<b>19,089,427</b>	<b>8,236,240</b>	<b>27,325,667</b>
<b>Available for sale securities</b>							
Market Treasury Bills	11.2.1	48,839,635	41,360,610	90,200,245	33,390,917	11,054,584	44,445,501
Pakistan Investment Bonds	11.2.2	19,778,584	28,710,039	48,488,623	15,333,043	19,890,625	35,223,668
Ijara Sukuk Bonds	11.2.3	5,919,200	-	5,919,200	17,579,035	-	17,579,035
Units of open end mutual funds							
- Faysal Balanced Growth Fund *		12,480	-	12,480	12,480	-	12,480
- Faysal Income Growth Fund *		87,544	-	87,544	57,919	-	57,919
- Faysal Savings Growth Fund *		680,606	-	680,606	155,412	-	155,412
- Faysal Islamic Savings Growth Fund *		95,848	-	95,848	85,000	-	85,000
- Faysal Money Market Fund *		312,111	-	312,111	549,000	-	549,000
- Faysal Asset Allocation Fund *		75,947	-	75,947	15,491	-	15,491
- Faysal Financial Sector Opportunity Fund *		34,000	-	34,000	39,000	-	39,000
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds	11.6	4,271,736	-	4,271,736	2,752,299	-	2,752,299
Fully paid up preference shares		122,490	-	122,490	197,490	-	197,490
Term finance certificates	11.3.2	839,801	-	839,801	932,300	-	932,300
		<b>81,069,982</b>	<b>70,070,649</b>	<b>151,140,631</b>	<b>71,099,386</b>	<b>30,945,209</b>	<b>102,044,595</b>
<b>Held to maturity securities</b>							
Pakistan Investment Bonds	11.2.2	19,776,284	-	19,776,284	19,606,773	-	19,606,773
Term finance certificates		2,364,514	-	2,364,514	2,798,791	-	2,798,791
Sukuk Bonds		4,760,365	-	4,760,365	3,999,738	-	3,999,738
		<b>26,901,163</b>	<b>-</b>	<b>26,901,163</b>	<b>26,405,302</b>	<b>-</b>	<b>26,405,302</b>
<b>Associate *</b>							
Fully paid up ordinary shares of Faysal Asset Management Limited	11.7	68,082	-	68,082	75,084	-	75,084
<b>Investments</b>		<b>114,876,765</b>	<b>70,070,649</b>	<b>184,947,414</b>	<b>116,669,199</b>	<b>39,181,449</b>	<b>155,850,648</b>
Less: provision for diminution in the value of investments	11.3 & 12.4.1	(3,282,763)	-	(3,282,763)	(2,828,212)	-	(2,828,212)
<b>Investments (net of provisions)</b>		<b>111,594,002</b>	<b>70,070,649</b>	<b>181,664,651</b>	<b>113,840,987</b>	<b>39,181,449</b>	<b>153,022,436</b>
(Deficit) / surplus on revaluation of investments classified as held for trading - net	11.5	(10,646)	-	(10,646)	11,110	5,474	16,584
Surplus on revaluation of investments classified as available for sale - net	23.2	852,230	1,171,004	2,023,234	1,084,848	1,086,645	2,171,493
<b>Total investments - net</b>		<b>112,435,586</b>	<b>71,241,653</b>	<b>183,677,239</b>	<b>114,936,945</b>	<b>40,273,568</b>	<b>155,210,513</b>

\* related parties

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		-----Rupees '000-----	
<b>11.1.1 Strategic Investments</b>			
<b>Available for sale securities - Listed</b>			
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds		-	105,469
Units of open end mutual funds		7,480	7,480
		<b>7,480</b>	112,949
<b>Available for sale securities - Unlisted</b>			
Fully paid up ordinary shares		<b>568,755</b>	568,755
<b>Associate - unlisted</b>	11.7.2	<b>68,082</b>	75,084
		<b>644,317</b>	756,788
<b>Provision for diminution in the value of investments</b>		<b>(568,755)</b>	(464,030)
		<b>75,562</b>	292,758
<b>Surplus on revaluation of strategic investments classified as available for sale</b>		<b>1,079</b>	104,191
		<b>76,641</b>	396,949

Strategic investments are those investments 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 fulfilment 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's 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, 2015

	Note	2015	2014
		-----Rupees '000-----	
<b>11.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills	11.2.1	<b>93,404,864</b>	68,719,127
- Pakistan Investment Bonds	11.2.2	<b>71,415,344</b>	57,616,089
- Ijara Sukuk Bonds	11.2.3	<b>5,919,200</b>	17,579,035
		<b>170,739,408</b>	143,914,251
<b>Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units</b>			
- Listed companies / modarabas / mutual funds		<b>4,104,552</b>	2,369,026
- Unlisted companies		<b>717,748</b>	724,750
		<b>4,822,300</b>	3,093,776
<b>Fully Paid up Preference Shares</b>			
- Listed companies		<b>122,490</b>	122,490
- Unlisted companies		<b>-</b>	75,000
		<b>122,490</b>	197,490
		<b>4,944,790</b>	3,291,266
<b>Term Finance Certificates</b>			
- Listed		<b>131,970</b>	224,189
- Unlisted	11.3.2	<b>3,072,345</b>	3,506,902
		<b>3,204,315</b>	3,731,091
<b>Units of Open end Mutual Funds</b>		<b>1,298,536</b>	914,302
<b>Sukuk Bonds</b>		<b>4,760,365</b>	3,999,738
<b>Total investments</b>		<b>184,947,414</b>	155,850,648
Less: provision for diminution in the value of investments	11.3	<b>(3,282,763)</b>	(2,828,212)
<b>Investments (net of provisions)</b>		<b>181,664,651</b>	153,022,436
(Deficit) / surplus on revaluation of investments classified as held for trading - net	11.5	<b>(10,646)</b>	16,584
Surplus on revaluation of investments classified as available for sale - net	23.2	<b>2,023,234</b>	2,171,493
<b>Total investments - net</b>		<b>183,677,239</b>	155,210,513

**11.2.1** Market Treasury Bills have tenures of three months to one year. The Bank's return on these instruments ranges from 6.25% to 7.95% per annum (2014: 9.35% to 12% per annum) with maturities up to November 2016.

**11.2.2** Pakistan Investment Bonds have tenures of 3 to 10 years. The Bank's return on these instruments ranges from 6.39% to 14.06% per annum (2014: 9.70% to 14.09% per annum) with maturities from May 2016 to March 2025.

**11.2.3** GoP Ijara sukuk bonds have tenure of 3 years. The Bank's return on these instruments ranges from 4.75% to 9.12% per annum (2014: 8.06% to 11.93% per annum) with maturities from March 2016 to June 2017.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	-----Rupees '000-----	
<b>11.3 Particulars of provision for diminution in the value of investments</b>		
<b>Opening balance</b>	<b>2,828,212</b>	2,430,829
Charge for the year	<b>601,616</b>	549,145
Reversals during the year	<b>(147,065)</b>	(151,762)
	<b>454,551</b>	397,383
<b>Closing balance</b>	<b><u>3,282,763</u></b>	<u>2,828,212</u>
<b>11.3.1 Particulars of provision for diminution in the value of investments by type and segment</b>		
<b>Available for sale securities</b>		
- <b>Fully Paid up Ordinary Shares / Modaraba Certificates / Certificates of Closed end Mutual Funds</b>		
- Listed companies / modarabas / mutual funds	<b>488,203</b>	461,243
- Unlisted companies	<b>649,666</b>	498,983
- <b>Fully Paid up Preference Shares</b>		
- Listed companies	<b>22,490</b>	22,490
- Unlisted companies	<b>-</b>	18,750
- <b>Units of Open end Mutual Funds</b>	<b>856</b>	1,368
- <b>Term Finance Certificates</b>		
- Listed	<b>70,781</b>	162,976
- Unlisted	<b>458,311</b>	458,511
<b>Held to maturity securities</b>		
- <b>Term Finance Certificates</b>		
- Unlisted	<b>1,057,372</b>	807,579
- <b>Sukuk Bonds</b>	<b>535,084</b>	396,312
	<b><u>3,282,763</u></b>	<u>2,828,212</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**11.3.2** These include Pre IPO investment of Rs 500 million made in the unlisted Term Finance Certificates (TFCs) of Dewan Cement Limited. The SBP through its letter BPRD/BLRD-3/DMG/2011-1035 dated January 26, 2011 had advised banks to maintain provision at least upto the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. The Bank, as per the above directive, had availed the relaxation and maintained a provision of Rs 450 million against this investment. Had the provision been made as per the time based criteria specified in the Prudential Regulations issued by the SBP, the provision for diminution in the value of investments for the year ended December 31, 2015 would have been higher by Rs 50 million (2014: Rs 50 million) and the profit before taxation for the year ended December 31, 2015 would have been lower by Rs 50 million (2014: Rs 50 million).

### 11.4 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.

	2015	2014
	-----Rupees '000-----	
<b>11.5 (Deficit) / surplus on revaluation of investments classified as held for trading - net</b>		
Market Treasury Bills	<b>685</b>	2,694
Pakistan Investment Bonds	<b>7,829</b>	17,060
Fully paid up ordinary shares / certificates of closed end mutual fund	<b>(19,160)</b>	(3,170)
	<b><u>(10,646)</u></b>	<u>16,584</u>

**11.6** These include an investment of the Bank in unlisted shares of DHA Cogen Limited (DHA) (a related party of the Bank) representing 19.1% (2014: 19.1%) equity holding of DHA. The Bank acquired these equity shares in 2013 by exercising its rights over pledged shares of DHA after eventual non-compliance by DHA in respect of 'Rehabilitation and Standstill Agreement' made between the consortium banks (including the Bank) and DHA for repayment of liabilities.

**11.7** This represents investment of the Bank in Faysal Asset Management Limited (FAML). This has been accounted for under the equity method of accounting as per the requirement of IAS 28. The Bank's share of post acquisition profit or loss is recognised using the latest available financial statements of FAML which relate to the period ended December 31, 2015 with a corresponding adjustment to the carrying amount of investment.

**11.7.1** Faysal Asset Management Limited (the Company) was incorporated in Pakistan under the requirements of the Companies Ordinance, 1984 on August 6, 2003 as an unlisted public limited company. The Company commenced its operations on November 14, 2003. The Company is a Non-Banking Finance Company (NBFC). The Company has obtained license to carry out asset management and investment advisory services under the requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 11.7.2 The details of the Bank's investment and post acquisition changes relating to FAML are as under:

	Note	2015	2014
		-----Rupees '000-----	
<b>Faysal Asset Management Limited - percentage holding 30% (2014: 30%)</b>			
At January 1		75,084	75,829
Post acquisition changes during the year - Recognised in the profit and loss account		(7,002)	(745)
At December 31		<u>68,082</u>	<u>75,084</u>
Cost of investment		<u>45,000</u>	<u>45,000</u>

### 11.7.3 Particulars of the assets and liabilities of the associate

Assets		<u>265,506</u>	<u>279,063</u>
Liabilities		<u>38,566</u>	<u>28,783</u>
Revenue		<u>128,988</u>	<u>114,775</u>
Loss		<u>(23,340)</u>	<u>(2,483)</u>

## 12 ADVANCES

Loans, cash credits, running finances, etc. - in Pakistan		<u>186,650,037</u>	<u>188,265,398</u>
Net investment in finance lease - in Pakistan	12.2	<u>11,329,219</u>	<u>11,047,764</u>
		<u>197,979,256</u>	<u>199,313,162</u>
Bills discounted and purchased (excluding government treasury bills)			
- Payable in Pakistan		<u>3,376,937</u>	<u>4,136,469</u>
- Payable outside Pakistan		<u>1,098,911</u>	<u>1,130,241</u>
		<u>4,475,848</u>	<u>5,266,710</u>
Margin financing / reverse repo transactions		<u>88,200</u>	<u>96,200</u>
<b>Gross advances</b>		<u>202,543,304</u>	<u>204,676,072</u>
Provision against non-performing advances	12.4, 12.4.1 & 12.4.2	<u>(24,031,548)</u>	<u>(23,011,743)</u>
Provision against consumer and small enterprise loans - general	12.4, 12.4.2 & 12.5	<u>(432,672)</u>	<u>(439,524)</u>
		<u>(24,464,220)</u>	<u>(23,451,267)</u>
<b>Advances - net of provision</b>		<u>178,079,084</u>	<u>181,224,805</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	-----Rupees '000-----	
<b>12.1 Particulars of advances (Gross)</b>		
<b>12.1.1</b> In local currency	<u>201,469,014</u>	<u>203,520,420</u>
In foreign currencies	<u>1,074,290</u>	<u>1,155,652</u>
	<u>202,543,304</u>	<u>204,676,072</u>
<b>12.1.2</b> Short term (upto one year)	<u>108,628,989</u>	<u>111,463,221</u>
Long term (over one year)	<u>93,914,315</u>	<u>93,212,851</u>
	<u>202,543,304</u>	<u>204,676,072</u>

### 12.1.3 Net investment in Ijarah - Ijarah accounted for under IFAS-2

	Note	2015	2014
		-----Rupees '000-----	
<b>Movement in the net book value of Ijarah assets</b>			
<b>Assets under Ijarah</b>			
Opening balance		<u>550,253</u>	<u>37,717</u>
Disbursed during the year		<u>637,786</u>	<u>512,536</u>
Disposals during the year		<u>-</u>	<u>-</u>
Closing balance		<u>1,188,039</u>	<u>550,253</u>
<b>Accumulated depreciation</b>			
Opening balance		<u>35,721</u>	<u>9,179</u>
Charged during the year		<u>203,937</u>	<u>26,542</u>
Adjustment during the year		<u>-</u>	<u>-</u>
Closing balance		<u>239,658</u>	<u>35,721</u>
<b>Net investment in Ijarah</b>	12.1.4	<u>948,381</u>	<u>514,532</u>

### 12.1.4 Ijarah rentals receivable

	2015				2014			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- Rupees '000 -----							
Ijarah rentals receivable	<u>535,623</u>	<u>490,984</u>	<u>-</u>	<u>1,026,607</u>	<u>233,576</u>	<u>367,152</u>	<u>-</u>	<u>600,728</u>

The difference between net investment in Ijarah and Ijarah rental receivable represents element of profit in receivable.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 12.2 Net investment in finance lease

	2015				2014			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- Rupees '000 -----							
Lease rentals receivable	894,874	7,484,371	-	8,379,245	747,049	6,641,401	16,740	7,405,190
Residual value	851,555	2,837,093	-	3,688,648	871,622	3,860,117	9,608	4,741,347
Minimum lease payment	1,746,429	10,321,464	-	12,067,893	1,618,671	10,501,518	26,348	12,146,537
Finance charge for future periods	(16,858)	(721,816)	-	(738,674)	(97,573)	(994,302)	(6,898)	(1,098,773)
Present value of minimum lease payment	1,729,571	9,599,648	-	11,329,219	1,521,098	9,507,216	19,450	11,047,764

12.3 Advances includes Rs. 30,329 million (2014: Rs. 29,293 million) which have been placed under non-performing status as detailed below:

Note	Category of classification	2015								
		Classified Advances			Provision required			Provision held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		----- Rupees '000 -----								
	Other Assets Especially									
	Mentioned (OAEM) 12.3.1	428,735	-	428,735	830	-	830	830	-	830
	Substandard	2,691,103	-	2,691,103	373,023	-	373,023	373,023	-	373,023
	Doubtful	1,652,037	-	1,652,037	428,652	-	428,652	428,652	-	428,652
	Loss	25,556,979	-	25,556,979	23,229,043	-	23,229,043	23,229,043	-	23,229,043
		<b>30,328,854</b>	<b>-</b>	<b>30,328,854</b>	<b>24,031,548</b>	<b>-</b>	<b>24,031,548</b>	<b>24,031,548</b>	<b>-</b>	<b>24,031,548</b>

Note	Category of classification	2014								
		Classified Advances			Provision required			Provision held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		----- Rupees '000 -----								
	Other Assets Especially									
	Mentioned (OAEM) 12.3.1	206,095	-	206,095	36	-	36	36	-	36
	Substandard	2,717,410	-	2,717,410	406,705	-	406,705	406,705	-	406,705
	Doubtful	1,675,067	-	1,675,067	523,630	-	523,630	523,630	-	523,630
	Loss	24,694,748	-	24,694,748	22,081,372	-	22,081,372	22,081,372	-	22,081,372
		<b>29,293,320</b>	<b>-</b>	<b>29,293,320</b>	<b>23,011,743</b>	<b>-</b>	<b>23,011,743</b>	<b>23,011,743</b>	<b>-</b>	<b>23,011,743</b>

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

### 12.4 Particulars of provision against non-performing advances and general provision

	2015			2014		
	Specific	General	Total	Specific	General	Total
	----- Rupees '000 -----					
Opening balance	23,011,743	439,524	23,451,267	19,746,517	406,365	20,152,882
Recognised in the profit & loss account						
- Charge for the year	2,342,060	-	2,342,060	2,900,885	33,159	2,934,044
- Reversals during the year	(1,315,932)	(6,852)	(1,322,784)	(845,065)	-	(845,065)
	1,026,128	(6,852)	1,019,276	2,055,820	33,159	2,088,979
Recognised in equity						
- Provision against non-performing loans and advances adjusted against NCR	-	-	-	1,221,567	-	1,221,567
Net charge	1,026,128	(6,852)	1,019,276	3,277,387	33,159	3,310,546
Amounts written off - note 12.7.1	(6,323)	-	(6,323)	(12,161)	-	(12,161)
Closing balance	<b>24,031,548</b>	<b>432,672</b>	<b>24,464,220</b>	<b>23,011,743</b>	<b>439,524</b>	<b>23,451,267</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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12.4.1 As allowed by the SBP the Bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs 2,730.690 million (2014: Rs 2,757.896 million) relating to advances, Rs 4.326 million (2014: Rs 28.324 million) relating to investments and Rs 9.308 million (2014: Rs 13.962 million) relating to off-balance sheet items while determining the provisioning requirement against non-performing financing (including investments) as at December 31, 2015. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2015 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to approximately Rs 1,783.813 million (2014: Rs 1,820.118 million).

### 12.4.2 Particulars of provision against non-performing advances:

	2015			2014		
	Specific	General	Total	Specific	General	Total
	----- Rupees '000 -----					
In local currency	24,031,548	432,672	24,464,220	23,011,743	439,524	23,451,267
In foreign currencies	-	-	-	-	-	-
Total	<b>24,031,548</b>	<b>432,672</b>	<b>24,464,220</b>	<b>23,011,743</b>	<b>439,524</b>	<b>23,451,267</b>

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

	2015		2014	
	Secured	Unsecured	Secured	Unsecured
Housing Finance Portfolio	1.5%	-	1.5%	-
Consumer Portfolio	1.5%	5.0%	1.5%	5.0%
Small Enterprise Portfolio	1.0%	2.0%	1.0%	2.0%

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

	Note	2015	2014
		----- Rupees '000 -----	
12.7 Particulars of write-offs			
12.7.1 Against provisions		6,323	12,161
Bad debts written-off directly		6,919	13,604
Recoveries against written-off debt		(107,215)	(148,110)
Net recoveries against written-off debt credited to profit and loss account		(100,296)	(134,506)
		<b>(93,973)</b>	<b>(122,345)</b>
12.7.2 Write-offs of Rs. 500,000 and above	12.8	684	11,350
Write-offs below Rs. 500,000		12,558	14,415
Recoveries against write-offs		(107,215)	(148,110)
		<b>(93,973)</b>	<b>(122,345)</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 12.8 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, 2015 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.

	2015	2014
	-----Rupees '000-----	
<b>12.9 Particulars of loans and advances to directors, associated companies, etc.</b>		
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	2,322,652	2,602,261
Loans granted during the year	750,242	638,945
Repayments during the year	(704,741)	(918,554)
Balance at end of the year	<u>2,368,153</u>	<u>2,322,652</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	3,241,115	2,654,970
Loans granted during the year	-	1,778,823
Repayments during the year	(3,033)	(1,192,678)
Balance at end of year	<u>3,238,082</u>	<u>3,241,115</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties **		
Balance at beginning of the year	800,735	800,735
Loans granted during the year	-	-
Repayments during the year	-	-
Balance at end of the year	<u>800,735</u>	<u>800,735</u>

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

\*\* Provision held against the loans provided to related parties amounted to Rs 2,963.060 million (2014: Rs 2,827.738 million).

**12.9.1** 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, 2015

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

	Note	2015	2014
		-----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>2,414,994</u>	<u>2,614,902</u>
Debts due by companies or firms in which the directors of the Bank are interested as directors, case of private partners or in the companies as members		<u>3,241,115</u>	<u>3,252,967</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		<u>800,735</u>	<u>800,735</u>

### 13 OPERATING FIXED ASSETS

Capital work-in-progress	13.1	627,098	145,908
Tangible fixed assets	13.2	8,812,777	9,108,566
Intangible assets	13.3	1,903,105	2,288,882
		<u>11,342,980</u>	<u>11,543,356</u>

#### 13.1 Capital work-in-progress

Civil works	44,143	15,797
Equipment	504,765	99,834
Advances to suppliers and contractors	78,190	30,277
	<u>627,098</u>	<u>145,908</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 13.2 Tangible fixed assets

Particulars	2015 COST				2015 ACCUMULATED DEPRECIATION				Book value at December 31, 2015	Rate of depreciation (%)
	As at January 1, 2015	Additions / revaluation surplus / adjustments*	Deletions / write-off	As at December 31, 2015	As at January 1, 2015	Additions / revaluation surplus / adjustments*	On deletions / write-off	As at December 31, 2015		
Rupees 000										
<b>Owned</b>										
Freehold land	1,348,838	-	-	1,348,838	-	-	-	-	1,348,838	-
Leasehold land	2,495,430	-	-	2,495,430	-	-	-	-	2,495,430	-
Building on freehold	196,186	-	-	195,243	34,189	7,153	-	40,399	154,844	2.78 to 10
		(943) *				(943) *				
Building on leasehold land	4,174,299	595	-	4,155,058	270,991	120,789	-	371,944	3,783,114	2.33 to 12.5
		(19,836) *				(19,836) *				
Leasehold property and improvement	1,669,597	111,496	(106,234)	1,695,638	1,289,807	140,127	(104,081)	1,346,632	349,006	5 to 20
		20,779 *				20,779 *				
Office furniture, fixtures, equipment and computers	5,301,047	184,226	(87,494)	5,397,779	4,652,266	297,452	(85,191)	4,864,527	533,252	20 to 33.33
Vehicles	290,281	16,920	(13,105)	294,096	119,859	36,771	(10,827)	145,803	148,293	20
<b>Total Owned</b>	<b>15,475,678</b>	<b>313,237</b>	<b>(206,833)</b>	<b>15,582,082</b>	<b>6,367,112</b>	<b>602,292</b>	<b>(200,099)</b>	<b>6,769,305</b>	<b>8,812,777</b>	

Particulars	2014 COST				2014 ACCUMULATED DEPRECIATION				Book value at December 31, 2014	Rate of depreciation (%)
	As at January 1, 2014	Additions / revaluation surplus / adjustments*	Deletions / write-off	As at December 31, 2014	As at January 1, 2014	Additions / revaluation surplus / adjustments*	On deletions / write-off	As at December 31, 2014		
Rupees 000										
<b>Owned</b>										
Freehold land	1,243,295	-	(7,000)	1,348,838	-	-	-	-	1,348,838	-
		112,543								
Leasehold land	2,253,080	-	-	2,495,430	-	-	-	-	2,495,430	-
		242,350								
Building on freehold	234,796	-	-	196,186	142,522	15,808	-	34,189	161,997	5
		905				(84,649)				
		(39,515) *				(39,492) *				
Building on leasehold land	3,457,850	2,970	(576)	4,174,299	768,568	249,905	(576)	270,991	3,903,308	5
		726,249				(734,728)				
		(12,194) *				(12,178) *				
Leasehold property and improvement	1,525,264	128,017	(35,392)	1,669,597	1,140,743	124,987	(27,593)	1,289,807	379,790	5 to 20
		51,708 *				51,670 *				
Office furniture, fixtures, equipment and computers	5,156,246	218,017	(73,216)	5,301,047	4,410,517	311,004	(69,255)	4,652,266	648,781	20 to 33.33
Vehicles	261,907	60,760	(32,386)	290,281	109,356	32,773	(22,270)	119,859	170,422	20
<b>Total Owned</b>	<b>14,132,438</b>	<b>1,491,810</b>	<b>(148,570)</b>	<b>15,475,678</b>	<b>6,571,706</b>	<b>(84,900)</b>	<b>(119,694)</b>	<b>6,367,112</b>	<b>9,108,566</b>	

13.2.1 Included in cost of operating fixed asset are fully depreciated items still in use having cost of Rs 5,147.123 million (2014: Rs 5,256.468 million).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

13.2.2 The Bank's freehold / leasehold land and building on freehold / leasehold land were last revalued on December 31, 2014 by Iqbal A.Nanjee & Co Private Limited on the basis of professional assessment of the market values. Had there been no revaluation, the net book value of the revalued assets as at December 31, 2015 would have been lower by Rs 3,884.740 million (2014: Rs 3,968.067 million).

### 13.2.3 Changes in accounting estimate

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

The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors'. Had the revision in useful lives of buildings not been made, the depreciation expense for the year would have been higher by Rs. 428.652 million and consequently profit before tax would have been lower by the same amount.

### 13.3 Intangible assets

Particulars	2015 COST				2015 ACCUMULATED AMORTISATION				Book value at December 31, 2015	Rate of amortisation % per annum
	As at January 1, 2015	Additions	Deletions	As at December 31, 2015	As at January 1, 2015	Charge to profit and loss account / transferred to equity	Charge on deletions	As at December 31, 2015		
Rupees 000										
Computer software	1,739,103	25,009	-	1,764,112	1,190,951	218,683	-	1,409,634	354,478	20 to 33.33
Customer relationship - note 13.3.2	2,557,167	-	-	2,557,167	816,437	-	-	1,008,540	1,548,627	Note 13.3.2
						192,103				
	<b>4,296,270</b>	<b>25,009</b>	<b>-</b>	<b>4,321,279</b>	<b>2,007,388</b>	<b>218,683</b>	<b>-</b>	<b>2,418,174</b>	<b>1,903,105</b>	
						192,103				

Particulars	2014 COST				2014 ACCUMULATED AMORTISATION				Book value at December 31, 2014	Rate of amortisation % per annum
	As at January 1, 2014	Additions	Deletions	As at December 31, 2014	As at January 1, 2014	Charge to profit and loss account / transferred to equity	Charge on deletions	As at December 31, 2014		
Rupees 000										
Computer software	1,493,883	245,220	-	1,739,103	956,863	234,088	-	1,190,951	548,152	20 to 33.33
Customer relationship - note 13.3.2	2,557,167	-	-	2,557,167	624,334	-	-	816,437	1,740,730	Note 13.3.2
						192,103				
	<b>4,051,050</b>	<b>245,220</b>	<b>-</b>	<b>4,296,270</b>	<b>1,581,197</b>	<b>234,088</b>	<b>-</b>	<b>2,007,388</b>	<b>2,288,882</b>	
						192,103				

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**13.3.1** The intangible assets include fully amortised items still in use having cost of Rs 910.757 million (2014: Rs 822.175 million).

**13.3.2** The intangible asset - Customer relationship comprises of core deposits which were recognised at the time of acquisition of Ex-RBS Pakistan. These core deposits represent the funding benefit that would be available to the Bank on account of availability of funding through deposit customers rather than from the wholesale or interbank market. This benefit also considers the fact that the economic life time of these deposits is longer than their contractual life. Based on this assumption, this intangible asset has been valued using certain valuation techniques and is being amortised over the life expectancy of these deposits. As more fully explained in note 22.2 to the financial statements the SBP allowed the Bank to adjust the amortisation charge arising on this intangible assets against non-distributable capital reserve.

**13.4** Details of disposal of fixed assets to executives, and other persons having cost of more than Rs 1 million or net book value of Rs 250,000 or above are disclosed in Annexure IV to these financial statements.

	Note	2015	2014
		-----Rupees '000-----	
<b>14 DEFERRED TAX ASSETS - NET</b>			
<b>Deferred credits arising due to:</b>			
- Accelerated tax depreciation		(12,901)	(30,340)
- Surplus on revaluation of securities	23.2	(708,130)	(733,975)
- Fair value adjustments relating to net assets acquired upon amalgamation		(542,020)	(609,256)
- Surplus on revaluation of fixed assets	23.1	(906,063)	(935,227)
- Remeasurement of defined benefit obligations		(75,730)	(35,446)
- Share of loss from associate		(8,079)	(10,529)
<b>Deferred debits arising due to:</b>			
- Provision against non-performing advances		3,516,660	3,290,482
- Provision for diminution in the value of investments		1,152,693	984,070
- Provision against other assets		230,495	68,637
- Unused tax losses (including unabsorbed depreciation)		440,400	440,400
		<u>3,087,325</u>	<u>2,428,816</u>
<b>15 OTHER ASSETS</b>			
Income / mark-up accrued in local currency		5,998,135	6,770,686
Income / mark-up accrued in foreign currencies		65,408	58,084
Advances, deposits, advance rent and other prepayments		748,468	726,148
Taxation (payments less provisions)		1,842,990	3,737,611
Branch adjustment account		-	27,954
Non-banking assets acquired in satisfaction of claims	15.1,15.5 & 15.6	1,826,276	1,913,178
Credit cards and other products fee receivable		283,707	284,791
Fair value of derivative contracts		-	-
Dividend receivable		83,881	95,113
Receivable from brokers against sale of shares		382,914	196,140
Prepaid employee benefits	15.2	112,721	206,921
Advance against Islamic financing		3,080,719	1,468,739
Others		895,528	842,762
		<u>15,320,747</u>	<u>16,328,127</u>
Less: provision held against other assets	15.3	(675,376)	(318,383)
<b>Other assets (net of provisions)</b>		<u>14,645,371</u>	<u>16,009,744</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	-----Rupees '000-----	
<b>15.1</b> Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuers	<u>2,642,251</u>	<u>2,595,165</u>

**15.2** The prepaid employee benefits represent the impact of fair value adjustment on employee loans and advances which was determined at the time of acquisition of Ex-RBS Pakistan and is being amortized over the loan periods.

	Note	2015	2014
		-----Rupees '000-----	
<b>The movement of prepaid employee benefits is as follows:</b>			
Prepaid employee benefits at beginning of the year		206,921	529,347
Employee benefits expensed during the year		(94,200)	(322,426)
Prepaid employee benefits at the end of the year		<u>112,721</u>	<u>206,921</u>

### 15.3 Provision against other assets

	2015	2014
	-----Rupees '000-----	
<b>Opening balance</b>	<b>318,383</b>	443,067
Charge for the year	397,602	187,845
Reversals	(11,476)	(276,461)
	<b>386,126</b>	(88,616)
Provision written off	(29,133)	-
Transfer of provision	-	(36,068)
<b>Closing balance</b>	<b>675,376</b>	<u>318,383</u>

**15.4** This includes a provision amounting to Rs 232.37 million in respect of fraud and forgeries .

### 15.5 Non- current assets held for sale

These include properties having carrying value of Rs 1,716.5 million (2014: 1,778.6 million) which have been classified as 'Non-current assets held for sale' as at December 31, 2015. A formal plan to dispose of these properties is in place and it is expected that the process of sale of these properties will be completed in the near future.

**15.6** On one of these properties is a claim by an individual to the extent of Rs 35 million (2014: Rs 35 million).

	2015	2014
	-----Rupees '000-----	
<b>16 BILLS PAYABLE</b>		
In Pakistan	6,009,238	5,345,594
Outside Pakistan	-	2,180
	<u>6,009,238</u>	<u>5,347,774</u>
<b>17 BORROWINGS</b>		
In Pakistan	89,748,656	59,884,764
Outside Pakistan	816,586	1,042,099
	<u>90,565,242</u>	<u>60,926,863</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		-----Rupees '000-----	
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		<b>89,748,656</b>	59,884,764
In foreign currencies		<b>816,586</b>	1,042,099
		<b>90,565,242</b>	<b>60,926,863</b>
<b>17.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
- Under export refinance scheme - Part I and II	17.3	<b>13,900,738</b>	15,315,794
- Under scheme for long term financing for export oriented projects		-	156,000
- Under long term financing facility	17.4	<b>1,600,181</b>	2,695,118
- Agri finance (Under scheme for revival of SME and agricultural activities in flood affected areas)	17.5	<b>2,000</b>	-
- Under scheme of financing facility for storage of agricultural produce	17.6	<b>305,103</b>	273,564
Repurchase agreement borrowings	17.7	<b>71,142,568</b>	40,094,288
		<b>86,950,590</b>	58,534,764
<b>Unsecured</b>			
Call borrowings	17.8	<b>2,798,066</b>	1,350,000
Overdrawn nostro accounts		<b>816,586</b>	1,042,099
		<b>3,614,652</b>	2,392,099
		<b>90,565,242</b>	<b>60,926,863</b>
<b>17.3</b>			
In accordance with the Export Refinance (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 the SBP a right to recover the outstanding amount from the Bank at the maturity date of finances by directly debiting the current account of the Bank maintained 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 1.5% to 6.5% per annum (2014: 5.5% to 6.5% per annum) payable on quarterly basis with maturities upto 180 days from the date of grant.			
<b>17.4</b>			
These represent borrowings from the SBP under scheme for long term financing facility. The mark-up rates on these facilities are ranging from 2% to 10.10% per annum (2014: 6% to 10.10% per annum), payable on quarterly basis, with maturities upto December 2026. As per the agreement, the Bank has granted the SBP a right to recover the outstanding amount from the Bank at the maturity date of finances by directly debiting the current account of the Bank maintained with the SBP.			
<b>17.5</b>			
These represent borrowings from the SBP under scheme for revival of SME and agricultural activities in flood affected areas. The mark-up rate on these facilities is 4.5% (2014: Nil) payable on half yearly basis, with maturities upto June 2016. 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 finances by directly debiting the current account maintained by the Bank with the SBP.			

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

- 17.6** These represent borrowings from the SBP under scheme of financing facility for storage of agricultural produce. The mark-up rates on these facilities are ranging from 2.5% to 6.5% per annum (2014: 5.5% to 6.5% per annum) payable on quarterly basis with maturities upto September 2022. As per the agreement, the Bank has granted the SBP a right to recover the outstanding amount from the Bank at the maturity date of finances by directly debiting the current account of the Bank maintained with the SBP.
- 17.7** These represent collateralized borrowings against market treasury bills and Pakistan Investment Bonds. The mark-up rate on these borrowing is 6.21% per annum (2014: 9.40% to 9.50% per annum). These are payable by January 2016.
- 17.8** These borrowings are from the financial institutions. The mark-up rates on these borrowings are ranging from 5.75% to 6.05% per annum (2014: 9.25% per annum) payable on maturity with maturities upto January 2016.

### 18 DEPOSITS AND OTHER ACCOUNTS

#### Customers

	2015	2014
	-----Rupees '000-----	
Fixed deposits	<b>90,461,529</b>	95,714,523
Saving deposits	<b>95,584,670</b>	87,507,426
Current accounts – Remunerative	<b>2,054,101</b>	2,572,655
Current accounts – Non-remunerative	<b>89,476,774</b>	85,073,620
Margin accounts	<b>2,005,605</b>	2,067,200
	<b>279,582,679</b>	272,935,424

#### Financial institutions

Remunerative deposits	<b>12,204,384</b>	10,167,344
Non-remunerative deposits	<b>343,195</b>	242,971
	<b>12,547,579</b>	10,410,315
	<b>292,130,258</b>	283,345,739

### 18.1 Particulars of deposits

In local currency	<b>268,474,490</b>	258,385,068
In foreign currencies	<b>23,655,768</b>	24,960,671
	<b>292,130,258</b>	283,345,739

### 19 SUB-ORDINATED LOANS

These represent rated and un-secured Term Finance Certificates (TFCs) issued by the Bank. The salient features of the issue are as follows:

	Note	2015	2014
		-----Rupees '000-----	
Outstanding amount	19.1	<b>2,994,000</b>	2,995,200
Total issue amount		<b>3,000,000</b>	3,000,000

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

19.1	Particulars	TFC (issue date: 27-12-2010)
	<b>Outstanding amount</b>	Rs. 2,994.0 million (2014: Rs. 2,995.2 million)
	<b>Issue amount</b>	Rs. 3,000 million
	<b>Rating as at June 30, 2015</b>	"AA-" (Double A Minus) by JCR-VIS [June 30, 2014: AA-(Double A Minus)]
	<b>Listing</b>	Unlisted
	<b>Rate</b>	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.
	<b>Subordination</b>	The TFCs are subordinated to all other indebtedness of the Bank including deposits.
	<b>Date of issue</b>	December 27, 2010
	<b>Tenure and maturity</b>	7 years from the date of issue.
	<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.
	<b>Profit payment</b>	Profit is payable semi-annually in arrears.

20	OTHER LIABILITIES	Note	2015	2014
			-----Rupees '000-----	
	Mark-up / return / interest payable in local currency		1,609,054	2,172,969
	Mark-up / return / interest payable in foreign currencies		7,315	7,658
	Unearned commission / income		16,452	108,479
	Accrued expenses		1,109,024	863,913
	Unclaimed dividends		39,759	39,803
	Branch adjustment account		8,556	-
	Unrealised loss on revaluation of forward foreign exchange contracts		67,748	271,359
	Fair value of derivative contracts	25.3	-	1,443
	Withholding tax payable		90,266	81,178
	Federal excise duty payable		27,296	26,485
	Security deposits against finance leases	20.1	3,702,126	3,658,600
	Provision against off-balance sheet obligations	20.2	113,943	94,014
	Payable to brokers against purchase of shares		191,075	65,066
	Others		1,039,035	1,816,665
			<u>8,021,649</u>	<u>9,207,632</u>

**20.1** These represent interest free security deposits received from lessees against lease contracts and are adjustable against residual value of leased assets at the expiry of the respective lease terms.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

20.2	Provision against off-balance sheet obligations	Note	2015	2014
			-----Rupees '000-----	
	<b>Opening balance</b>		94,014	50,965
	Charge for the year		19,929	6,981
	Transfer from provision against other assets	15.3	-	36,068
	<b>Closing balance</b>		<u>113,943</u>	<u>94,014</u>

### 21 SHARE CAPITAL

#### 21.1 Authorised share capital

2015	2014	2015	2014
-----Number of Shares-----		-----Rupees '000-----	
<u>1,800,000,000</u>	<u>1,200,000,000</u>	<u>18,000,000</u>	<u>12,000,000</u>
Ordinary shares of Rs. 10 each			

#### 21.2 Issued, subscribed and paid-up capital

2015	2014	Ordinary shares	2015	2014
-----Number of Shares-----			-----Rupees '000-----	
201,451,420	201,451,420	Fully paid in cash	2,014,514	2,014,514
980,836,453	824,346,006	Issued as bonus shares	9,808,365	8,243,461
17,472,226	17,472,226	Issued on amalgamation	174,722	174,722
<u>1,199,760,099</u>	<u>1,043,269,652</u>		<u>11,997,601</u>	<u>10,432,697</u>

**21.3** As at December 31, 2015, Ithmaar Bank B.S.C. (the holding company of the Bank) through its subsidiaries and nominees held 801,164,993 ordinary shares of Rs. 10 each (2014: 696,666,196 ordinary shares).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 21.4 The movement in the issued, subscribed and paid-up capital during the year was as follows:

2015	2014	Note	2015	2014
-----Number of Shares-----			-----Rupees '000-----	
1,043,269,652	1,043,269,652		10,432,697	10,432,697
156,490,447	-		1,564,904	-
<u>1,199,760,099</u>	<u>1,043,269,652</u>		<u>11,997,601</u>	<u>10,432,697</u>

## 22 RESERVES

<b>Statutory reserve</b>	22.1	<b>5,382,071</b>	4,537,598
<b>Capital reserve</b>			
Reserve arising on amalgamation		<b>23,952</b>	23,952
Share premium		<b>10,131</b>	10,131
Non-distributable capital reserve - gain on bargain purchase	22.2	<b>1,006,607</b>	1,131,474
		<u><b>6,422,761</b></u>	<u>5,703,155</u>

**22.1** 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.

### 22.2 NON-DISTRIBUTABLE CAPITAL RESERVE- GAIN ON BARGAIN PURCHASE

As per the directive of the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (ex-RBS Pakistan) was credited directly into equity as Non-Distributable Capital Reserve (NCR). The SBP allowed the Bank to adjust the amortisation of intangible assets against the portion of reserve which arose on account of such assets. Accordingly, the Bank has adjusted amortisation of intangible assets amounting to Rs. 124.867 million (2014: Rs. 124.867 million) (net of tax) from the Non-distributable Capital Reserve.

## 23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

### Surplus / (deficit) arising on revaluation of:

	Note	2015	2014
		-----Rupees '000-----	
- Fixed assets	23.1	<b>2,978,677</b>	3,032,840
- Available for sale securities	23.2	<b>1,315,104</b>	1,437,518
		<u><b>4,293,781</b></u>	<u>4,470,358</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 23.1 Surplus on revaluation of fixed assets

	2015	2014
	-----Rupees '000-----	
Surplus on revaluation of fixed assets at January 1	<b>3,968,067</b>	2,196,311
Surplus on revaluation of fixed assets recognised during the year	-	1,901,424
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	<b>(54,163)</b>	(87,018)
Related deferred tax liability in respect of incremental depreciation charged during the year	<b>(29,164)</b>	(42,650)
	<u><b>(83,327)</b></u>	<u>(129,668)</u>
	<b>3,884,740</b>	3,968,067
Related deferred tax liability on surplus at January 1	<b>(935,227)</b>	(436,591)
Related deferred tax liability on surplus recognised during the year	-	(541,286)
Related deferred tax liability in respect of incremental depreciation charged during the year	<b>29,164</b>	42,650
	<u><b>(906,063)</b></u>	<u>(935,227)</u>
	<u><b>2,978,677</b></u>	<u>3,032,840</u>

### 23.2 Surplus / (deficit) on revaluation of investments classified as available for sale - net

<b>Federal Government Securities</b>		
- Market Treasury Bills	<b>76,180</b>	144,961
- Pakistan Investment Bonds	<b>1,941,738</b>	1,784,616
- Ijara Sukuk Bonds	<b>5,797</b>	(56,361)
<b>Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds</b>		
- Listed companies / modarabas / mutual funds	<b>(30,236)</b>	244,793
<b>Fully Paid up Preference Shares</b>		
- Unlisted companies	-	2,003
<b>Term Finance Certificates</b>		
- Listed	<b>1,117</b>	(434)
- Unlisted	<b>3,138</b>	6,951
<b>Units of Open end Mutual Funds</b>	<b>25,500</b>	44,964
	<u><b>2,023,234</b></u>	<u>2,171,493</u>
Related deferred tax liability	<b>(708,130)</b>	(733,975)
	<u><b>1,315,104</b></u>	<u>1,437,518</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	-----Rupees '000-----	
<b>24 CONTINGENCIES AND COMMITMENTS</b>		
<b>24.1 Direct credit substitutes</b>		
<b>Contingent liability in respect of guarantees favouring:</b>		
- Banking companies and other financial institutions	<u>497,327</u>	<u>618,456</u>
<b>Acceptances</b>		
- Others	<u>6,609,326</u>	<u>10,719,676</u>
<b>24.2 Transaction-related contingent liabilities</b>		
<b>Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:</b>		
- Government	<u>8,994,355</u>	8,098,193
- Banking companies and other financial institutions	<u>12,267</u>	12,765
- Others	<u>2,846,359</u>	1,870,207
	<u>11,852,981</u>	<u>9,981,165</u>
<b>24.3 Trade-related contingent liabilities</b>		
<b>Letters of credit</b>		
- Government	<u>12,708,525</u>	2,292,534
- Others	<u>10,813,163</u>	16,781,954
	<u>23,521,688</u>	<u>19,074,488</u>
<b>24.4 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	<u>2,510,000</u>	<u>2,510,000</u>
(ii) Indemnity issued favouring the High Court in the above case	<u>457,543</u>	<u>457,543</u>
(iii) Claims against the Bank not acknowledged as debt	<u>31,539,971</u>	<u>30,404,910</u>

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

(iv) Income tax assessments of the Bank have been finalised upto the tax year 2014 (Accounting year 2013). Return of income for tax year 2015 (Accounting year 2014) has been deemed assessed.		
The department and the Bank have disagreements on certain matters in different tax years. These include disallowance on initial depreciation of leases, provision for bad debts, bad debts written off, provision against investments, taxability of dividend and profit accrued on deposits. The additional tax liability on these matters is Rs 2,035.424 million. Both the bank and the department have filed appeals with the Commissioner Inland Revenue (Appeals), Appellate Tribunal Inland Revenue and the High Court in the aforementioned matters. The management of the Bank is confident that the decision in respect of these matters will be in the Bank's favour and accordingly no provision has been made in these financial statements in this respect.		
(v) The Finance Act, 2015 has made certain amendments in the Income Tax Ordinance, 2001. Under these amendments, a one-time super tax at the rate of 4 percent of the taxable income of the Bank for the tax year 2015 (i.e. year ended December 31, 2014) has been introduced for rehabilitation of temporary displaced persons. In accordance with the amendments made through Finance Act, 2015, the Bank has recognised a prior year tax charge of Rs 198.411 million in respect of super tax in the current year, however, the Bank is contesting the legality of super tax at appellate forum.		
<b>24.5 Commitments to extend credits</b>		
The Bank makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 10,951 million (2014: Rs 9,681 million) which are irrevocable in nature.		
<b>24.6 Commitments in respect of forward exchange contracts</b>	2015	2014
	-----Rupees '000-----	
<b>Purchase</b>		
- Customers	<u>848,576</u>	2,019,028
- Banks	<u>23,268,341</u>	33,335,629
	<u>24,116,917</u>	<u>35,354,657</u>
<b>Sale</b>		
- Customers	<u>782,309</u>	980,313
- Banks	<u>9,166,680</u>	17,398,632
	<u>9,948,989</u>	<u>18,378,945</u>
<b>24.7 Commitments for the acquisition of operating fixed assets</b>	<u>82,419</u>	<u>118,310</u>
<b>24.8 Commitments in respect of donation</b>	<u>-</u>	<u>8,000</u>
<b>24.9 Commitments in respect of repo transactions</b>		
Repurchase	<u>71,239,393</u>	<u>40,116,082</u>
Resale	<u>306,889</u>	<u>305,244</u>
<b>25 DERIVATIVE INSTRUMENTS</b>		
Interest rate swaps and cross currency swaps (notional principal)	<u>-</u>	<u>67,864</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Derivative instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and FX Options, are forward transactions that provide market making opportunities / 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 Derivative Business Regulations (FDBR) issued by the State Bank of Pakistan (SBP).

### 25.1 Derivative Risk Management

The Bank's derivatives risk management is performed under Market Risk Management which is an independent unit reporting to the Chief Risk Officer. The risk management policies are governed by regulatory and internal guidelines. Risk management department of the Bank reviews credit risk, market risk and other risks associated with the derivative transactions or related area of the activity and assigns limits within which the transactions / 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 the derivative instruments are market risk, credit risk and liquidity risk. The Bank uses SunGard-Sierra 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 rest with the 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 the derivative transactions 1) settlement, and 2) pre-settlement risk. Pre-Settlement risk is monitored on daily basis. Risk management department of the Bank 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. The risk management policies related to liquidity risk are explained in note 43.7 to these financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 25.2 Product analysis

Counterparties	2015		2014	
	Cross Currency Swaps		Cross Currency Swaps	
	No. of Contracts	Notional Principal Rupees '000	No. of Contracts	Notional Principal Rupees '000
<b>With Banks for</b>				
Hedging	-	-	-	-
Market Making	-	-	-	-
<b>With other entities for</b>				
Hedging	-	-	-	-
Market Making	-	-	1	67,864
<b>Total</b>				
Hedging	-	-	-	-
Market Making	-	-	1	67,864
	-	-	1	67,864

### 25.3 Maturity analysis

#### Cross currency swaps

##### Remaining maturity

Remaining maturity	No. of Contracts	Notional Principal	2015		
			Mark to Market		
			Negative	Positive	Net
----- Rupees '000 -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
3 to 5 years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
	-	-	-	-	-

#### Cross currency swaps

##### Remaining Maturity

Remaining Maturity	No. of Contracts	Notional Principal	2014		
			Mark to Market		
			Negative	Positive	Net
----- Rupees '000 -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	1	67,864	(70,705)	69,262	(1,443)
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
3 to 5 years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
	1	67,864	(70,705)	69,262	(1,443)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	-----Rupees '000-----	
<b>26 MARK-UP / RETURN / INTEREST EARNED</b>		
a) On financing to:		
i) customers	17,497,442	21,041,398
ii) financial institutions	83,125	35,617
b) On investments in:		
i) held for trading securities	371,371	386,062
ii) available for sale securities	11,395,228	8,645,104
iii) held to maturity securities	2,896,474	1,643,252
c) On deposits with treasury bank and financial institutions	11,050	16,205
d) On securities purchased under resale agreements	57,863	137,176
e) Others	-	407,819
	<u>32,312,553</u>	<u>32,312,633</u>
<b>27 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	11,911,428	13,990,871
Securities sold under repurchase agreements	4,185,751	1,095,753
Other short term borrowings	1,167,180	1,669,978
SBP borrowings	779,477	1,319,496
Sub-ordinated loans	314,135	404,093
	<u>18,357,971</u>	<u>18,480,191</u>
<b>28 GAIN ON SALE OF SECURITIES - NET</b>		
<b>Gain / (loss) on sale of:</b>		
Federal Government Securities		
- Market Treasury Bills	674,315	38,378
- Pakistan Investment Bonds	884,919	155,622
- Ijara Sukuk Bonds	-	156
Fully Paid up Ordinary Shares / Modaraba Certificates /		
Units of Closed end Mutual Funds	179,752	262,335
Units of Open end Mutual Funds	(356)	3,986
	<u>1,738,630</u>	<u>460,477</u>
<b>29 OTHER INCOME</b>		
Rent on property	126,987	128,564
Net gain on disposal of operating fixed assets	14,009	18,193
Net gain on disposal of non-banking assets	115,356	145,108
Income on derivative contracts - net	362	249,707
Income from disposal of scrap	4,861	8,329
Miscellaneous charges recovered	4,242	997
	<u>265,817</u>	<u>550,898</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		-----Rupees '000-----	
<b>30 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other employee benefits	30.1 & 30.2 & 30.3	4,447,746	5,474,022
Charge for defined benefit plan	36.7	100,814	65,434
Contribution to defined contribution plan	37	122,628	131,373
Non-executive directors' fees		59,006	52,276
Rent, taxes, insurance, electricity, etc.		2,017,764	1,983,749
Legal and professional charges		157,773	291,122
Communications		295,247	308,508
Repairs and maintenance		821,676	780,667
Stationery and printing		220,759	264,768
Advertisement and publicity		154,708	137,010
Donations	30.4	49,539	36,998
Auditors' remuneration	30.5	38,645	33,450
Depreciation	13.2	602,292	734,477
Amortisation	13.3	218,683	234,088
License and technical fee		279,095	274,213
Travelling, conveyance and entertainment		140,772	131,829
Vehicle running expenses		169,997	241,969
Books, periodicals and subscription		59,937	106,683
Brokerage and commission		41,852	42,599
Bank fees and charges		117,050	121,094
Security expenses		373,129	340,140
Public relation and sponsorship		85,613	131,989
Fee and documentation charges		8,603	88,479
Others		7,725	155,097
		<u>10,591,053</u>	<u>12,162,034</u>
<b>30.1</b>	This includes charge amounting to Rs 94.2 million (2014: Rs 322.426 million) in respect of amortisation of prepaid employee benefits as disclosed in note 15.2 to these financial statements.		
<b>30.2</b>	The Bank operates a performance management scheme which includes performance bonus for all employees including President and Chief Executive Officer of the Bank. Under this scheme, the bonus for all Executives, including the Chief Executive Officer and President of the Bank is determined on the basis of employees' performance and the Bank's performance during the year. The aggregate amount paid to eligible employees in respect of the above scheme relating to all Executives and the President of the Bank amounted to Rs 235.834 million and Rs 28 million respectively (2014: Rs 307.850 million and Rs Nil respectively).		
<b>30.3</b>	This includes accrual of employee benefit in the form of bonus to all permanent employees including President and Chief Executive Officer amounting to Rs 450 million (2014: Rs 350 million).		

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 30.4 Donations made during the year were as follows:

#### Donee

	2015	2014
	-----Rupees '000-----	
Institute of Business Administration	8,000	-
Waqf Faisal (Trust)	41,539	36,998
	<u>49,539</u>	<u>36,998</u>

Directors or their spouse have no interest in any of the donee other than 'Waqf Faisal (Trust)' (a charitable public welfare project), where the President and Chief Executive Officer of the Bank is acting as trustee.

### 30.5 Auditors' remuneration

	2015	2014
	-----Rupees '000-----	
Statutory audit fee	3,300	3,000
Fee for quarterly and annual group reporting	13,575	7,900
Fee for the review of the half yearly financial statements	900	825
Tax services	8,100	9,100
Special certifications and sundry advisory services	9,770	10,375
Out-of-pocket expenses	3,000	2,250
	<u>38,645</u>	<u>33,450</u>

### 31 OTHER CHARGES

	2015	2014
Penalties imposed by the State Bank of Pakistan	44,025	123,183
Workers' Welfare Fund	177,179	98,643
	<u>221,204</u>	<u>221,826</u>

### 32 TAXATION

#### For the year

	2015	2014
Current	3,038,627	1,712,150
Deferred	(605,711)	(446,581)
	<u>2,432,916</u>	<u>1,265,569</u>

#### For prior years

	2015	2014
Current	264,797	(812,786)
Deferred	-	622,043
	<u>264,797</u>	<u>(190,743)</u>
	<u>2,697,713</u>	<u>1,074,826</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 32.1 Relationship between tax expense and accounting profit

	2015	2014
	-----Rupees '000-----	
Profit before tax	6,920,077	3,551,785
Tax calculated at the rate of 35% (2014: 35%)	2,422,027	1,243,125
Effect of:		
- permanent differences	15,234	116,702
- income chargeable to tax at reduced rate	-	(45,969)
- prior year charge / (reversal)	264,797	(190,743)
- others	(4,345)	(48,289)
Tax charge for the year	<u>2,697,713</u>	<u>1,074,826</u>

### 33 EARNINGS PER SHARE

	2015	2014
Profit after tax for the year	<u>4,222,364</u>	<u>2,476,959</u>

#### Number of shares in thousands

	2015	2014
Weighted average number of ordinary shares outstanding during the year	<u>1,199,760</u>	<u>1,199,760</u>

-----Rupees-----

	2015	2014
Earnings per share - basic	<u>3.52</u>	<u>2.06</u>

33.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2015 and December 31, 2014 which would have any effect on the earnings per share if the option to convert is exercised.

### 34 CASH AND CASH EQUIVALENTS

	Note	2015	2014
		-----Rupees '000-----	
Cash and balances with treasury banks	8	26,084,007	20,285,851
Balances with other banks	9	1,068,451	1,422,699
Overdrawn nostros	17.2	(816,586)	(1,042,099)
		<u>26,335,872</u>	<u>20,666,451</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
Number of employees			
<b>35 STAFF STRENGTH</b>			
Permanent		3,125	3,024
Temporary / on contractual basis		16	12
Bank's own staff strength at the end of the year		3,141	3,036
Outsourced	35.1	2,216	2,084
Total staff strength		5,357	5,120

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

### 36 DEFINED BENEFIT PLAN

#### 36.1 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 the Projected Unit Credit Actuarial Cost Method, was carried out as at December 31, 2015.

The Gratuity scheme exposes the Bank to the following risks:

#### Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

#### Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating proper investment plan in consultation with the investment advisors of the Fund.

#### Risk of insufficiency of assets

This is managed by making regular contribution to the Fund as advised by the actuary.

#### Final salary risks

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

#### Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

		2015	2014
<b>36.2 Principal actuarial assumptions</b>			
Discount factor used (% per annum)		10.00	11.25
Expected rate of salary increase (% per annum)		10.00	11.25
Normal retirement age (years)		60	60

	Note	2015	2014
-----Rupees '000-----			
<b>36.3 The amount recognised in the statement of financial position are determined as follows:</b>			
Present value of defined benefit obligations	36.5	504,297	528,773
Fair value of plan assets	36.5	(620,253)	(602,394)
		<u>(115,956)</u>	<u>(73,621)</u>

#### 36.4 Plan assets consist of the following:

	2015		2014	
	Quoted	Non-Quoted	Quoted	Non-Quoted
-----Rupees '000-----				
Balances with banks and financial institutions	-	70,626	-	7,054
Debt instruments:				
- Government	319,004	230,000	363,321	232,019
- Corporate	623	-	-	-
	<u>319,627</u>	<u>300,626</u>	<u>363,321</u>	<u>239,073</u>

#### 36.5 The movement in the defined benefit obligation over the year is as follows:

	2015	
	Present value of obligation	Fair value of plan assets
-----Rupees '000-----		
At January 1	528,773	(602,394)
Current service cost	109,446	-
Past service cost	-	-
Interest expense / (income)	63,004	(71,636)
	<u>172,450</u>	<u>(71,636)</u>
	701,223	(674,030)
Remeasurements:		
- Return on plan assets, excluding amounts included in interest (income) / expense	-	15,863
- Gain / (loss) from change in demographic assumptions	-	-
- Gain / (loss) from change in financial assumptions	(1,536)	-
- Experience (gains) / losses	(129,425)	-
	<u>(130,961)</u>	<u>15,863</u>
Contribution	-	(28,051)
Benefit payments	(65,965)	65,965
At December 31	<u>504,297</u>	<u>(620,253)</u>
		<u>(115,956)</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2014		Total
	Present value of obligation	Fair value of plan assets	
	-----Rupees '000-----		
At January 1	541,719	(639,308)	(97,589)
Current service cost	109,571	-	109,571
Past service cost	(30,476)	-	(30,476)
Interest expense / (income)	70,549	(84,210)	(13,661)
	149,644	(84,210)	65,434
	691,363	(723,518)	(32,155)
Remeasurements:			
- Return on plan assets, excluding amounts included in interest (income) / expense	-	(8,588)	(8,588)
- Gain / (loss) from change in demographic assumptions	16	-	16
- Gain / (loss) from change in financial assumptions	1,749	-	1,749
- Experience (gains) / losses	(34,643)	-	(34,643)
	(32,878)	(8,588)	(41,466)
Contribution	-	-	-
Benefit payments	(129,712)	129,712	-
At December 31	528,773	(602,394)	(73,621)

### 36.6 An analysis of present value of defined benefit obligation

#### Split by type of members

	2015	2014
	-----Rupees '000-----	
(i) Active employees	504,297	521,460
(ii) Deferred	-	-
(iii) Retired members	-	7,313
	504,297	528,773

#### Split by vested / non-vested

(i) Vested benefits	425,157	466,589
(ii) Non-vested benefits	79,140	62,184
	504,297	528,773

#### Split by cadre of members

(i) Management	499,228	524,702
(ii) Non-Management (Contractuals)	5,069	4,071
	504,297	528,773

#### Split by benefits earned to date

(i) Present value of guaranteed benefits	216,852	202,624
(ii) Present value of benefits attributable to future increase in salary	287,445	326,149
	504,297	528,773

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	-----Rupees '000-----	
<b>36.7 Charge for defined benefit plan</b>		
Current service cost	109,446	109,571
Past service cost	-	(30,476)
Net interest cost	(8,632)	(13,661)
	100,814	65,434

36.8 The plan assets and defined benefit obligations are based in Pakistan.

36.9 Assumptions regarding future mortality are set based on the actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

36.10 The sensitivities of the defined benefit obligation to changes in the weighted principal assumptions are as under:

	Impact on defined benefit obligation - Increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	-----Rupees '000-----		
Discount rate	1%	453,250	564,688
Salary increase rate	1%	565,373	451,787
		Increase by 1 year in assumption	Decrease by 1 year in assumption
		-----Rupees '000-----	
Life expectancy / withdrawal rate		497,180	510,014

The above analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

36.11 The weighted average duration of the defined benefit obligation is 11.05 years.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**36.12** Expected maturity analysis of the undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2015	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
----- Rupees '000 -----					
Gratuity	<u>28,921</u>	<u>82,879</u>	<u>195,247</u>	<u>12,849,379</u>	<u>13,156,426</u>
	<u>2015</u>	2014	2013	2012	2011
----- Rupees '000 -----					

### 36.13 Historical information

Defined benefit obligation	<u>(504,297)</u>	(528,773)	(541,719)	(430,334)	(374,945)
Fair value of plan assets	<u>620,253</u>	602,394	639,308	534,886	368,641
Surplus / (deficit)	<u>115,956</u>	73,621	97,589	104,552	(6,304)
Remeasurements of plan liabilities	<u>130,961</u>	32,878	16,818	53,177	38,924
Remeasurements of plan assets	<u>(15,863)</u>	8,588	(23,823)	19,778	(15,508)

**36.14** Funding levels are monitored on an annual basis and are based on actuarial recommendations. Gratuity cost comprising the service cost and the net interest cost for the next year works out to Rs. 89.404 million as per the actuarial valuation report of the Bank as at December 31, 2015.

**36.15** The disclosure made in notes 36.2 to 36.14 are based on the information included in the actuarial valuation report of the Bank as at December 31, 2015.

### 37 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 the basic salary. The financial statements of the fund are separately prepared and are not included as part of these financial statements.

### 38 COMPENSATION OF DIRECTORS AND EXECUTIVES

Particulars	President & Chief Executive Officer		Directors		Executives	
	2015	2014	2015	2014	2015	2014
----- Rupees '000 -----						
Managerial remuneration	<u>32,250</u>	33,518	-	-	<u>689,061</u>	708,944
Fees	-	-	<u>59,006</u>	52,276	-	-
Charge for defined benefit plan	<u>2,687</u>	2,688	-	-	<u>48,933</u>	51,195
Contribution to defined contribution plan	<u>3,225</u>	3,226	-	-	<u>58,722</u>	61,436
Rent and house maintenance	<u>6,017</u>	6,579	-	-	<u>268,339</u>	276,047
Utilities	-	1,745	-	-	<u>60,885</u>	62,595
Medical	<u>63</u>	312	-	-	<u>41,869</u>	43,708
Leave fare assistance	-	140	-	-	<u>91,594</u>	94,870
Others	<u>837</u>	608	-	-	<u>529,845</u>	530,365
	<u>45,079</u>	48,816	<u>59,006</u>	52,276	<u>1,789,248</u>	1,829,160
Number of persons	<u>1</u>	2	<u>7</u>	10	<u>601</u>	637

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**38.2** The President & Chief Executive and certain senior executives are provided with the Bank's maintained cars in accordance with the terms of their employment.

**38.3** In addition to the above, all executives, including the President & Chief Executive Officer of the Bank are also entitled to bonus which is disclosed in note 30.2 to these financial statements.

### 39 FAIR VALUE DISCLOSURES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

#### 39.1 Fair value hierarchy

The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

#### Recurring fair value measurements

	2015			Total
	Level 1	Level 2	Level 3	
----- Rupees '000 -----				
<b>Investments - net</b>				
Financial assets				
Market Treasury Bills	-	<u>93,481,729</u>	-	<u>93,481,729</u>
Pakistan Investment Bonds	-	<u>53,588,627</u>	-	<u>53,588,627</u>
Ijara Sukuk Bonds	-	<u>5,924,997</u>	-	<u>5,924,997</u>
Fully Paid up Ordinary Shares	<u>3,566,953</u>	-	-	<u>3,566,953</u>
Term Finance Certificates	-	<u>314,964</u>	-	<u>314,964</u>
Units of Open end Mutual Funds	<u>1,323,180</u>	-	-	<u>1,323,180</u>
<b>Non - financial assets</b>				
Non Banking Assets (NBA) *	-	<u>2,642,251</u>	-	<u>2,642,251</u>
<b>Non-recurring fair value measurements</b>				
Operating fixed assets (land and buildings)**	-	<u>7,782,226</u>	-	<u>7,782,226</u>

#### Non - financial assets

Non Banking Assets (NBA) \*

#### Non-recurring fair value measurements

Operating fixed assets (land and buildings)\*\*

#### Commitments in respect of forward exchange contracts

Forward purchase of foreign exchange	-	<u>24,116,917</u>	-	<u>24,116,917</u>
Forward sale of foreign exchange	-	<u>9,948,989</u>	-	<u>9,948,989</u>

\* Represent the market value of NBA as disclosed in note 15.1. However, these are carried at cost as per the accounting policy as disclosed in note 7.9 to these financial statements.

\*\* The Bank carries out periodic revaluation of these assets as per the accounting policy disclosed in note 7.6 to these financial statements.

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date when the event or change in circumstances require Bank to exercise such transfers.

There were no transfers between levels 1 and 2 during the year.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates.
Ijara Sukuk	Fair values of GoP Ijarah Sukuk are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Operating fixed assets (land and building)	Land and buildings are revalued by professionally qualified valuers as per the accounting policy disclosed in note 7.6. The valuers are listed on the panel of the Pakistan Banks' Association. The valuation is based on their assessment of market value of the properties.
Term Finance Certificates (TFCs) and Sukuk Certificates	Fair values of TFCs and Sukuk Certificates are determined using the MUFAP rates.
Non Banking Assets (NBA)	NBA are valued by professional qualified valuers listed on the panel of the Pakistan Banks' Association. The valuation is based on their assessment of market value of the properties.
Forward foreign exchange	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

## 39.2 Fair Value of Financial Instruments

The book value and fair value of the Bank's assets, liabilities and Off-balance sheet items are given below:

	Book value		Fair value	
	2015	2014	2015	2014
----- Rupees '000 -----				
<b>On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash and balances with treasury banks	26,084,007	20,285,851	26,084,007	20,285,851
Balances with other banks	1,068,451	1,422,699	1,068,451	1,422,699
Lendings to financial institutions	12,088,403	-	12,088,403	-
Investments	183,677,239	155,210,513	184,748,236	156,318,170
Advances	178,079,084	181,224,805	178,453,060	181,696,477
Other assets	10,431,698	9,741,901	10,431,698	9,741,901
	<b>411,428,882</b>	<b>367,885,769</b>	<b>412,873,855</b>	<b>369,465,098</b>
<b>Liabilities</b>				
Bills payable	6,009,238	5,347,774	6,009,238	5,347,774
Borrowings	90,565,242	60,926,863	90,565,242	60,926,863
Deposits and other accounts	292,130,258	283,345,739	292,130,258	283,345,739
Sub-ordinated loans	2,994,000	2,995,200	3,061,365	3,133,815
Other liabilities	7,429,910	8,750,766	7,429,910	8,750,766
	<b>399,128,648</b>	<b>361,366,342</b>	<b>399,196,013</b>	<b>361,504,957</b>
<b>Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	24,116,917	35,354,657	24,085,193	34,721,465
Commitments in respect of repurchase transactions	71,239,393	40,116,082	71,239,393	40,116,082
Forward sale of foreign exchange	9,948,989	18,378,945	9,982,341	18,017,112
Commitments in respect of resale transactions	306,889	305,244	306,889	305,244

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at lower of cost and break-up value as per the latest available audited financial statements. Other unquoted securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 7.4 to these financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are short term in nature or in the case of financings and deposits are frequently repriced.

## 40 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

The Bank is organised into four major business segments:

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Corporate & Commercial Banking	Total
----- Rupees '000 -----					
<b>December 31, 2015</b>					
Total income ***	171,314	10,511,436	23,968,640	3,218,501	37,869,891
Total expenses	(93,741)	(7,460,330)	(22,804,437)	(3,289,019)	(33,647,527)
Net income / (loss)	<b>77,573</b>	<b>3,051,106</b>	<b>1,164,203</b>	<b>(70,518)</b>	<b>4,222,364</b>
Segment assets (Gross)	-	195,988,770	92,575,975	169,930,474	458,495,219
Segment non performing loans	-	-	5,968,091	24,360,763	30,328,854
Segment provision required against loans **	-	-	(3,150,015)	(21,314,205)	(24,464,220)
Segment liabilities	-	(76,923,939)	(300,294,580)	(22,501,868)	(399,720,387)
Segment return on assets (ROA) (%) *	-	1.65%	1.33%	(0.04%)	
Segment cost of funds (%) *	-	5.42%	4.75%	7.05%	
<b>December 31, 2014</b>					
Total income***	142,849	6,713,312	24,545,026	5,284,870	36,686,057
Total expenses	(84,123)	(4,085,130)	(24,291,630)	(5,748,215)	(34,209,098)
Net income / (loss)	<b>58,726</b>	<b>2,628,182</b>	<b>253,396</b>	<b>(463,345)</b>	<b>2,476,959</b>
Segment assets (Gross)	-	149,750,065	74,629,428	190,344,153	414,723,646
Segment non performing loans	-	-	3,599,658	25,693,662	29,293,320
Segment provision required against loans **	-	-	(2,367,920)	(21,083,347)	(23,451,267)
Segment liabilities	-	(42,447,414)	(280,986,592)	(38,389,202)	(361,823,208)
Segment return on assets (ROA) (%)*	-	2.43%	0.39%	(0.25%)	
Segment cost of funds (%)*	-	5.59%	5.76%	9.07%	

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

\*\* includes general provision

\*\*\* Net of share of loss of associate

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 41 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its holding company, associated undertaking, associated company, group companies, retirement benefit plans, directors, key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

Banking transactions with the related parties are executed substantially on the same terms, except transactions with directors and key management personnel that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk.

	2015			
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies and associated undertakings
	----- Rupees '000 -----			
<b>Deposits</b>				
Balance at the beginning of the year	107,806	87,030	5,141	50,108
Placements during the year	1,274,531	2,212,848	3,810,108	4,635,457
Withdrawals during the year	(1,326,863)	(1,782,003)	(3,812,984)	(4,167,436)
Balance at end of the year	55,474	517,875	2,265	518,129
<b>Advances *</b>				
Balance at the beginning of the year	58,293	-	-	4,041,850
Disbursements during the year	25,193	-	-	-
Repayments during the year	(20,441)	-	-	(3,033)
Balance at end of the year	63,045	-	-	4,038,817

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

\* Provision held against advances in respect of group Companies and associated undertaking amounted to Rs 2,963.060 million (2014: Rs 2,827.738 million)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

- 41.1** 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.
- 41.2** Details of outstanding investments and donations made during the year relating to related parties are given in note 11 and 30.3 to these financial statements. 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, loans due by directors, executives, subsidiary companies and other related parties are given in note 12.9 to these financial statements. Contributions to and accruals in respect of retirement benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan (refer notes 36 and 37 to these financial statements for the details of the plans). Remuneration of the President and Chief Executive Officer, directors' fee and certain related information are disclosed in note 38 and 30.2 to these financial statements. Such remuneration is determined in accordance with the terms of their employment. Details of disposal of vehicles to key management personnel and other executives are disclosed in Annexure IV to these financial statements. Details of shares held by the holding company are disclosed in note 21.3 to these financial statements. Details of assets held under trust arrangement on behalf of the related parties are given in note 44 to these financial statements.

Particulars	2015				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings
	----- Rupees '000 -----				
Shares / units purchased during the year	-	-	-	-	1,236,738
Shares / units sold during the year	-	-	-	-	853,213
Government securities purchased during the year	510,541	305,674	-	-	67,719
Government securities sold during the year	567,764	-	-	-	3,225,165
Profit paid / accrued	2,670	17,417	-	294	18,091
Profit return / earned	4,429	-	-	-	141,680
Remuneration of the key management personnel					
- Salaries and other short-term employee benefits	309,611	-	-	-	-
- Post-employment benefits	17,823	-	-	-	-
Contribution / charge relating to staff retirement benefits	-	223,442	-	-	-
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	29,397
Dividend income	-	-	-	-	102,036
Capital gain	-	-	-	-	711
Shares issued as fully paid up bonus shares	142	-	-	-	1,044,998

\* represents outstanding guarantee



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Particulars	2014				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings

----- Rupees '000 -----

Shares / units purchased during the year	-	-	-	-	55,000
Shares / units sold during the year	-	-	-	-	222,722
Government securities purchased during the year	1,039,295	1,148,989	-	-	-
Government securities sold during the year	1,276,459	576,651	-	-	-
Profit paid / accrued	9,101	7,440	-	449	20,610
Profit return / earned	2,218	-	-	-	15,971
Remuneration of the key management personnel	-	-	-	-	-
- Salaries and other short-term employee benefits	611,688	-	-	-	-
- Post-employment benefits	16,281	-	-	-	-
Contribution / charge relating to staff retirement benefits	-	196,807	-	-	-
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	29,397
Dividend income	-	-	-	-	56,723
Capital gain	-	-	-	-	3,722
Shares issued as fully paid up bonus shares	-	-	-	-	-

\* represents outstanding guarantee

### 42 CAPITAL - ASSESSMENT AND ADEQUACY BASEL SPECIFIC

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of Banks vide its communication dated November 05, 2014. These disclosures are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by Banks in Pakistan. Basel III instructions have become effective from December 31, 2013. However, there is a transitional phase for implementation of Basel III requirements whereas the complete requirements would become applicable with full implementation by December 31, 2019.

The Basel III Capital Regulation (Basel III) is applicable to the Bank and its associate Faysal Asset Management Limited (FAML). The Bank has no subsidiary therefore as per regulatory guidelines, consolidation is not required for reporting / disclosure purpose.

Under Basel III framework, Bank's regulatory capital has been analyzed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
  - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after deductions for investments in majority owned securities (to the extent of 30%, during transition phase), threshold deductions on deferred tax assets, reciprocal crossholdings and deduction for book value of intangibles.
  - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes subordinated debt, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III phase in approach requirement).
- The sub-ordinated debt is not entirely eligible under Basel III guidelines due to introduction of Loss absorbency clause. This instrument will be phased out from Tier 2 capital as per the defined phase out arrangement in the regulatory guidelines.
- The deductions from Tier II capital mainly involves reciprocal crossholdings and investment in majority owned securities (to the extent of 30%, during transition phase).

Banking operations are categorized in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

### Capital Management

The objective of capital management is to ensure the Bank's ability to operate as a going concern by maintaining appropriate capital base in line with minimum regulatory requirements. The Bank has implemented the applicable requirements of Basel III capital adequacy framework that applies to all Banks as prescribed under BPRD Circular No. 06 of August 15, 2013 and amendments made by State Bank of Pakistan through various circulars. The Bank has adopted Standardized Approach for Credit and Market Risks 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 to shareholders and benefits to other stakeholders; and
- c) maintains a strong capital base to support the developments 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 per the requirements of the SBP. The required information is submitted to the SBP on a quarterly basis.

As at December 31, 2015 the SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid-up capital of Rs 10 billion; (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum level of 10.00% and (c) maintain Common Equity Tier I (CET1) ratio and Tier 1 ratio of 6.0% and 7.5% respectively.

With effect from December 31, 2015 an additional Capital Conservation Buffer of 0.25% (to be met from CET1) has to be maintained over and above the minimum required level.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

The paid-up capital of the Bank for the year ended December 31, 2015 stood at Rs 11.99 billion (2014: Rs 10.43 billion). As at December 31, 2015 Bank's CAR stood at 14.41% whereas CET1 and Tier 1 ratios both stood at 12.54%.

The Bank is also in compliance with the CCB requirements.

Book value of intangible assets including software are deducted from Tier 1 capital whereas investment in associate as disclosed in Note 11.1 is deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital. The SBP through BPRD Circular No. 06 of August 15, 2013 has introduced new capital deductions under Basel III framework, such as Deferred Tax Asset (DTA), surplus on revaluation of assets etc. The newly prescribed deductions are applicable in a phased manner requiring 20% of applicable deductions from December 31, 2014. The deductions will increase by 20% each year and will be fully implemented from December 31, 2019.

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

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.

The required capital adequacy ratio is achieved by the Bank through:

- Adequate level of paid up capital;
- Adequate risk profile of asset mix;
- Ensuring better recovery management; and
- Maintaining acceptable profit margins.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 42.1 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardized Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risk is presented below:

Particulars	2015	2014
	Amount	
	----- Rupees '000 -----	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
- Fully paid-up capital / capital deposited with the SBP	11,997,601	10,432,697
- Balance in share premium account	10,131	10,131
- Reserve for issue of bonus shares	-	-
- Discount on issue of shares	-	-
- General / statutory reserves	6,412,630	5,693,024
- Gain / (losses) on derivatives held as cash flow hedge	-	-
- Unappropriated profit	7,638,330	5,696,366
- Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
<b>CET 1 before regulatory adjustments</b>	<b>26,058,692</b>	<b>21,832,218</b>
Total regulatory adjustments applied to CET1 (Note 42.1.1)	2,165,687	2,397,151
<b>Common Equity Tier 1 (a)</b>	<b>23,893,005</b>	<b>19,435,067</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
- Qualifying Additional Tier-1 instruments plus any related share premium of which:		
- classified as equity	-	-
- classified as liabilities	-	-
- Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties of which:		
- instrument issued by subsidiaries subject to phase out	-	-
<b>AT1 before regulatory adjustments</b>	-	-
Total regulatory adjustment applied to AT1 capital (Note 42.1.2)	-	-
<b>Additional Tier 1 capital after regulatory adjustments</b>	-	-
<b>Additional Tier 1 capital recognised for capital adequacy (b)</b>	-	-
<b>Tier 1 Capital (CET1 + admissible AT1) (c=a+b)</b>	<b>23,893,005</b>	<b>19,435,067</b>
<b>Tier 2 Capital</b>		
- Qualifying Tier 2 capital instruments under Basel III	-	-
- Tier 2 capital instruments subject to phase out arrangement	419,160	958,464
- Tier 2 capital instruments issued to third party by consolidated subsidiaries of which:		
- instruments issued by subsidiaries subject to phase out	-	-
- General provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	432,672	439,524
- Revaluation reserves of which:		
- revaluation reserves on fixed assets	1,995,713	1,698,390
- unrealized gain / (loss) on AFS	881,120	805,011
- Foreign exchange translation reserves	-	-
- Undisclosed / other reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	<b>3,728,665</b>	<b>3,901,389</b>
Total regulatory adjustment applied to T2 capital (Note 42.1.3)	170,155	179,793
Tier 2 capital (T2) after regulatory adjustments	3,558,510	3,721,596
Portion of Tier 1 capital recognised in Tier 2 capital	-	-
<b>Total Tier 2 capital admissible for capital adequacy (d)</b>	<b>3,558,510</b>	<b>3,721,596</b>
<b>TOTAL CAPITAL (T1 + admissible T2) (e=c+d)</b>	<b>27,451,515</b>	<b>23,156,663</b>
<b>Total risk weighted assets (for details refer note 42.4)</b>	<b>190,542,523</b>	<b>189,528,741</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Particulars	2015	2014
	Percentage	
<b>Capital ratios and buffers (in percentage of risk weighted assets)</b>		
- CET1 to total RWA (a / i)	<u>12.54%</u>	<u>10.25%</u>
- Tier-1 capital to total RWA (c / i)	<u>12.54%</u>	<u>10.25%</u>
- Total capital to RWA (e / i)	<u>14.41%</u>	<u>12.22%</u>
- Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	<u>6.25%</u>	<u>5.50%</u>
- capital conservation buffer requirement	<u>0.25%</u>	-
- counter cyclical buffer requirement	<u>-</u>	<u>-</u>
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	<u>-</u>	<u>-</u>
- CET1 available to meet buffers (as a percentage of risk weighted assets)	<u>6.29%</u>	<u>4.75%</u>
<b>National minimum capital requirements prescribed by SBP</b>		
- CET1 minimum ratio	<u>6.00%</u>	<u>5.50%</u>
- Tier 1 minimum ratio	<u>7.50%</u>	<u>7.00%</u>
- Total capital minimum ratio	<u>10.25%</u>	<u>10.00%</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Particulars	2015		2014	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*
----- Rupees '000 -----				
<b>42.1.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	1,439,276	-	1,709,903	-
Shortfall in provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	176,160	264,240	88,080	352,320
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	212,894	-	426,733	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of fixed assets / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	316,932	475,398	127,384	509,537
Amount exceeding 15% threshold	-	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital:				
Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP (mention details)	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	20,425	20,425	45,051	45,051
<b>Total regulatory adjustments applied to CET1</b>	<b>2,165,687</b>	<b>760,063</b>	2,397,151	906,908

\* This column highlights items that are still subject to Basel II treatment during the transitional period.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Particulars	2015		2014	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*

----- Rupees '000 -----

## 42.1.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
Adjustments to additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
<b>Total regulatory adjustment applied to AT1 capital</b>	-	-	-	-

## 42.1.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	20,425	20,425	30,033	30,033
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	149,730	-	149,760	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
<b>Total regulatory adjustment applied to T2 capital</b>	<b>170,155</b>	<b>20,425</b>	<b>179,793</b>	<b>30,033</b>

\* This column highlights items that are still subject to Basel II treatment during the transitional period.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## 42.1.4 Additional Information

### "Risk Weighted Assets" subject to pre-Basel III treatment

	2015	2014
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
of which: deferred tax assets	739,638	861,857
of which: defined-benefit pension fund net assets	-	-
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-

### Amounts below the thresholds for deduction (before risk weighting)

Non-significant investments in the capital of other financial entities	565,007	582,076
Significant investments in the common stock of financial entities	27,233	-
Deferred tax assets arising from temporary differences (net of related tax liability)	2,396,612	2,470,287

### Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	432,672	439,524
Cap on inclusion of provisions in Tier 2 under standardized approach	1,748,942	1,894,054
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 42.2 Capital Structure Reconciliation

#### 42.2.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

Particulars	2015	
	Balance sheet	Under regulatory scope of reporting
-----Rupees '000-----		
<b>Assets</b>		
Cash and balances with treasury banks	26,084,007	26,084,007
Balances with other banks	1,068,451	1,068,451
Lendings to financial institutions	12,088,403	12,088,403
Investments	183,677,239	183,677,239
Advances	178,079,084	178,079,084
Operating fixed assets	11,342,980	11,342,980
Deferred tax assets - net	3,087,325	3,087,325
Other assets	14,645,371	14,645,371
<b>Total assets</b>	<b>430,072,860</b>	<b>430,072,860</b>
<b>Liabilities and equity</b>		
Bills payable	6,009,238	6,009,238
Borrowings	90,565,242	90,565,242
Deposits and other accounts	292,130,258	292,130,258
Sub-ordinated loans	2,994,000	2,994,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	8,021,649	8,021,649
<b>Total liabilities</b>	<b>399,720,387</b>	<b>399,720,387</b>
<b>Represented by:</b>		
Share capital	11,997,601	11,997,601
Reserves	6,422,761	6,422,761
Unappropriated profit	7,638,330	7,638,330
Surplus on revaluation of assets - net of tax	4,293,781	4,293,781
	30,352,473	30,352,473
<b>Total liabilities and equity</b>	<b>430,072,860</b>	<b>430,072,860</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 42.2.2 Reconciliation of balance sheet to eligible regulatory capital

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
-----Rupees '000-----			
<b>Assets</b>			
Cash and balances with treasury banks		26,084,007	26,084,007
Balances with other banks		1,068,451	1,068,451
Lendings to financial institutions		12,088,403	12,088,403
Investments of which:		183,677,239	183,677,239
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	362,624	362,624
- others	e	-	-
Advances		178,079,084	178,079,084
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	432,672	432,672
Operating fixed assets of which:		11,342,980	11,342,980
- Intangibles	k	1,439,276	1,439,276
Deferred tax assets of which:		3,087,325	3,087,325
- DTAs that rely on future profitability excluding those arising from temporary differences	h	440,400	440,400
- DTAs arising from temporary differences exceeding regulatory threshold	i	792,330	792,330
Other assets of which:		14,645,371	14,645,371
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
<b>Total assets</b>		<b>430,072,860</b>	<b>430,072,860</b>
<b>Liabilities and Equity</b>			
Bills payable		6,009,238	6,009,238
Borrowings		90,565,242	90,565,242
Deposits and other accounts		292,130,258	292,130,258
Sub-ordinated loans of which:		2,994,000	2,994,000
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	419,160	419,160
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		8,021,649	8,021,649
<b>Total liabilities</b>		<b>399,720,387</b>	<b>399,720,387</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
-----Rupees '000-----			
<b>Share capital</b>		<b>11,997,601</b>	<b>11,997,601</b>
- of which: amount eligible for CET1	s	11,997,601	11,997,601
- of which: amount eligible for AT1	t	-	-
Reserves of which:		<b>6,422,761</b>	<b>6,422,761</b>
- portion eligible for inclusion in CET1 - Statutory reserves	u	5,382,071	5,382,071
- portion eligible for inclusion in CET1 - General and other reserves		1,040,690	1,040,690
- portion eligible for inclusion in Tier 2	v	-	-
Unappropriated profit	w	7,638,330	7,638,330
Minority Interest of which:		-	-
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		<b>4,293,781</b>	<b>4,293,781</b>
- Revaluation reserves on fixed assets		2,978,677	2,978,677
- Unrealized gains / (losses) on AFS securities	aa	1,315,104	1,315,104
- In case of deficit on revaluation (deduction from CET1)	ab	-	-
<b>Total liabilities and equity</b>		<b>430,072,860</b>	<b>430,072,860</b>

## 42.2.3 Basel III Disclosure (with added column)

Particulars	Source based on reference number from 43.2.2	Component of regulatory capital reported by the Bank
Rupees '000		
<b>Common equity Tier 1 capital (CET1): instruments and reserves</b>		
1 Fully paid-up capital		11,997,601
2 Balance in share premium account	(s)	10,131
3 Reserve for issue of bonus shares		-
4 General / statutory reserves	(u)	6,412,630
5 Gain / (losses) on derivatives held as cash flow hedge		-
6 Unappropriated profit	(w)	7,638,330
7 Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
<b>8 CET 1 before Regulatory Adjustments</b>		<b>26,058,692</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	(j) - (s)	-
10 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	1,439,276
11 Shortfall of provisions against classified assets	(f)	-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * 40%	176,160

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Particulars	Source based on reference number from 43.2.2	Component of regulatory capital reported by the Bank
Rupees '000		
13 Defined-benefit pension fund net assets	(l) - (q) * 40%	-
14 Reciprocal cross holdings in CET1 capital instruments	(d)	212,894
15 Cash flow hedge reserve		-
16 Investment in own shares / CET1 instruments		-
17 Securitization gain on sale		-
18 Capital shortfall of regulated subsidiaries		-
19 Deficit on account of revaluation from bank's holdings of fixed assets / AFS securities	(ab)	-
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i) * 40%	316,932
23 Amount exceeding 15% threshold of which:		-
- significant investments in the common stocks of financial entities		-
- deferred tax assets arising from temporary differences		-
24 National specific regulatory adjustments applied to CET1 capital of which:		-
- investment in TFCs of other banks exceeding the prescribed limit		-
- any other deduction specified by the SBP		-
25 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		20,425
26 Total regulatory adjustments applied to CET1		2,165,687
<b>Common equity tier 1</b>		<b>23,893,005</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
27 Qualifying additional Tier-1 instruments plus any related share premium of which:		-
- classified as equity	(t)	-
- classified as liabilities	(m)	-
28 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
- of which: instrument issued by subsidiaries subject to phase out		-
29 <b>AT1 before regulatory adjustments</b>		-
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
30 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
31 Investment in own AT1 capital instruments		-
32 Reciprocal cross holdings in additional Tier 1 capital instruments		-
33 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Particulars	Source based on reference number from 43.2.2	Component of regulatory capital reported by the Bank Rupees '000
34 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
35 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
36 Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		-
37 Total of regulatory adjustment applied to AT1 capital		-
38 Additional Tier 1 capital		-
39 Additional Tier 1 capital recognised for capital adequacy		-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>23,893,005</b>
<b>Tier 2 Capital</b>		
40 Qualifying Tier 2 capital instruments under Basel III	(n)	-
41 Capital instruments subject to phase out arrangement from Tier 2		419,160
42 Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out	(z)	-
43 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	432,672
44 Revaluation reserves eligible for Tier 2 of which:		2,876,833
- portion pertaining to fixed assets		1,995,713
- portion pertaining to AFS securities		881,120
45 Foreign exchange translation reserves	(v)	-
46 Undisclosed / other reserves (if any)		-
47 T2 before regulatory adjustments		3,728,665
<b>Tier 2 Capital: regulatory adjustments</b>		
48 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		20,425
49 Reciprocal cross holdings in Tier 2 instruments	(d)	149,730
50 Investment in own Tier 2 capital instruments		-
51 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
52 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
53 Amount of regulatory adjustment applied to T2 capital		170,155
54 Tier 2 capital (T2)		3,558,510
55 Tier 2 capital recognised for capital adequacy		3,558,510
56 Excess additional Tier 1 capital recognised in Tier 2 capital		-
57 Total Tier 2 capital admissible for capital adequacy		3,558,510
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		<b>27,451,515</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## 42.3 Main features of regulatory capital instruments

S.No	Main Features	Common Shares	Subordinated Debt 3 billion
1	Issuer	Faysal Bank Limited	Faysal Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	FABL	N/A
3	Governing law(s) of the instrument	Relevant Capital Market Laws	Relevant Capital Market Laws
<b>Regulatory treatment</b>			
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Tier 2
6	Eligible at solo / group / group & solo	Solo	Solo
7	Instrument type	Ordinary shares	TFCs
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	11,997,601	419,160
9	Par value of instrument	10	5,000
10	Accounting classification	Shareholders' equity	Liability - Subordinated loan
11	Original date of issuance	Various	December 27, 2010
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	December 27, 2017
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
<b>Coupons / dividends</b>			
17	Fixed or floating dividend / coupon	N/A	Floating
18	Coupon rate and any related index / benchmark	N/A	Kibor
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non - Cumulative	Non - Cumulative
23	Convertible or non-convertible	Non - Convertible	Non - Convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	Common equity (ranks after all creditors including depositors)	Refer 42.3.1
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A

42.3.1 The instrument is unsecured, subordinated as to payments of principal and profit to all other indebtedness of the Bank including deposits.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 42.4 Risk Weighted Assets

	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
<b>Credit risk</b>	----- Rupees '000 -----			
<b>On-Balance sheet</b>				
Portfolios subject to standardized approach (Comprehensive)				
- Sovereign	4,369	3,507	42,628	35,071
- Public Sector entities	303,972	303,857	2,965,579	3,038,570
- Banks	108,429	76,707	1,057,845	767,074
- Corporate	6,585,853	8,091,516	64,252,224	80,915,155
- Retail	2,120,350	1,846,284	20,686,345	18,462,842
- Residential Mortgages	143,038	143,251	1,395,494	1,432,507
- Past Due loans	783,837	680,713	7,647,195	6,807,126
- Operating Fixed Assets	959,573	922,420	9,361,685	9,224,198
- Other assets	1,442,403	1,332,119	14,072,228	13,321,188
	<b>12,451,824</b>	<b>13,400,374</b>	<b>121,481,223</b>	<b>134,003,731</b>
<b>Off-Balance sheet</b>				
<b>Non-market related</b>				
- Loan Repayment Guarantees	893,002	1,069,138	8,712,215	10,691,384
- Purchase and Resale Agreements	10,894	9,021	106,284	90,206
- Performance Bonds etc	149,853	110,710	1,461,980	1,107,099
- Revolving underwriting Commitments	535,517	250,805	5,224,555	2,508,048
- Stand By Letters of Credit	228,950	196,591	2,233,662	1,965,905
<b>Market related</b>				
- Derivative Instruments	-	68	-	679
- Foreign Exchange Contracts	19,850	47,931	193,660	479,308
	<b>1,838,066</b>	<b>1,684,264</b>	<b>17,932,356</b>	<b>16,842,629</b>
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method				
- Listed Shares	51,429	66,799	501,746	667,992
- Unlisted Shares	-	993	-	9,932
	<b>51,429</b>	<b>67,792</b>	<b>501,746</b>	<b>677,924</b>
<b>Total Credit Risk-Weighted Exposures</b>	<b>14,341,319</b>	<b>15,152,430</b>	<b>139,915,325</b>	<b>151,524,284</b>
<b>Market Risk - capital requirement for portfolios subject to standardised approach</b>				
- Interest rate risk	1,242,047	454,073	12,117,531	4,540,725
- Equity position risk	659,539	338,700	6,434,526	3,387,000
- Foreign exchange risk	12,329	12,389	120,287	123,888
<b>Total market risk</b>	<b>1,913,915</b>	<b>805,162</b>	<b>18,672,344</b>	<b>8,051,613</b>
<b>Operational Risk - Capital requirement for operational risks</b>				
<b>Total operational risk</b>	<b>3,275,373</b>	<b>2,995,284</b>	<b>31,954,854</b>	<b>29,952,844</b>
	<b>19,530,607</b>	<b>18,952,876</b>	<b>190,542,523</b>	<b>189,528,741</b>
<b>Capital Adequacy Ratio</b>	<b>2015</b>		<b>2014</b>	
Total Eligible Regulatory Capital held	<b>27,451,515</b>		23,156,663	
	<b>Required</b>	<b>Actual</b>	<b>Required</b>	<b>Actual</b>
CET1 to total RWA	<b>6.00%</b>	<b>12.54%</b>	5.50%	10.25%
Tier-1 capital to total RWA	<b>7.50%</b>	<b>12.54%</b>	7.00%	10.25%
Total capital to total RWA	<b>10.25%</b>	<b>14.41%</b>	10.00%	12.22%

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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42.5 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 appearing under Tier-I capital, would be limited to the extent of the amount of the intangible assets recognized as negative goodwill. 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.

42.6 In accordance with the Regulatory Capital Framework under Basel III issued by the SBP, Banks are required to deduct from Common Equity Tier I capital - regulatory adjustments, any shortfall in provisions required against classified assets irrespective of any relaxation allowed by the SBP. However, SBP has granted exemption to the Bank from making deductions on account of shortfall in provision against outstanding facilities extended to Dewan Group from above vide its letter No. BSD/BAI-3/615/5296/2011 dated April 26, 2011.

42.7 The benefit of the FSV allowed by the SBP has not been deducted from Common equity Tier I capital - regulatory adjustments 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 Capital adequacy guidelines.

### 42.8 Leverage Ratio

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III Framework. Banks are required to maintain minimum leverage ratio of 3% and to disclose the same from December 31, 2015. At Present, the leverage ratio is on parallel run till December 31, 2017. Based on the results of the parallel run period, the SBP intends to make any final adjustments to the definition and calibration of the leverage ratio with a view to set the leverage ratio requirements as a separate capital standard on December 31, 2018.

The leverage ratio of the Bank for the year ended December 31, 2015 stood at 4.26% (2014: 3.99%).

Particulars	2015	2014
	-----Rupees '000-----	

#### On balance sheet exposures

On-balance sheet items (excluding derivatives but including collateral)	427,907,173	385,728,631
Derivatives	89,518	402,498
<b>A) Total On balance sheet exposures</b>	<b>427,996,691</b>	<b>386,131,129</b>

#### Off balance sheet exposures

Off-balance sheet items (excluding derivatives)	133,162,562	100,175,570
Commitment in respect of derivatives (derivatives having negative fair value are also included)	285,161	397,759
<b>B) Total Off balance sheet exposures</b>	<b>133,447,723</b>	<b>100,573,329</b>

#### Capital and total exposures

<b>Tier 1 capital</b>	<b>23,893,005</b>	19,435,067
<b>Total Exposure (A+B)</b>	<b>561,444,414</b>	486,704,458
<b>Leverage ratio</b>	<b>4.26%</b>	3.99%



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### 43 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 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 the Bank's 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 endeavours to be a comprehensive and evolving guidelines 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.

The Bank has developed and implemented a governance and management structure, processes surrounding each risk area, including credit risk, market risk, liquidity risk, capital management and operational risk.

The essential components which contribute in effective management of all these risks are as follows:

- 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

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The Board of Directors (BoD) monitoring and oversight is facilitated through the Board Risk Management Committee (BRMC); comprising of 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. The BRMC has further authorized management committees such as Country Credit Committee (CCC), Enterprise Risk Management Committee (ERMC) and Assets & Liabilities Committee (ALCO) to supervise risk management activities within their respective areas.

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, CBSME & 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 is responsible for managing the credit risk side of consumer finance products. This function operates on a program lending approach to manage, mitigate and approve risk on a portfolio level. The key role of this function is to manage the entire retail credit cycle and portfolio Key Performance Indicators (KPIs) in line with the business strategy. Retail credit cycle and its scope includes, 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 and Portfolio Management 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 and Portfolio Management 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.

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### 43.1 Credit Risk

Credit risk is the identification of probability that a counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk 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, appropriately structured, priced (in line with market practices) and documented.

The Bank deals with many different types of borrowers and borrowing structures across the corporate, commercial, 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 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 and 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 meetings with an aim to monitor the overall risk and to avoid high exposure to a single group or industry.

#### 43.1.1 Segment by class of business

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

- Conduct a thorough and an 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 the 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 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.

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Segmental information in respect of the class of business, by sector including related provision and classified advances and geographical distribution of advances, deposits, and contingencies and commitments is given below:

	2015					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceuticals	9,299,536	4.59	3,387,027	1.16	2,174,662	5.06
Agriculture	33,595,343	16.59	7,795,719	2.67	243,872	0.57
Textile	22,471,827	11.09	1,989,027	0.68	2,891,883	6.73
Cement	3,601,417	1.78	142,038	0.05	564,167	1.31
Sugar	3,033,405	1.50	103,112	0.04	33,101	0.08
Construction	1,920,419	0.95	4,221,349	1.45	1,038,829	2.42
Ready made garments	2,714,867	1.34	714,532	0.24	141,197	0.33
Footwear and leather garments	985,924	0.49	142,189	0.05	205,390	0.48
Automobile and transportation equipment	733,325	0.36	1,051,116	0.36	407,575	0.95
Financial	1,224,760	0.60	13,774,204	4.72	1,154,836	2.69
Oil refining / marketing	3,723,757	1.84	4,145,816	1.42	12,064,212	28.10
Distribution / trading	882,388	0.44	55,221,263	18.90	2,535,374	5.90
Electronics and electrical appliances	3,781,470	1.87	973,633	0.33	602,255	1.40
Production and transmission of energy	34,891,435	17.23	1,156,927	0.40	4,614,353	10.75
Iron and steel	4,445,513	2.19	1,315,373	0.45	1,555,000	3.62
Food and allied	7,952,089	3.93	2,926,597	1.00	1,051,381	2.45
Synthetic and rayon	1,026,286	0.51	80,584	0.03	1,136,853	2.65
Paper and board	1,927,538	0.95	181,382	0.06	539,352	1.26
Individuals	20,732,211	10.24	101,467,363	34.73	302,372	0.70
Telecommunication	3,145,802	1.55	746,933	0.26	3,326,101	7.75
Transportation, road and air	7,819,299	3.86	549,583	0.19	363,860	0.85
Mining and quarrying	2,511,272	1.24	55,575	0.02	9,858	0.02
Others	30,123,421	14.86	89,988,916	30.79	5,982,382	13.93
	<u>202,543,304</u>	<u>100.00</u>	<u>292,130,258</u>	<u>100.00</u>	<u>42,938,865</u>	<u>100.00</u>
	2014					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceuticals	9,900,992	4.84	4,241,398	1.50	3,296,819	8.07
Agriculture	21,506,407	10.51	8,395,179	2.96	584,823	1.43
Textile	22,481,071	10.98	1,479,472	0.52	1,740,534	4.26
Cement	1,638,788	0.80	102,162	0.04	822,530	2.01
Sugar	4,368,052	2.13	409,292	0.14	52,595	0.13
Construction	2,067,728	1.01	3,934,655	1.39	1,043,936	2.56
Ready made garments	3,177,515	1.55	658,686	0.23	151,726	0.37
Footwear and leather garments	1,566,656	0.77	163,389	0.06	90,158	0.22
Automobile and transportation equipment	229,112	0.11	1,106,423	0.39	183,716	0.45
Financial	920,602	0.45	11,636,941	4.11	1,070,677	2.62
Oil refining / marketing	6,857,587	3.35	4,974,868	1.76	10,689,971	26.17
Distribution / trading	8,920,687	4.36	55,223,333	19.49	1,993,229	4.88
Electronics and electrical appliances	4,668,354	2.28	1,370,677	0.48	1,188,792	2.91
Production and transmission of energy	32,262,855	15.76	2,358,286	0.83	3,934,879	9.63
Iron and steel	5,162,912	2.52	751,413	0.27	782,794	1.92
Food and allied	6,826,107	3.34	2,472,762	0.87	913,089	2.24
Synthetic and rayon	5,532,709	2.70	65,571	0.02	1,893,494	4.64
Paper and board	1,597,359	0.78	105,370	0.04	532,593	1.30
Individuals	20,709,833	10.12	103,148,012	36.40	99,674	0.24
Telecommunication	6,606,338	3.23	1,673,131	0.59	3,568,789	8.74
Transportation, road and air	10,972,683	5.36	1,944,695	0.69	411,435	1.01
Mining and quarrying	3,584,495	1.75	203,703	0.07	1,315	0.00**
Others	23,117,230	11.30	76,926,321	27.15	5,803,760	14.20
	<u>204,676,072</u>	<u>100.00</u>	<u>283,345,739</u>	<u>100.00</u>	<u>40,851,328</u>	<u>100.00</u>

\* Contingent liabilities in this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities, trade related contingent liabilities and indemnity issued.

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### 43.1.2 Segment by sector

	2015					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	48,718,664	24.05	24,109,993	8.25	3,023,977	7.04
Private	153,824,640	75.95	268,020,265	91.75	39,914,888	92.96
	<b>202,543,304</b>	<b>100.00</b>	<b>292,130,258</b>	<b>100.00</b>	<b>42,938,865</b>	<b>100.00</b>

	2014					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	38,797,844	18.96	17,433,526	6.15	6,318,540	15.47
Private	165,878,228	81.04	265,912,213	93.85	34,532,788	84.53
	<b>204,676,072</b>	<b>100.00</b>	<b>283,345,739</b>	<b>100.00</b>	<b>40,851,328</b>	<b>100.00</b>

\* Contingent liabilities in this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities, trade related contingent liabilities and indemnity issued.

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

	2015		2014	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- Rupees '000 -----			
Chemical and Pharmaceuticals	781,240	634,382	702,062	558,731
Agriculture	1,525,373	770,535	1,203,706	645,766
Textile	8,174,939	7,098,215	6,800,961	5,698,797
Cement	139,177	118,768	292,077	202,918
Sugar	34,228	7,066	58,898	14,041
Construction	630,536	468,437	772,810	535,679
Ready made garments	1,978,984	1,782,497	2,072,949	1,845,832
Footwear and leather garments	225,572	126,691	337,225	125,652
Automobile and transport equipment	429,022	390,533	174,462	101,749
Financial	105,853	105,309	105,852	105,308
Oil refining / marketing	171,800	171,800	91,761	82,427
Distribution / trading	24,781	20,409	1,085,123	899,153
Electronics and electrical appliances	1,424,593	1,408,986	1,426,084	1,225,849
Production and transmission of energy	2,934,005	2,934,005	2,958,787	2,954,414
Iron and steel	2,146,107	900,731	2,010,066	835,159
Food and allied	1,123,152	542,550	970,374	612,519
Synthetic and rayon	508,076	482,083	1,499,983	1,208,691
Paper and board	309,829	146,946	131,107	111,311
Transportation, road and air	-	-	152,492	117,302
Telecommunications	5,834	4,522	5,833	4,521
Individuals	2,190,764	1,671,869	2,213,683	1,480,590
Mining and quarrying	13,430	4,858	203,450	135,539
Others	5,451,559	4,240,356	4,023,575	3,509,795
	<b>30,328,854</b>	<b>24,031,548</b>	<b>29,293,320</b>	<b>23,011,743</b>

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

	2015		2014	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- Rupees '000 -----			
Public / Government	-	-	-	-
Private	30,328,854	24,031,548	29,293,320	23,011,743
	<b>30,328,854</b>	<b>24,031,548</b>	<b>29,293,320</b>	<b>23,011,743</b>

### 43.1.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	----- Rupees '000 -----			
Pakistan	6,920,077	430,072,860	30,352,473	42,938,865
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<b>6,920,077</b>	<b>430,072,860</b>	<b>30,352,473</b>	<b>42,938,865</b>

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	----- Rupees '000 -----			
Pakistan	3,551,785	388,125,784	26,302,576	40,851,328
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<b>3,551,785</b>	<b>388,125,784</b>	<b>26,302,576</b>	<b>40,851,328</b>

\* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities, trade related contingent liabilities and indemnity issued.

### 43.2 Credit Risk: General disclosures Basel II specific

The Bank has adopted the Standardized Approach under Basel. According to the regulatory statement submitted under the Standardized 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 56.38% (2014: 62.21%) of the total exposure, 3.56% (2014: 3.44%) represents claims on PSEs and 16.40% (2014: 13.62%) exposure pertains to claims categorized as retail portfolio.

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### 43.2.1 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. 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, 2015 are as follows;

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

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

#### Long Term Rating Grades Mapping

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

#### Short Term Rating Grades Mapping

SBP Rating	PACRA	JCR-VIS	S & P	Moody's	Fitch
S1	A-1 & above	A-1 & above	A-1 & above	P-1	F1
S2	A-2	A-2	A-2	P-2	F2
S3	A-3	A-3	A-3	P-3	F3
S4	Others	Others	Others	Others	Others

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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:

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
----- Rupees '000 -----				
- Cash and Cash Equivalent		7,457,759	-	7,457,759
- Corporate	1 2 3,4 5,6 Unrated Unrated-2	22,863,031 12,289,283 10,024 - 31,314,281 19,457,035	9,142 284,993 - - 1,862,961 82,669	22,853,889 12,004,290 10,024 - 29,451,320 19,374,366
- Public Sector Entities	1 2,3 Unrated	8,817,143 - 2,404,301	- - -	8,817,143 - 2,404,301
- Banks	1,2,3 4,5,6 Unrated	3,481,200 35,993 31,911	- - -	3,481,200 35,993 31,911
- Sovereigns etc.	1 2 3 4,5 6 Unrated	- - - 42,628 - -	- - - - - -	- - - 42,628 - -
- Government of Pakistan		125,828,415	-	125,828,415
- SBP		4,536,856	-	4,536,856
- Retail		31,467,957	3,886,164	27,581,793
- Residential Mortgage		4,022,527	35,401	3,987,126
- Past Dues Loans		5,774,899	213,799	5,561,100
- Past Dues against Residential Mortgage		413,869	7,139	406,730
- Significant investment in Commercial entities		-	-	-
- Significant investment and DTAs above 15% threshold		2,423,845	-	2,423,845
- Unlisted Equity Investments		-	-	-
- Listed Equity Investments		651,477	149,731	501,746
- Operating Fixed Assets		9,361,685	-	9,361,685
- Other Assets		8,012,615	-	8,012,615
		<b>300,698,734</b>	<b>6,531,999</b>	<b>294,166,735</b>

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collateral, the Bank reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

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

- Cash margin
- Government securities
- Guarantees of governments and banks
- Shares listed on recognized stock exchange.

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## 43.3 Market risk

It is the risk that the value of on-balance sheet 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 the Board approval and its subsequent implementation and review.

## 43.4 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 the SBP. 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 the acceptable tolerance levels.

### 43.4.1 Currency Risk

	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----- Rupees '000 -----			
Pakistan rupee	421,429,701	375,203,461	(15,772,386)	30,453,854
United States dollar	7,101,625	18,687,862	11,465,949	(120,288)
Great Britain pound	1,150,986	3,474,408	2,326,691	3,269
Japanese yen	4,810	29,132	24,368	46
Euro	371,822	2,325,524	1,955,378	1,676
Other currencies	13,916	-	-	13,916
	<u>430,072,860</u>	<u>399,720,387</u>	<u>-</u>	<u>30,352,473</u>

	2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----- Rupees '000 -----			
Pakistan rupee	378,767,780	335,780,917	(16,582,867)	26,403,996
United States dollar	7,646,636	20,327,520	12,556,996	(123,888)
Great Britain pound	1,229,262	3,407,647	2,183,267	4,882
Japanese yen	15,587	8,719	(6,727)	141
Euro	453,688	2,298,405	1,847,273	2,556
Other currencies	12,831	-	2,058	14,889
	<u>388,125,784</u>	<u>361,823,208</u>	<u>-</u>	<u>26,302,576</u>

## 43.5 Equity position risk

Equity position risk is the risk arising from unfavourable 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, 2015

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

		2015											
		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	26,084,007	-	-	-	-	-	-	-	-	26,084,007		
	Balances with other banks	1,068,451	-	-	-	-	-	-	-	-	1,068,451		
	Lendings to financial institutions	6.8	12,088,403	250,000	-	11,838,403	-	-	-	-	-		
	Investments	8.7	183,609,157	96,449	51,103,504	4,231,187	66,530,683	16,902,556	13,765,410	23,177,027	2,812,208		
	Advances	8.7	178,079,084	48,408,355	47,123,492	29,528,194	25,636,726	2,299,150	3,787,142	10,769,284	2,138,120		
	Other assets		10,431,698	-	-	-	-	-	-	-	-		
			<u>411,360,800</u>	<u>48,754,804</u>	<u>98,226,996</u>	<u>33,759,381</u>	<u>104,005,812</u>	<u>19,201,706</u>	<u>17,552,552</u>	<u>33,946,311</u>	<u>4,950,328</u>	<u>2,091,315</u>	<u>48,871,595</u>
<b>Liabilities</b>													
	Bills payable		6,009,238	-	-	-	-	-	-	-	-	6,009,238	
	Borrowings	6.19	90,565,242	78,843,290	1,102,536	7,458,526	12,513	85,652	325,352	635,152	1,285,635	816,586	
	Deposits and other accounts	4.3	292,130,258	34,178,301	41,944,635	93,008,928	25,132,657	2,622,958	348,766	716,740	62,771	94,114,502	
	Sub-ordinated loans	10.5	2,994,000	-	-	2,994,000	-	-	-	-	-	-	
	Other liabilities		7,429,910	-	-	-	-	-	-	-	-	7,429,910	
			<u>399,128,648</u>	<u>113,021,591</u>	<u>43,047,171</u>	<u>103,461,454</u>	<u>25,145,170</u>	<u>2,708,610</u>	<u>674,118</u>	<u>1,351,892</u>	<u>1,348,406</u>	<u>-</u>	<u>108,370,236</u>
	<b>On-balance sheet gap</b>		<u>12,232,152</u>	<u>(64,266,787)</u>	<u>55,179,825</u>	<u>(69,702,073)</u>	<u>78,860,642</u>	<u>16,493,096</u>	<u>16,878,434</u>	<u>32,594,419</u>	<u>3,601,922</u>	<u>2,091,315</u>	<u>(59,498,641)</u>
<b>Off-balance sheet financial instruments</b>													
<b>Forward Lending</b>													
	Cross currency and interest rate swaps		-	-	-	-	-	-	-	-	-	-	
	Forward foreign exchange contracts		24,116,917	16,468,088	5,451,581	1,540,249	656,999	-	-	-	-	-	
			<u>24,116,917</u>	<u>16,468,088</u>	<u>5,451,581</u>	<u>1,540,249</u>	<u>656,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Forward Borrowing</b>													
	Cross currency and interest rate swaps		-	-	-	-	-	-	-	-	-	-	
	Forward foreign exchange contracts		9,948,989	7,269,014	2,661,399	15,130	3,446	-	-	-	-	-	
			<u>9,948,989</u>	<u>7,269,014</u>	<u>2,661,399</u>	<u>15,130</u>	<u>3,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	<b>Off-balance sheet gap</b>		<u>14,167,928</u>	<u>9,199,074</u>	<u>2,790,182</u>	<u>1,525,119</u>	<u>653,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total Yield / Interest Risk</b>													
	<b>Sensitivity Gap</b>		<u>(55,067,713)</u>	<u>57,970,007</u>	<u>(68,176,954)</u>	<u>79,514,195</u>	<u>16,493,096</u>	<u>16,878,434</u>	<u>32,594,419</u>	<u>3,601,922</u>	<u>2,091,315</u>		
<b>Cumulative Yield / Interest Risk</b>													
	<b>Sensitivity Gap</b>		<u>(55,067,713)</u>	<u>2,902,294</u>	<u>(65,274,660)</u>	<u>14,239,535</u>	<u>30,732,631</u>	<u>47,611,065</u>	<u>80,205,484</u>	<u>83,807,406</u>	<u>85,898,721</u>		

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

		2014									
		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	20,285,851	-	-	-	-	-	-	-	-	-	20,285,851
Balances with other banks	0.40 1,422,699	-	-	-	-	-	-	-	-	-	1,422,699
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investments	10.5 155,135,429	2,951,073	26,048,971	33,959,110	29,320,836	26,581,015	16,486,943	2,818,290	13,504,287	-	3,464,904
Advances	10.59 181,224,805	22,960,763	31,175,866	22,504,375	29,735,078	16,831,428	14,896,842	23,629,123	8,953,997	4,255,756	6,281,577
Other assets	9,741,901	-	-	-	-	-	-	-	-	-	9,741,901
	367,810,685	25,911,836	57,224,837	56,463,485	59,055,914	43,412,443	31,383,785	26,447,413	22,458,284	4,255,756	41,196,932
<b>Liabilities</b>											
Bills payable	5,347,774	-	-	-	-	-	-	-	-	-	5,347,774
Borrowings	9.4 60,926,863	42,761,677	11,965,756	3,075,024	69,812	63,055	197,301	583,544	2,210,694	-	-
Deposits and other accounts	5.33 283,345,739	50,967,508	37,731,760	73,522,910	24,457,237	3,227,551	2,577,426	765,750	139,151	-	89,956,446
Sub-ordinated loans	11.2 2,995,200	-	-	2,995,200	-	-	-	-	-	-	-
Other liabilities	8,750,766	-	-	-	-	-	-	-	-	-	8,750,766
	361,366,342	93,729,185	49,697,516	79,593,134	24,527,049	3,290,606	2,774,727	1,349,294	2,349,845	-	104,054,986
<b>On-balance sheet gap</b>	<b>6,444,343</b>	<b>(67,817,349)</b>	<b>7,527,321</b>	<b>(23,129,649)</b>	<b>34,528,865</b>	<b>40,121,837</b>	<b>28,609,058</b>	<b>25,098,119</b>	<b>20,108,439</b>	<b>4,255,756</b>	<b>(62,858,054)</b>
<b>Off-balance sheet financial instruments</b>											
<b>Forward Lending</b>											
Cross currency and interest rate swaps	-	-	-	-	-	-	-	-	-	-	-
Forward foreign exchange contracts	35,354,657	14,482,846	16,626,167	4,096,549	149,095	-	-	-	-	-	-
	35,354,657	14,482,846	16,626,167	4,096,549	149,095	-	-	-	-	-	-
<b>Forward Borrowing</b>											
Cross currency and interest rate swaps	67,864	-	-	-	67,864	-	-	-	-	-	-
Forward foreign exchange contracts	18,378,945	10,290,103	8,045,186	43,656	-	-	-	-	-	-	-
	18,446,809	10,290,103	8,045,186	43,656	67,864	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>16,907,848</b>	<b>4,192,743</b>	<b>8,580,981</b>	<b>4,052,893</b>	<b>81,231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield / Interest Risk</b>											
Sensitivity Gap	(63,624,606)	16,108,302	(19,076,756)	34,610,096	40,121,837	28,609,058	25,098,119	20,108,439	4,255,756		
<b>Cumulative Yield / Interest Risk</b>											
Sensitivity Gap	(63,624,606)	(47,516,304)	(66,593,060)	(31,982,964)	8,138,873	36,747,931	61,846,050	81,954,489	86,210,245		

**43.6.1** 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.

**43.6.2** 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.

**43.6.3 Major sources of Interest rate risk are;**

- differences between the timing of rate changes and the timing of cash flows (re-pricing risk);
- changing rate relationships among different yield curves affecting Bank's activities (basis risk);
- changing rate relationships across the range of maturities (yield curve risk);
- interest-related options embedded in Bank's products (options risk); and
- changes in marked-to-market value of financial instruments which occur when interest rate changes (price risk)

**43.7 Liquidity Risk**

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

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

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Monitoring of overall balance sheet liquidity position against internal threshold;
- 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;

Maturities of Treasury's and Capital Market's balances are monitored on monthly 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, 2015

### 43.7.1 Maturities of Assets and Liabilities (based on contractual maturities)

		2015								
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	26,084,007	26,084,007	-	-	-	-	-	-	-	-
Balances with other banks	1,068,451	1,068,451	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,088,403	250,000	-	-	11,838,403	-	-	-	-	-
Investments	183,677,239	1,130,843	52,160,678	3,564,710	70,812,413	23,083,447	3,428,306	25,673,323	3,823,519	-
Advances	178,079,084	37,547,557	23,273,316	25,610,372	28,754,010	16,030,461	15,598,510	19,571,377	8,256,422	3,437,059
Operating fixed assets	11,342,980	9,262	4,280	19,691	104,942	881,545	517,716	847,283	188,932	8,769,329
Deferred tax assets - net	3,087,325	-	-	-	-	-	-	3,087,325	-	-
Other assets	14,645,371	4,497,201	2,705,475	2,735,685	952,413	470,152	335,625	2,948,820	-	-
	430,072,860	70,587,321	78,143,749	31,930,458	112,462,181	40,465,605	19,880,157	52,128,128	12,268,873	12,206,388
<b>Liabilities</b>										
Bills payable	6,009,238	6,009,238	-	-	-	-	-	-	-	-
Borrowings	90,565,242	79,659,876	1,102,536	7,458,526	12,513	85,652	325,352	635,152	1,285,635	-
Deposits and other accounts	292,130,258	221,410,617	25,347,806	16,487,941	25,132,658	2,622,958	348,766	716,741	62,771	-
Sub-ordinated loans	2,994,000	-	-	748,500	-	1,497,000	-	-	-	-
Other liabilities	8,021,649	3,120,297	664,094	2,875,034	1,352,548	1,113	2,154	6,409	-	-
	399,720,387	310,200,028	27,114,436	27,570,001	27,246,219	4,206,723	676,272	1,358,302	1,348,406	-
<b>Net assets</b>										
	30,352,473	(239,612,707)	51,029,313	4,360,457	85,215,962	36,258,882	19,203,885	50,769,826	10,920,467	12,206,388
Share capital	11,997,601	-	-	-	-	-	-	-	-	-
Reserves	6,422,761	-	-	-	-	-	-	-	-	-
Unappropriated profit	7,638,330	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	26,058,692	-	-	-	-	-	-	-	-	-
	4,293,781	-	-	-	-	-	-	-	-	-
	<u>30,352,473</u>	-	-	-	-	-	-	-	-	-
		2014								
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	20,285,851	20,285,851	-	-	-	-	-	-	-	-
Balances with other banks	1,422,699	1,422,699	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	155,210,513	6,180,608	18,693,057	22,221,655	36,991,218	28,099,051	21,305,564	4,853,879	16,865,481	-
Advances	181,224,805	24,946,553	35,471,653	22,504,375	29,735,078	16,831,428	14,896,842	23,629,123	8,953,997	4,255,756
Operating fixed assets	11,543,356	126,415	31,267	14,899	35,066	248,255	480,507	907,300	1,110,852	8,588,795
Deferred tax assets - net	2,428,816	-	-	-	-	-	212,760	1,517,878	698,178	-
Other assets	16,009,744	1,735,110	2,109,752	5,948,514	2,193,213	-	73,919	3,740,058	209,178	-
	388,125,784	54,697,236	56,305,729	50,689,443	68,954,575	45,178,734	36,969,592	34,648,238	27,837,686	12,844,551
<b>Liabilities</b>										
Bills payable	5,347,774	5,347,774	-	-	-	-	-	-	-	-
Borrowings	60,926,863	42,761,677	11,965,756	3,075,024	69,812	63,055	197,301	583,544	2,210,694	-
Deposits and other accounts	283,345,739	224,180,534	17,374,644	10,623,446	24,457,237	3,227,551	2,577,426	765,750	139,151	-
Sub-ordinated loans	2,995,200	-	-	600	600	2,994,000	-	-	-	-
Other liabilities	9,207,632	2,464,571	587,366	5,288,209	849,740	3,714	3,752	10,280	-	-
	361,823,208	274,754,556	29,927,766	18,987,279	25,377,389	6,288,320	2,778,479	1,359,574	2,349,845	-
<b>Net assets</b>										
	26,302,576	(220,057,320)	26,377,963	31,702,164	43,577,186	38,890,414	34,191,113	33,288,664	25,487,841	12,844,551
Share capital	10,432,697	-	-	-	-	-	-	-	-	-
Reserves	5,703,155	-	-	-	-	-	-	-	-	-
Unappropriated profit	5,696,366	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	21,832,218	-	-	-	-	-	-	-	-	-
	4,470,358	-	-	-	-	-	-	-	-	-
	<u>26,302,576</u>	-	-	-	-	-	-	-	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 43.7.2 Maturities of Assets and Liabilities (based on expected withdrawal pattern)

In line with SBP BSD Circular Letter No. 02 and 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting", deposit withdrawal pattern analysis on Current and Saving Accounts (CASA) is conducted on four years weekly data. The outliers (seasonal variations) are adjusted from data using fourth spread statistical methodology. Subsequently, the data is analysed through regression analysis so as to capture the deposit withdrawal behaviour in higher maturity time bands. The regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawal in order to arrive at an estimated deposits withdrawal pattern. This methodology is in line with industry best practices and regulatory guidance.

		2015								
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	26,084,007	2,415,915	2,413,555	1,891,510	3,078,410	2,423,552	2,176,499	3,535,261	7,476,683	672,622
Balances with other banks	1,068,451	1,068,451	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,088,403	250,000	-	-	11,838,403	-	-	-	-	-
Investments	183,677,239	1,130,843	52,160,678	3,564,710	70,812,413	23,083,447	3,428,306	25,673,323	3,823,519	-
Advances	178,079,084	20,309,461	25,051,390	29,379,153	37,675,392	17,733,122	16,665,709	19,571,376	8,256,422	3,437,059
Operating fixed assets	11,342,980	9,262	4,280	19,691	104,942	881,545	517,716	847,283	188,932	8,769,329
Deferred tax assets - net	3,087,325	-	-	-	-	-	-	3,087,325	-	-
Other assets	14,645,371	4,497,201	2,705,475	2,735,685	952,413	470,152	335,625	2,948,820	-	-
	430,072,860	29,681,133	82,335,378	37,590,749	124,461,973	44,591,818	23,123,855	55,663,388	19,745,556	12,879,010
<b>Liabilities</b>										
Bills payable	6,009,238	6,009,238	-	-	-	-	-	-	-	-
Borrowings	90,565,242	79,659,876	1,102,536	7,458,526	12,513	85,652	325,352	635,152	1,285,635	-
Deposits and other accounts	292,130,258	26,425,757	26,801,948	20,903,187	33,969,867	26,905,339	24,534,162	40,130,666	84,519,840	7,939,492
Sub-ordinated loans	2,994,000	-	-	748,500	748,500	1,497,000	-	-	-	-
Other liabilities	8,021,649	3,120,298	664,094	2,875,034	1,352,548	1,113	2,154	6,408	-	-
	399,720,387	115,215,169	28,568,578	31,985,247	36,083,428	28,489,104	24,861,668	40,772,226	85,805,475	7,939,492
<b>Net assets</b>										
	30,352,473	(85,534,036)	53,766,800	5,605,502	88,378,545	16,102,714	(1,737,813)	14,891,162	(66,059,919)	4,939,518
Share capital	11,997,601	-	-	-	-	-	-	-	-	-
Reserves	6,422,761	-	-	-	-	-	-	-	-	-
Unappropriated profit	7,638,330	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	26,058,692	-	-	-	-	-	-	-	-	-
	4,293,781	-	-	-	-	-	-	-	-	-
	<u>30,352,473</u>	-	-	-	-	-	-	-	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

Total	2014									
	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	20,285,851	2,838,667	1,275,980	1,323,314	2,228,739	2,258,491	2,051,576	3,462,119	4,369,572	477,393
Balances with other banks	1,422,699	1,422,699	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	155,210,513	6,180,608	18,693,057	22,221,655	36,991,218	28,099,051	21,305,564	4,853,879	16,865,481	-
Advances	181,224,805	17,319,867	36,820,533	23,891,972	32,351,782	18,066,250	15,935,525	23,629,123	8,953,997	4,255,756
Operating fixed assets	11,543,356	126,415	31,267	14,899	35,066	248,255	480,507	907,300	1,110,852	8,588,795
Deferred tax assets - net	2,428,816	-	-	-	-	-	212,760	1,517,878	698,178	-
Other assets	16,009,744	1,735,110	2,109,752	5,948,514	2,193,213	-	73,919	3,740,058	209,178	-
	388,125,784	29,623,366	58,930,589	53,400,354	73,800,018	48,672,047	40,059,851	38,110,357	32,207,258	13,321,944
<b>Liabilities</b>										
Bills payable	5,347,774	5,347,774	-	-	-	-	-	-	-	-
Borrowings	60,926,863	42,761,677	11,965,756	3,075,024	69,812	63,055	197,301	583,544	2,210,694	-
Deposits and other accounts	283,345,739	39,845,087	18,808,657	15,386,704	35,226,749	30,595,371	28,328,356	47,581,761	60,788,925	6,784,129
Sub-ordinated loans	2,995,200	-	-	600	600	2,994,000	-	-	-	-
Other liabilities	9,207,632	2,464,571	587,366	5,288,209	849,740	3,714	3,752	10,280	-	-
	361,823,208	90,419,109	31,361,779	23,750,537	36,146,901	33,656,140	28,529,409	48,175,585	62,999,619	6,784,129
<b>Net assets</b>	26,302,576	(60,795,743)	27,568,810	29,649,817	37,653,117	15,015,907	11,530,442	(10,065,228)	(30,792,361)	6,537,815
Share capital	10,432,697									
Reserves	5,703,155									
Unappropriated profit - restated	5,696,366									
	21,832,218									
Surplus on revaluation of assets - net	4,470,358									
	26,302,576									

### 43.8 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 compromises, 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 the Board of Directors through the Board Risk Management Committee (BRMC).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

The Bank has implemented an effective Operational Risk Management (ORM) framework for managing operational risk. Each department has processes and system controls in place to address operational risks within their area. The Bank's ORM framework consists of tools such as Risk and Controls Self Assessment (RCSA), Loss Database and Key Risk Indicators (KRIs). Additionally, known material Operational Risk issues and losses are escalated to Head ERM on a periodic basis.

### 44 TRUST ACTIVITIES

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These are not assets of the Bank and, therefore, are not included in the statement of financial position. The following is the list of assets held under trust:

Category	No. of IPS Accounts	2015			
		Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuks	Total
Rupees '000					
Corporate	28	660,440	952,400	-	1,612,840
Insurance Companies	2	-	-	-	-
Asset Management Companies	41	228,520	-	-	228,520
Employees Funds	152	926,485	6,512,870	-	7,439,355
Charitable Institution / NGO'S	20	107,200	747,700	-	854,900
Individuals	319	346,640	930,090	10,800	1,287,530
Related Parties	10	35,500	1,057,800	-	1,093,300
Others	6	-	195,100	-	195,100
	578	2,304,785	10,395,960	10,800	12,711,545

Category	No. of IPS Accounts	2014			
		Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuks	Total
Rupees '000					
Corporate	29	3,068,340	888,900	-	3,957,240
Insurance Companies	2	-	25,000	-	25,000
Asset Management Companies	40	2,468,500	1,064,700	-	3,533,200
Employees Funds	141	823,020	7,287,770	12,275	8,123,065
Charitable Institution/NGO'S	21	161,000	1,018,100	-	1,179,100
Individuals	309	321,420	1,359,580	21,400	1,702,400
Related Parties	10	-	1,195,800	-	1,195,800
Others	5	32,000	79,300	-	111,300
	557	6,874,280	12,919,150	33,675	19,827,105



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## 45 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 25, 2016 has proposed a final cash dividend of 10% amounting to Rs 1,200 million (2014: 15% final stock dividend amounting to Rs 1,565 million). The financial statements for the year ended December 31, 2015 do not include the effect of this proposed distribution which will be accounted for in the financial statements for the year ending December 31, 2016.

## 46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 25, 2016 by the Board of Directors of the Bank.

## 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.

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

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## QUALITY OF AVAILABLE FOR SALE SECURITIES

1. Details of investments in Government securities (Pakistan Investment Bonds, Market Treasury Bills and Ijara Sukuk Bonds) are as follows:

	2015	2014	2015	2014	2015	2014
	At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
	-----Rupees '000-----		-----Rupees '000-----			
Market Treasury Bills	90,200,245	44,445,501	90,276,425	44,590,462	N/A	N/A
Pakistan Investment Bonds	48,488,623	35,223,668	50,430,361	37,008,284	N/A	N/A
Ijara Sukuk Bonds	5,919,200	17,579,035	5,924,997	17,522,674	N/A	N/A
	<b>144,608,068</b>	<b>97,248,204</b>	<b>146,631,783</b>	<b>99,121,420</b>		

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

	2015	2014	Name of company / modaraba / mutual fund	2015	2014	2015	2014	2015	2014
	Ordinary shares / certificates of Rs 10 each			At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
	-----Rupees '000-----			-----Rupees '000-----					
<b>Equity Investment Instruments</b>									
-	523,176		NAMCO Balanced Fund	-	4,890	-	5,123	-	MFR 1-Star
<b>Banks / Financial Services</b>									
1,762,772	1,762,772		Prudential Investment Bank Limited * / **	12,528	12,528	-	-	-	-
-	925,500		Bank AL Habib Limited	-	28,666	-	44,933	-	AA+
-	3,938,000		Habib Metropolitan Bank Limited	-	76,816	-	146,887	-	AA+
-	2,202,500		Askari Bank Limited	-	49,656	-	50,812	-	AA
157,500	1,255,000		Bank Al-Falah Limited	4,277	34,065	4,539	43,774	AA	AA
371,936	352,700		Habib Bank Limited	70,576	71,757	74,432	76,275	AAA	AAA
478,260	593,160		United Bank Limited	79,563	103,126	74,106	104,817	AA+	AA+
500,000	514,500		National Bank of Pakistan Limited	32,323	30,640	27,020	35,737	AAA	AAA
325,500	-		MCB Bank Limited	83,836	-	70,585	-	AAA	-
<b>Construction, Materials, Paints and Cements</b>									
10,600	10,600		Dadabhoj Construction Technology Limited ***	16	16	1	1	-	-
508,500	599,000		Akzo Nobel Pakistan Limited	75,500	89,049	110,319	214,160	-	-
970,000	129,500		D.G Khan Cement Company Limited	129,158	10,735	143,162	14,313	-	-
420,800	25,000		Lucky Cement Limited	208,325	9,803	208,313	12,507	-	-
893,500	800,000		Fauji Cement Limited	29,680	17,366	32,899	20,672	-	-
902,000	-		Maple Leaf Cement Factory Limited	55,729	-	67,271	-	A	-
226,000	-		Pioneer Cement Limited	18,156	-	20,534	-	-	-
560,000	-		Cherat Cement Company Limited	50,104	-	50,501	-	A	-
1,000	-		Quality Steel Works Limited	13	-	-	-	-	-
554,599	2,617,500		Lafrage Pakistan Cement Limited	9,625	45,226	9,445	45,413	A-	A-
<b>Oil and Gas</b>									
456,800	283,800		Pakistan State Oil Limited	160,540	98,958	148,812	101,575	AA	AA+
1,228,500	311,100		Pakistan Oilfields Limited	406,732	146,774	329,263	118,019	-	-
1,042,200	392,500		Oil & Gas Development Company Limited	151,503	99,825	122,292	80,804	AAA	AAA
815,300	602,100		Pakistan Petroleum Limited	118,888	129,305	99,312	106,283	-	-
			Balance carried forward	1,697,072	1,059,201	1,592,806	1,222,105		

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

2015	2014		2015	2014	2015	2014	2015	2014
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 '000-----		-----Rupees '000-----			
		Balance brought forward	1,697,072	1,059,201	1,592,806	1,222,105		
		<b>Electricity and Energy</b>						
-	1,491,000	Hub Power Company Limited	-	96,279	-	116,835	-	AA+
-	617,000	Kot Addu Power Company Limited	-	37,571	-	48,706	-	AA+
13,783,500		- K-Electric Limited	104,002	-	102,549	-	AA-	-
785,500		- Nishat Chunian Power Limited	43,900	-	43,242	-	A+	-
		<b>Personal Goods, Textile &amp; Spinning</b>						
53,500	53,500	(Colony) Sarhad Textile Limited **	27	27	-	-	-	-
1,500	1,500	Al-Qaim Textile Mills Limited **	3	3	-	-	-	-
178,645	178,645	Crown Textile Mills Limited **	1,239	1,239	-	-	-	-
80	80	Fateh Textile Mills Limited	29	29	6	6	-	-
41,600	41,600	Hakkim Textile Mills Limited **	10	10	-	-	-	-
8,500	8,500	Mehr Dastgir Textile Mills Limited ***	2	2	13	13	-	-
-	1,038,001	Pakistan Synthetic Limited	-	20,417	-	15,591	-	-
-	1,000	Service (Textile) Industries Limited **	-	1	-	18	-	-
69,000	69,000	Sunshine Cotton Mills Limited **	69	69	-	-	-	-
79,300	79,300	Zahoor Cotton Mills Limited **	22	22	-	-	-	-
2,567,046	2,567,046	Zahoor Textile Mills Limited **	2,500	2,500	-	-	-	-
1,250,500	1,727,500	Nishat Chunian Limited	52,307	85,184	42,517	78,463	A-	A-
1,236,800	225,000	Nishat Mills Limited	134,641	27,513	117,335	27,222	AA	AA
		<b>Non Life Insurance</b>						
820,500	500,000	Adamjee Insurance Company Limited	39,727	23,518	46,366	24,730	AA	AA
		<b>Food Producers</b>						
9,500	9,500	Morafco Industries Limited **	126	126	97	97	-	-
9,000	9,000	Suraj Ghee Industries Limited ***	117	117	-	-	-	-
		<b>Chemicals and Fertilizers</b>						
15,868,843	15,868,843	Agritech Limited	519,824	519,824	148,374	122,984	D	D
450,500	160,000	Engro Fertilizers Limited	38,566	9,812	37,901	12,496	AA-	A+
783,500	879,700	Fauji Fertilizer Company Limited	97,622	101,960	92,437	103,022	-	-
1,494,000	92,300	Engro Corporation Limited	403,421	16,220	417,409	20,446	AA	AA-
1,080,000	-	Fauji Fertilizer Bin Qasim Limited	63,927	-	56,892	-	-	-
		<b>Transportation and Automobiles</b>						
195,980	-	Indus Motor Company Limited	210,515	-	198,269	-	-	-
150,000	-	Honda Atlas Cars Pakistan Limited	34,281	-	35,841	-	AA-	A+
		<b>Health Care Equipment and Services</b>						
48,000	48,000	Medi Glass Limited ***	38	38	-	-	-	-
	146,399	Al-Abid Silk Mills Limited	-	4,082	-	1,757	-	-
		<b>Fixed Line Telecommunication</b>						
2,136,500	1,831,000	Pakistan Telecommunication limited	43,331	45,337	35,231	42,168	-	-
		Balance carried forward	3,487,318	2,051,101	2,967,285	1,836,659		

2015	2014		2015	2014	2015	2014	2015	2014
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 '000-----		-----Rupees '000-----			
		Balance brought forward	3,487,318	2,051,101	2,967,285	1,836,659		
		<b>General Industrials / Others</b>						
900	225	VISA Incorporation - Class C Shares	-	-	7,386	6,032	-	-
102,500	102,500	Fatima Enterprises Limited **	1,789	1,789	-	-	AA-	-
26,000	26,000	Hashmi Can Company Limited **	156	156	-	-	-	-
39,018	39,018	Siemens Pakistan Engineering Company Limited	49,584	49,584	35,116	43,489	-	-
134,250	-	Packages Limited	68,539	-	78,148	-	AA	-
223	223	Syed Match Company Limited **	3	3	3	3	-	-
1,462,500	-	Dolmen City REIT	14,681	-	15,693	-	RR1	-
			<u>3,622,070</u>	<u>2,102,633</u>	<u>3,103,631</u>	<u>1,886,183</u>		

\*\* Delisted companies. However, in certain cases last available market value has been disclosed in the current and previous year. Provision for diminution in the value of investments against above shares amounts to Rs 488.203 million (2014: Rs 461.243 million)

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.

### 3. Details of investments in unlisted companies classified as available for sale are as follows:

	2015	2014	2015	2014	2015	2014
	At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
	-----Rupees '000-----		-----Rupees '000-----			
Al Hamra Avenue (Private) Limited ** / + 28,812,500 (2014: 28,812,500) ordinary shares of Rs 10 each The Bank holds 17.99% (2014: 17.99%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 12.41 (2014: Rs 12.48) Period of financial statements: June 30, 2012 (audited)	265,937	265,937	Not Applicable	-	-	-
Al Hamra Hills (Private) Limited * / + 500 (2014: 500) ordinary shares of Rs 10 each	5	5	Not Applicable	-	-	-
DHA Cogen Limited * / + 63,694,475 (2014: 63,694,475) ordinary shares of Rs 10 each The Bank holds 19.10% (2014: 19.10%) of investee's capital. Chief Executive: Siraj ul Haq Break up value per share: Rs. (29.1) Period of financial statements: December 31, 2013 (audited)	325,000	325,000	Not Applicable	-	-	-
Himont Chemical (Private) Limited * 810,000 (2014: 810,000) ordinary shares of Rs 10 each	1,037	1,037	Not Applicable	-	-	-
Pace Barka Properties Limited * 5,200,000 (2014: 5,200,000) ordinary shares of Rs 10 each The Bank holds 1.70% (2014: 1.70%) of investee's capital. Chief Executive: Aamna Taseer Break up value per share: Rs. 17.336 Period of financial statements: June 30, 2012 (audited)	52,000	51,998	Not Applicable	-	-	-
Pakistan Export Finance Guarantee Agency Limited * 568,044 (2014: 568,044) ordinary shares of Rs 10 each	5,687	5,687	Not Applicable	-	-	-
	<u>649,666</u>	<u>649,664</u>				

\* Fully provided investments

+ Strategic investments

\*\* Includes 24,375,000 shares of Al Hamra Avenue (Private) Limited classified as strategic investment

Provision for diminution in the value of investments against above shares amounts to Rs 649.666 million (2014: Rs 498.983 million)

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## 4. Preference shares – Listed companies

2015	2014	Name of company	Rate	2015	2014	2015	2014	2015	2014
Share of Rs 10 each				At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
				-----Rupees '000-----		-----Rupees '000-----			
2,249,000	2,249,000	Azgard Nine Limited	8.95% Cumulative	22,490	22,490	-	-	D	D
40,000,000	40,000,000	Silk Bank Limited	14% Non-cumulative convertible	100,000	100,000	100,000	100,000	A-	A-
				<u>122,490</u>	<u>122,490</u>	<u>100,000</u>	<u>100,000</u>		

Provision for diminution in the value of investments against above shares amounts to Rs 22.490 million (2014: Rs 22.490 million)

## 5. Preference shares – Unlisted companies

2015	2014	Name of company	Rate	2015	2014	2015	2014	2015	2014
Share of Rs 10 each				At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
				-----Rupees '000-----		-----Rupees '000-----			
-	7,700,302	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The Bank holds Nil% (2014: 17.13%) of Class A preference shares in investee's capital.	9.50% Cumulative Covertible	-	75,000	Not Applicable	-	-	A
				<u>-</u>	<u>75,000</u>				

Provision for diminution in the value of investments against above shares amounts to Nil (2014: Rs 18.750 million)

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

2015	2014	Name of the Fund	2015	2014	2015	2014	2015	2014	
Ordinary shares / certificates of Rs 10 each			At Cost	Market Values	Medium to Long Term Rating Assigned (where available)				
		-----Rupees '000-----		-----Rupees '000-----					
<b>Open ended Mutual funds</b>									
820,936	542,665	Faysal Income Growth Fund	87,544	57,919	90,352	60,724	A(f)	A+(f)	
6,493,784	1,516,220	Faysal Savings Growth Fund	680,606	155,412	689,315	164,268	AA-(f)	AA-(f)	
949,369	850,000	Faysal Islamic Savings Growth Fund	95,848	85,000	99,048	90,177	A(f)	AA-(f)	
3,087,368	5,429,608	Faysal Money Market Fund	312,111	549,000	320,839	571,466	AA+(f)	AA+(f)	
1,046,129	227,692	Faysal Asset Allocation Fund	75,947	15,491	73,992	16,685	MFR 3-Star	MFR 4-Star	
203,373	203,373	Faysal Balanced Growth Fund	12,480	12,480	14,275	13,624	MFR 3-Star	MFR 1-Star	
339,322	389,222	Faysal Financial Sector Opportunity Fund	34,000	39,000	35,310	40,954	AA-(f)	AA-(f)	
4,602	-	First Capital Mutual Fund	-	-	49	-	MFR 2-Star	-	
				<u>1,298,536</u>	<u>914,302</u>	<u>1,323,180</u>	<u>957,898</u>		

Provision for diminution in the value of investments against the units of above funds amounts to Rs 0.856 million (2014: Rs 1.368 million)

# ANNEXURE I TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## 7. Term Finance Certificates - Listed

2015	2014	2015	2014	2015	2014
At Cost		Market Carrying Values		Medium to Long Term Rating Assigned (where available)	
-----Rupees '000-----		-----Rupees '000-----			
51,476	51,476	-	-	D	D
<b>Azgard Nine Limited *</b>					
31,640 (2014: 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. Ahmed H. Shaikh					
19,305	111,500	-	-	-	-
<b>Telecard Limited *</b>					
70,233 (2014: 70,233) certificates of Rs 5,000 each Mark-up: 5.04% above three 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. Syed Aamir Hussain					
61,189	61,213	62,306	60,779	AA-	AA-
<b>Bank Alfalah Limited - Fifth Issue</b>					
12,250 (2014: 12,250) certificates of Rs. 5,000 each Mark-up: 1.25% above six months KIBOR rate with no floor and cap Redemption: 0.30% semi annually in first 90 months, balance of 99.70% at maturity in the 96th Month Maturity: February 2021 Chief Executive Officer: Mr. Atif Aslam Bajwa					
<u>131,970</u>	<u>224,189</u>	<u>62,306</u>	<u>60,779</u>		

\* Fully provided investments

Provision for diminution in the value of investments against above TFCs amounts to Rs 70.781 million (2014: Rs 162.976 million)

## 8. Term Finance Certificates - Unlisted

2015	2014	2015	2014	2015	2014
At Cost		Market Carrying Values		Medium to Long Term Rating Assigned (where available)	
-----Rupees '000-----		-----Rupees '000-----			
500,000	500,000	50,000	50,000	-	D
<b>Dewan Cement Limited (note: 11.3.2)</b>					
100,000 (2014: 100,000) certificates of Rs. 5,000 each Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui					
199,520	199,601	202,658	206,552	AA-	AA-
<b>Bank Alfalah Limited - Fourth Issue</b>					
40,000 (2014: 40,000) certificates of Rs. 5,000 each Mark-up: 2.50% above six months KIBOR rate with no floor and cap Redemption: Three equal semi annual instalments commencing 84th months after the issue date Maturity: December 2017 Chief Executive Officer: Mr. Atif Aslam Bajwa					
8,311	8,511	-	-	-	-
<b>Dewan Sugar Mills Limited *</b>					
10,000 (2014: 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>707,831</u>	<u>708,112</u>	<u>252,658</u>	<u>256,552</u>		

\* Fully provided investments

Provision for diminution in the value of investments against above TFCs amounts to Rs 458.311 million (2014: Rs 458.311 million)

# ANNEXURE II TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2015

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015 as referred in note 12.9 to these financial statements.

S. No.	Name of the borrower	Address	Name of Individuals / Partners/Directors	CNIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year						Principal Interest / Mark-up written-off	Other Financial Reliefs provided	Total (10+11+12)
						Principal	Interest / Mark-up	Others	Total (6+7+8)	Principal	Interest / Mark-up written-off			
1	2	3	4	5	6	7	8	9	10	11	12	13		
1	S. Attaullah / S. Abid Hussain Bukhari	44-C, Model Town, Lahore.	S. Attaullah / S. Abid Hussain Bukhari	3520212316659	Syed Alif Hussain Shah	79,977	92,347	-	172,324	-	90,522	-	90,522	
2	Health Care Hospital (Pvt) Ltd	D-9, Block-A, North Nazimabad, Karachi.	1) Farhana Qamar 2) Qamar Zaman Khan 3) Salman Zaman Khan 4) Usman Zaman Khan	4230109708904 4230110800225 4230110800237 423011149447	1) Qamar Zaman Khan 2) Zaman Khan 3) Zaman Khan 4) Zaman Khan	26,050	2,286	35,922	64,258	-	1,745	39,403	41,148	
3	S.K. International	57-C, Settleite Town, Rawalpindi.	1) Khaqan Waheed Khawaja 2) Saleha Khaqan	3740511751735 3740503926982	1) Waheed Uddin 2) Khaqan Waheed	-	35,264	-	35,264	-	35,264	-	35,264	
4	Dostsons Cotton Mills (Pvt) Ltd	101-104, Chapal Plaza, Hasrat Mohani Road, Karachi.	1) Raees Iftakhar 2) Zahid Iftakhar 3) Jamal Iftakhar	3520226748461 4230109327719 4230109327723	1) Shaikh Muhammad Akram 2) Mst. Rizwana Farhat Mullan.	32,043	30,874	-	62,917	-	34,183	-	34,183	
5	Kamran Flour & Gen. Mills (Pvt) Ltd.	2) 21/47/Hb, Inside Bohar Gate, Mullan.	1) Shaikh Murtat Ali 2) Mst. Rizwana Farhat Mullan.	3630204060607 3630203642242	1) Shaikh Muhammad Akram 2) Mst. Rizwana Farhat Mullan.	19,575	20,451	-	40,026	-	20,640	-	20,640	
6	Mian Sheraz Ahmed	House # 35-D, Phase-III, Lahore.	Mian Sheraz Ahmed	3520129394033	Mian Javaid Saleem	19,600	18,715	-	38,315	-	18,572	1,292	19,864	
7	Care Knitwear (Pvt) Ltd.	769-B, Arif Jan Road, Lahore Cantt.	1) Omar Ashfaq 2) Muhammad Ashfaq Mian	3520113711653 3520113711671	1) Muhammad Ashfaq Mian 2) Muhammad Ashfaq Mian	3,283	18,782	-	22,045	-	18,926	-	18,926	
8	Sharif Khan Naimat	House # 657, Street # 103, G-9/4, Islamabad.	Sharif Khan Naimat	3740505047965	Gul Khan	14,165	15,720	-	29,885	-	15,851	932	16,783	
9	Mohkam Furnishing Company Lahore.	18-C-1, M.M. Alam Road, Gulberg, Lahore.	Naurman Maqbool	5440002599655	Khawaja Maqbool Elahi	1,588	15,842	-	17,430	-	15,107	-	15,107	
10	Yarmouk Paper & Board Ind (Pvt) Ltd	106-G, Model Town, Lahore.	Malik Tauseef-ur-Rehman	3520233304709	Malik Muhammad Hanif	19,855	14,135	-	33,990	-	15,055	-	15,055	
11	Muhammad Akhter Hookmani	B-197, Block-C, North Nazimabad, Karachi.	Muhammad Akhter Hookmani	4210116674273	M. Iqbal Hukmani	12,402	12,644	-	25,046	-	13,000	810	13,810	
12	Malik Ali Zain	House # 83, Khayaban-e-Bahria, Phase-V, DHA Karachi.	Malik Ali Zain	4230133758289	Malik Naseem Akhtar	4,774	19,193	-	23,967	-	13,316	-	13,316	
13	Qaim Automotive	203 Prince Center, Preeedy Street, Saddar, Karachi.	1) Abdul Sattar 2) Abdul Subhan Memon 3) M Abdul Jabbar	4240113946351 4230153628691	Ghulam Muhammad Memon	2,980	10,435	6,431	19,846	-	6,257	6,477	12,734	
14	Shoab Ahmed / Saima Shoab	51-N, DHA, Lahore.	Shoab Ahmed	3520114887779	Mian Ghulam Ahmed	16,698	12,008	-	28,706	-	12,427	-	12,427	
15	Mohammad Akbar	E-174/A, Iqbal Park, Street # 12, DHA Lahore Cantt.	Mohammad Akbar	3520191353313	Toley Khan	13,079	10,860	-	23,939	-	11,071	791	11,862	
16	Khalid Masood	B-189/6, Gulshan-e-Iqbal, Block 17, Karachi.	Khalid Masood	4230137781439	Syed Masood Hassan Zaidi	17,980	10,414	-	28,394	-	10,508	1,323	11,831	
17	Ch. Shahzad Ahmed	105 Aurangzeb Block, New Garden, Town, Lahore.	Ch. Shahzad Ahmed	3520288601819	Ch. Ghulam Nabi	11,304	9,766	-	21,070	-	10,757	962	11,719	
18	Khadja Malik	House # 74, Khayaban-e-Bahria, Phase-V, DHA Karachi.	Khadja Malik	4230108889502	Malik Naseem Akhtar	-	10,865	-	10,865	-	10,865	-	10,865	
19	Khawaja Imran Saif	House # 11, Hunza Block, Allam Iqbal Town, Lahore.	Khawaja Imran Saif	3520230195253	Khawaja Siad Uddin	11,604	9,447	-	21,051	-	9,556	881	10,437	
20	Shah Faisal	Phase-2 Ext. Shop # 2, Plot # 59-C, Street-11, Karachi.	Shah Faisal	4230168988737	Abdul Rehman	8,383	9,124	-	17,507	-	9,607	602	10,209	
21	Shahzad Iqbal	106/2-E, DHA Lahore.	Shahzad Iqbal	3520144671035	Muhammad Tufail	12,738	7,292	-	20,030	-	8,052	859	8,911	

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						Principal	Interest / Mark-up	Others	Total (6+7+8)	Principal	Interest / Mark-up written-off			
1	2	3	4	5	6	7	8	9	10	11	12	13		
22	Fashion Tex	Fiat # A-307, Rao Hights, Block-G North Nazimabad, Karachi.	Imran Hafeez	4210165375527	Abdul Hafeez	-	583	10,788	11,371	-	-	8,269	8,269	
23	S.S Corporation	Kokan Muslim H. Society, Alamgir Road Karachi.	Saeed Ahmed	4220182399135	Mohammad Saeed	9,082	6,357	2,907	18,346	-	4,059	4,197	8,256	
24	H.M.F. Enterprises	649-E-1, Johar Town, Lahore.	Ch. Basharat Ali	3520262035143	Ch. Abdul Rehman	3,900	8,089	-	11,389	-	8,212	-	8,212	
25	Ch. Salfar Hussain Sahi	House # 02, Street # 02, Mohallah Shakriah, Mandi Town, Rawalpindi.	Ch. Salfar Hussain Sahi	3740501508509	Ch. Muhammad Sh	7,378	7,890	-	15,268	-	7,509	597	8,106	
26	Shadman Tiles & Sanitary Ware	Rehman Shaheed Road, Gujrat.	Imran Sohail	3420103939387	Iftikhar Bhatti	9,790	4,623	-	14,413	-	8,013	-	8,013	
27	Millenium Industries (Pvt) Ltd.	Millenium House, Noon Avenue, Muslim Town, Lahore.	1) Yasir Mehmood 2) Faraz Mehmood 3) Jawad Mehmood	352016705589 3520189137885 3520168187885	1) Saadat Mehmood 2) Saadat Mehmood 3) Saadat Mehmood	10,000	7,575	-	17,575	-	7,880	-	7,880	
28	Muhammad Zahid Imitiaz	P-42-44, Block Z, Madina Town, Feroq Shaheed Road Faisalabad	Muhammad Zahid Imitiaz	3310092756901	Ch. Fazal Muhammad Khan	6,063	5,841	-	11,904	-	6,200	383	6,583	
29	Shah Muhammad Khan Bozal	Fiat # A-7, 3rd Floor, Plot # 18-3, Blk-2, P.E.C.H.S Karachi.	Shah Muhammad Khan Bozal	4220128777065	Ghulam Muhammad Khan	7,682	5,775	161	13,618	-	6,153	213	6,366	
30	Zain Enterprises	House # 51-N, DHA Lahore Cantt.	Kamran Nazir	3520112625195	Nazir Ahmed Chaudhry	6,498	7,282	-	13,780	-	6,297	-	6,297	
31	Fam Pharmaceuticals	891-B, Faisal Town, Lahore.	Faiz-Ur-Rehman Faizi	3520247099265	Rehmat Ali	4,750	5,669	-	10,419	-	5,671	-	5,671	
32	Kashif Enterprises	House #12, Street #55, Haji Park, Raj Garh, Lahore.	Muhammad Kashif	3520229440337	Muhammad Afzal	2,000	5,303	-	7,303	-	5,472	-	5,472	
33	Intenvogue	Murarapur Road, Maika Y Laan Defence Road, Salkot.	1) Aleem Javeed 2) Anna Aleem 3) Asif Nawaz	3460317969143 30092483879 30090080055	Amin Javeed	5,946	4,827	-	10,773	-	5,436	-	5,436	
34	Syed Ale Raaza Bukhari	House # 10-A, Street # 26, Ali Park, Punj Pir Road, Ichhra, Lahore.	Syed Ale Raaza Bukhari	35202399441543	Syed Fayyaz Bukhari	5,590	5,383	-	10,973	-	5,906	-	5,906	
35	Irfan Ahmed	House # 24, Block-A, Victoria Park, Lahore.	Irfan Ahmed	3520223645937	Fasih Uddin	4,684	4,783	-	9,467	-	4,826	307	5,133	
36	Jamil Perfumery Works	Shop # U/117, Kalan Bazar, Rawalpindi.	Sh. Muhammad Idrees	3740582559747	Sh. Muhammad Shareef	5,500	4,944	-	10,444	-	5,061	-	5,061	
37	Ahmed Foods (Pvt) Ltd	D-112, Ahmed House, Ahmed Avenue, Sile, Karachi.	1) Shaikh Shafiquddin 2) Mian Ziauddin Shaikh 3) Najamuddin Zia 4) Amaduddin Zia	4220102984785 4220162467489 4220162552989 4220163502989	1) Shaikh Mohammad Din 2) Zameer Uddin Ahmed Shaikh 3) Mian Ziauddin Shaikh 4) Mian Ziauddin Shaikh	22,815	6,191	-	29,006	-	4,811	-	4,811	
38	Sheikh Mehmood Ahmed	204/ Chak Road, Khayaban Colony # 03, Faisalabad.	Sheikh Mehmood Ahmed	3310054821157	Sheikh Chir	4,451	3,793	-	8,244	-	4,272	271	4,543	
39	Asim Noor	House # 419, Block-B, Toheed Park, Gulshan Ravi, Lahore.	Asim Noor	3520205058133	Muhammad Bashir	4,883	4,821	-	9,704	-	4,466	-	4,466	
40	Ch. Salfar Hussain Sahi	House # 02, Gali # 01, Mohallah Shakriah, Rawalpindi.	Ch. Salfar Hussain Sahi	3740501508509	Ch. Muhammad Sh	3,944	4,307	-	8,251	-	4,103	347	4,450	
41	Ashfaq Ahmed	B-122, Block-13, Gullistan-e-Johar, Karachi.	Ashfaq Ahmed	4220180286309	Mushtaq Ahmed	6,723	3,309	-	10,032	-	3,746	672	4,418	
42	Tahir Lali	House # 329-G, Canal Avenue, M.A. Johar Town, Lahore.	Tahir Lali	3320154840517	Muhammad Habib Sultan Lali	3,919	1,370	-	5,289	-	1,387	2,864	4,351	

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## FOR THE YEAR ENDED DECEMBER 31, 2015

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S. No.	Name of the borrower	Address	Name of Individuals / Partners/Directors	CNIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off (6+7+8)	Interest / Mark-up provided	Other Financial Reliefs provided	Total (10+11+12)			
						Principal	Interest / Mark-up	Others	Total					10	11	12
43	Trade Valley	54-J-Ii, Wapda Town, Lahore.	Anjad Butt	3520240013353	Bashir Ahmed Butt	1,129	4,013	-	5,142	-	3,967	-	3,967			
44	Pakistan Rice Traders	Shop # 03, Dawood Terrace, Ze 1 B16, Gulshan-e-Iqbal, Karachi.	Mansoor Ahmed	4220144485227	Muhammad Saeed Ahmed	2,680	56	3,840	6,576	-	-	3,957	3,957			
45	Muhammad Irfan	House # 35, Mumtaz Block, Mustara Town, Lahore.	Muhammad Irfan	3520203684637	Ch. Muhammad Yousaf	4,866	3,260	-	8,126	-	3,306	298	3,604			
46	Jahanzab Mir	House # 279, Street # 02, Lane # 4, Multan.	Jahanzab Mir	3740546422297	Aurangzeb Mir	3,748	3,165	-	6,913	-	3,246	273	3,519			
47	Nisar Ahmed Butt & Or	Plot # 206, Flat # 602, Golden Palm Apartment, Bahadurabad, Karachi.	Nisar Ahmed Butt & Or	4220103750601	Benarvas Khan	3,267	3,121	-	6,388	-	3,151	328	3,479			
48	Murtaza Jafri	143 H, Model Town, Lahore.	Murtaza Jafri	3520270784743	Yousuf Amin	3,556	747	-	4,303	-	3,080	378	3,458			
49	Royal Traders	Royal Traders, Shish Mahal Plaza G.T.Road, Nowshera.	Qaiser Zareen Afridi	1730143579557	Zareen Gul Afridi	2,999	3,050	-	6,049	-	3,361	-	3,361			
50	East West Travel & Imperial Rent-A-Car	Chowk, Mian Muhammad Road, Mirpur A.K.	Ch. Imtiaz Raza	8130207700879	Ch. Ghulam Ahmad Raza	4,700	3,383	-	8,083	-	3,943	-	3,343			
51	Neelofer Adnan	House # 11 5-B, Johar Town Lahore.	Neelofer Adnan	3520226956018	Achhan Farrukh Hassan	4,180	2,834	-	7,014	-	3,035	282	3,317			
52	Sultan Mahmood Khan	62-B, Army Flats, Sarfaraz Rafiqi Road, Lahore Cantt.	Sultan Mahmood Khan	3520107191609	Abdul Rehman Khan	814	3,341	-	4,155	-	3,287	-	3,287			
53	Empire Pharmaceuticals (Pvt) Ltd	91-A-III, Johar Town, Lahore.	1) Zafar Ullah Khan 2) Dr. Ameer Hamza 3) Amar Naveed 4) Mrs. Joveria Aliat Qazi	3430212212973 3430212212965 3430211803502	Nasir Ullah Khan, Zafar Ullah Khan	3,497	3,147	-	6,644	-	3,284	-	3,284			
54	Syed Jafar Ali Naqvi	House # 547-C, Gulgasht Colony, Multan.	Syed Jafar Ali Naqvi	3630295130559	Syed Shoukat	5,503	2,986	-	8,489	-	2,936	276	3,212			
55	Muhammad Kamran	6th Zamzama Street, DHA Phase V, Karachi.	Muhammad Kamran	4230169863045	Nisar Ahmed Sheikh	4,748	2,842	-	7,590	-	3,195	-	3,195			
56	Syed Haroon Aziz	Aziz Associates, 1/7-B, Mohammd Ali Housing Society, Karachi.	Syed Haroon Aziz	4230142995391	Aziz Ahmed	3,189	2,797	-	5,986	-	2,852	314	3,166			
57	Malik Naseem Akhtar	House # 74, Khayaban-e-Bahria, Phase-V, DHA Karachi.	Malik Naseem Akhtar	4230109800535	Malik Abdul Haq	3,200	3,070	-	6,270	-	3,075	-	3,075			
58	Eastern Tech & HRCI (Pvt) Limited	Off 5, 6-22, 22/A, Sabzazar Range, Road Rawalpindi.	1) Nasir Saud Ahmad 2) Syeda Rifat Saud	3740523777047 3740583670500	1) Ahmad Sharif 2) Nasir Saud	9,704	3,038	-	12,742	-	2,991	-	2,991			
59	Ali Abid	50-A/11, Lawrance Road, Lahore.	Ali Abid	3520224673123	Akhtar Ali	4,443	5,027	-	9,470	-	2,425	424	2,849			
60	Agha Sadaat Ali	B-145, Block-18, Gulshan-e-Iqbal Karachi.	Agha Sadaat Ali	4220126425823	Asad Ali Agha	4,306	2,951	46	7,303	-	2,682	56	2,738			
61	Shabbir Ahmed	Fl # B-7, 3rd Floor, Start Shelter B-18, Gulistan-e-Johar, Karachi.	Shabbir Ahmed	4220161255405	Qadir Bux	1,458	1,212	-	2,670	-	1,323	1,324	2,647			
62	Muhammad Khalid	House # P-1370, Street # 06, Nisat Colony, Faisalabad.	Muhammad Khalid	3310012108159	Muhammad Di	2,724	2,537	-	5,261	-	2,456	173	2,629			
63	Kamalia Poultry Breeding Farms	Rajana Road Kamalia, Dist. Toba Tek Singh.	Sejid Hussain Khalid Hussain Faiz Elahi	3330222562463 3330222562513 3330221919994	Muhammad Iqbal Muhammad Iqbal Muhammad Iqbal	13,764	7,627	-	21,391	-	2,600	-	2,600			

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						Principal	Interest / Mark-up	Others	Total					10	11	12
64	Progressive Engineering	A-68, Arifat Town, Block-M, North Nazimabad, Karachi.	Mushtaq Hussain Hyderi	421016417881	Hamid Hussain Hyderi	1,869	2,201	-	4,070	-	2,430	-	2,430			
65	Rasha Flour & General Mills (Pvt) Ltd	Rajar, G.T Road, Sarai Alamgir Khairan.	1) Arshad Rasha 2) Asghar Rasha 3) Nasira Arshad 4) Fazal Begum	5783427254172 5783427254172 3420208055742	Arshad Rasha	1,594	2,699	-	4,293	-	2,422	-	2,422			
66	Grandhill Marriage Hall	Sialkot Oila, Sialkot	Mian Javeed Ibrar Ul Haq	3460351084711	Mian Farzand Ali	999	2,303	-	3,302	-	2,369	-	2,369			
67	Naveed Ejaz Paracha	H-94, Street 27, Valley Road, Westbridge Rawalpindi.	Naveed Ejaz Paracha	3740537136625	Ejaz Hussain Paracha	10,000	1,826	-	11,826	-	2,196	-	2,196			
68	United Construction Company	H # 24-A, Sector B-1, Block-10, Township, Lahore.	Farooq Ahmad	3410271765587	Mohammad Ramzan	-	6,434	-	6,434	-	2,096	-	2,096			
69	Hussain Brothers	12- Kabir Steer, Urdu Bazar, Lahore.	Muhammad Hussain	3520293683501	Sardar Muhammad	1,765	1,793	-	3,558	-	2,034	-	2,034			
70	Muhammad Irfan	Rufi Lake Drive Bk 1, 18 Gulistan-e-Jauhar Karachi.	Muhammad Irfan	4220105572275	Muhammad Islam	1,744	1,912	-	3,656	-	1,935	-	1,935			
71	Muhammad Arif	Mandi Faizabad, Tehsil Nankana Sahib.	Muhammad Arif	3540233428999	Barkat Ali	-	3,049	-	3,049	-	1,917	-	1,917			
72	Falak Naz Nasir Hashmi	S-4B/1 St # 22, Off Khayaban-e-Tanzeem, Phase V DHA Karachi, Gujranwala Cantt.	Falak Naz Nasir Hashmi	4230112273172	Nasir Rizwan Hashmi	-	-	3,081	3,081	-	-	1,889	1,889			
73	Shahid Mehmood	71-Street, Allama Iqbal Town, Gujranwala Cantt.	Shahid Mehmood	3410126656593	Muhammad Abdullah	2,169	1,458	-	3,627	-	1,681	-	1,681			
74	Al-Wasay Construction Co. (Pvt) Ltd	44-B-1, Gulberg-III, Lahore.	1) Syed Asad Suleman 2) Syed Hamid Riaz Halder	3520235441499 3520234397449	Syed Riaz Halder	3,500	1,892	-	5,392	-	1,607	-	1,607			
75	Tabassum Copy House	House # 286, Block-D, Gulshan Ravi, Lahore.	Muhammad Amjad	3520250915793	Abdul Rasheed	-	1,579	-	1,579	-	1,579	-	1,579			
76	Atiq Farooq	Block-3, Green Town, Millat Road, Faisalabad.	Atiq Farooq	3310016113633	Muhammad Farooq	2,190	1,346	-	3,536	-	1,396	177	1,573			
77	Obaid Chapra	H # 56/2, Street-5th, Khayaban-e-Momin, Phase-5 DHA Karachi.	Obaid Chapra	4230144343241	Hashim Chapra	7,239	1,391	-	8,630	-	295	1,254	1,549			
78	Babar General Store	House # 152-A, Mumtaz Street, Garhi Shahu, Lahore.	Muhammad Naseer Babar	3520214888927	Chaudhry Taj Din	1,600	1,474	-	3,074	-	1,533	-	1,533			
79	Ch. Nasrullah Khan	Warrich House, Hairawala Chowk, G.T Road, Gujrat.	Ch. Nasrullah Khan	3420148025147	Ch. Ahmad Khan	3,960	1,867	-	5,827	-	1,516	6	1,522			
80	Sheikh Muhammad Ajalb	H # 87, Ward # 8, Mohalla Raigan, Gujranwala.	Sheikh Muhammad Ajalb	3740105926229	Sheikh Fazal Haq	1,652	1,428	-	3,080	-	1,313	-	1,313			
81	Syed Hasnat Ahmed Bokhari	H # 127, St # 17-A, Chakala Scheme 3, Rawalpindi.	Syed Hasnat Ahmed Bokhari	1730115485507	Syed Mumtaz Ahmed Bokhari	1,564	1,208	-	2,772	-	1,195	102	1,297			
82	Faqir Muhammad	House # 129-A, Peoples Colony Faisalabad.	Faqir Muhammad	3310008823247	Atta Muhammad	2,407	1,120	-	3,527	-	1,150	92	1,242			
83	Sunny Compressor House	House # 3, Street # 23, Kashmirian, Mozaang, Lahore.	Sheikh Zahoor Ahmad	3520207872065	Sheikh Ghulam Nabi	-	1,346	-	1,346	-	1,203	-	1,203			
84	Shahab Idrees	C/O GMI, Finance, Saps Complex, Maii Avenue Jinnah Int Airport, Karachi.	Shahab Idrees	3740502450019	Sheikh Muhammad Idrees	1,371	843	-	2,214	-	920	138	1,058			
85	Shell Logistics	Plot # 1/6, Row-N, Block-6, Meinboob Manzil, P.E.C.H.S., Karachi.	1) Zehra Sheeraz 2) Sheeraz Riaz	4230127957778 4210189223511	Riaz Ahmed	3,289	658	-	3,947	-	1,045	-	1,045			

# ANNEXURE II TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015 as referred in note 12.9 to these financial statements.

S. No.	Name of the borrower	Address	Name of Individuals / Partners/Directors	CNIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year			Principal written-off			Other Financial Reliefs provided	Total (10+11+12)
						Principal	Interest / Mark-up	Others	Principal written-off	Interest / Mark-up written-off	Others		
1	2	3	4	5	6	7	8	9	10	11	12	13	
86	Khalid Naeem Anjum	44-W-11, Madina Town, Faisalabad.	Khalid Naeem Anjum	3310005582629	Ghulam Muhammad	1,084	856	-	1,940	-	926	114	1,040
87	Mirza Shamim Baig	House # C-130, Samanabad Faisalabad.	Mirza Shamim Baig	3310021243621	Mirza Bashir	1,311	853	-	2,164	-	845	125	970
88	Haris Travel Services	Haris Travels Services, Railway Road, Gujjar Khan, District Rawalpindi.	Ch. Mehmood Hussain	611018157505	Ch. Shadam Hussain	1,143	1,080	-	2,223	-	917	-	917
89	Chaudhary Protein Farms	F-11/2 Canal Cottages, New Muslim Town, Lahore.	Yasir Javed Ch	3520208539697	Javed Akbar Ch.	7,900	1,997	-	9,897	-	900	-	900
90	Iftikhar Ahmed Virk	Baddo Virkan, PO Pir Kot, Tehsil & District Sheikhpura.	Iftikhar Ahmed Virk	3540415592105	Muhammad Munsha Virk	2,122	1,583	-	3,705	-	900	-	900
91	Moto Travels (Pvt) Ltd	1) 10-A, Model Colony, Q-Block, Model Town, Lahore 2) 649, Nishtar Block, Allama Iqbal Town, Lahore 3) 649, Nishtar Block, Allama Iqbal Town, Lahore 4) 185-D, Faisal Town, Lahore 5) 373-A-II, Johar Town, Lahore 6) 29-B-I, Davis Road, Lahore. Office # 03, 2nd Floor, Shami Plaza, D-Ground, Faisalabad.	1) Malik Qaseem-Ud-Din Khalid 2) Malik Bashir-Ud-Din Khalid 3) Malik Usama Bashir 4) Mian Abdul Sattar 5) Malik Wassem-Ud-Din Khalid 6) Muhammad Arshad Hussain	1720184712651 3520282923615 3520209822119 3520225150947 3520281120221 3520014959385	1) Malik Salah-ud-Din Khalid 2) Malik Salah-ud-Din Khalid 3) Malik Bashir Ahmed 4) Mian Din Muhammad 5) Malik Salah-ud-Din Khalid 6) Muhammad Ramzan Shah	4,862	1,490	-	6,352	-	890	-	890
92	Muhammad Shahid	House # 77-A, Street # 09, Sardar Street, Haseeb Shaheed Colony, Faisalabad.	Muhammad Shahid	3310081073367	Rehmat Ali	1,101	792	-	1,893	-	795	83	878
93	Ch. Masood Ahmed Buttar	Lal Bagh Shujaabad, Distt. Multan.	Ch. Masood Ahmed Buttar	3310027399439	Ch. Shakar Ul Din	985	767	-	1,752	-	793	79	872
94	Nasir Saeed Khan	Chah Kari Wala, Qasba Marai, P/O Ayaz Abad Marrai, Teh. & Distt. Multan.	Nasir Saeed Khan	3630456243801	Muhammad Saeed Khan	-	1,098	-	1,098	-	848	-	848
95	Kareem Bux	Naz-10, New Malpur, S-Town Rawalpindi.	Kareem Bux	3630225361285	Malik Muhammad Ramzan	-	1,260	-	1,260	-	842	-	842
96	Malik Muhammad Rashid	Flat # B-9, Super Center, Block-7, F.B. Area Karachi.	Malik Muhammad Rashid	3740504553885	Al Haj M Ismail	2,901	544	-	3,445	-	751	67	818
97	Hameedullah Shah	Plot # 83 A-2, Near Custom House Satellite Town, Rawalpindi.	Hameedullah Shah	4210199128773	Ziaat Shah	1,067	548	-	1,615	-	612	100	712
98	Farzana Shah Jahan	Plot # 83 A-2, Near Custom House Satellite Town, Rawalpindi.	Farzana Shah Jahan	4220106254196	Shamsuddin	2,013	501	-	2,514	-	545	149	694
99	Muhammad Mohsin Khan	Basti Faridabad, Bahawalpur.	Muhammad Mohsin Khan	3620209649127	Khan Ummar Ali Khan	1,300	1,280	-	2,580	-	685	-	685
100	Muhammad Ashraf Kausar	33 J/I, DHA Lahore.	Muhammad Ashraf Kausar	3520113601707	Sher Khan	444	156	223	823	126	227	322	675
101	Waseem Raza	Plot # 83 A-2, Near Custom House Satellite Town, Rawalpindi.	Waseem Raza	3740548066379	Abdul Aziz	370	199	454	1,023	-	155	511	666
102	Adeela Nasreen / Rizaz Farid	Dhool Faqir Bux, P/O Basipur, Tehsil Depalpur, District Okara.	1) Adeela Nasreen 2) Rizaz Farid	3530112156714 3530107610275	Rizaz Farid	-	1,026	-	1,026	-	600	-	600
103	Muhammad Sohail Chaudhary	D-12, Block 4, F.B. Area Karachi.	Muhammad Sohail Chaudhary	4210117761105	Ch. Farzand Ali	256	76	250	582	-	217	364	581
104	Faysal Jamshaid	H # 333, St # 16 G-10/2, Islamabad.	Faysal Jamshaid	6110169996019	Jamshaid Khan	574	97	249	920	-	233	334	567

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015 as referred in note 12.9 to these financial statements.

S. No.	Name of the borrower	Address	Name of Individuals / Partners/Directors	CNIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year			Principal written-off			Other Financial Reliefs provided	Total (10+11+12)
						Principal	Interest / Mark-up	Others	Principal written-off	Interest / Mark-up written-off	Others		
1	2	3	4	5	6	7	8	9	10	11	12	13	
105	Umer Garments	92 Main Bazar, C-Block, Vehari.	Muhammad Kaleem	3660352318429	Muhammad Qamar	-	556	-	556	-	556	-	556
106	Muhammad Ahmed / Maqsood	Village Saidra Kalan, P/O Ahmal Pur, Tehsil & Distt. Sialkot.	1) Muhammad Ahmed 2) Maqsood	3460391921363 3460349644655	Fazal Hussain Bloch	3,359	410	-	3,769	-	547	-	547
107	Mansoor Ahmed Khan	12 S, Phase 2, DHA Lahore.	Mansoor Ahmed Khan	3520113550035	Zamir Ahmed Khan	431	29	66	526	431	29	72	532
108	Mohammad Khalid	House # 517, Phase 1, Mailir Defence Society, Mailir Cantt, Karachi.	Mohammad Khalid	4230131115659	Inayat Ali	161	102	149	412	-	205	311	516
109	Irfan Mehtab	102/II, 5th Street, Off Khayaban-e-Rahat, Phase 6, DHA Karachi.	Irfan Mehtab	4230164256801	Mehtab U Ddin	469	164	220	853	127	168	217	512
						<b>634,316</b>	<b>616,604</b>	<b>64,787</b>	<b>1,315,707</b>	<b>684</b>	<b>597,174</b>	<b>87,141</b>	<b>684,989</b>

# ANNEXURE II TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## ANNEXURE III TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

The Bank is operating 68 Islamic banking branches (2014: 58) and 1 Islamic sub-branch (2014: 1). The statement of financial position and profit and loss account of these branches for the year ended December 31, 2015 are as follows:

(A) Statement of financial position as at December 31, 2015	Note	2015	2014
		-----Rupees '000-----	
<b>ASSETS</b>			
Cash and balances with treasury banks		3,023,428	2,929,341
Balances with other banks		79,307	158,367
Due from financial institutions		11,923,951	-
Investments		9,959,868	20,694,546
Islamic financing and related assets	(A3)	20,286,653	11,373,893
Operating fixed assets		469,907	204,408
Deferred tax assets		-	19,727
Other assets		338,394	825,349
		<b>46,081,508</b>	36,205,631
<b>LIABILITIES</b>			
Bills payable		578,799	320,765
Due to financial institutions		-	1,350,000
Deposits and other accounts	(C)		
- Current accounts		13,060,570	12,482,760
- Saving accounts		10,145,581	7,781,254
- Term deposits		7,169,760	9,697,708
- Others		50,334	34,876
- Deposits from financial institutions - remunerative		1,327,324	355,698
- Deposits from financial institutions - non-remunerative		5,495	5,797
Due to head office		10,280,307	1,818,327
Deferred tax liabilities		2,029	-
Other liabilities		515,807	593,652
		<b>43,136,006</b>	34,440,837
		<b>2,945,502</b>	1,764,794
<b>NET ASSETS</b>			
<b>REPRESENTED BY</b>			
Islamic banking fund		1,380,000	880,000
Reserves		-	-
Unappropriated profit		1,436,604	921,429
		<b>2,816,604</b>	1,801,429
Surplus / (deficit) on revaluation of assets - net of tax		128,898	(36,635)
		<b>2,945,502</b>	1,764,794

## ANNEXURE III TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	-----Rupees '000-----	
(A1) Remuneration to shariah advisor	3,383	2,844
(A2) CHARITY FUND		
Opening balance	337	233
Additions during the year	1,597	1,047
Payments / utilization during the year	(900)	(943)
Closing balance	1,034	337
Sector wise details of charity disbursement		
Health	700	643
Education	100	200
Social Work	100	100
	<b>900</b>	943

The charity has been paid by the Bank on account of late payment penalties received from customers and profit earned thereon.

	Note	2015	2014
		-----Rupees '000-----	
(A3) Islamic Financing and related assets	(A3.1)	20,286,653	11,373,893
(A3.1) Islamic Mode of Financing			
Murabaha		1,060,626	1,788,521
Musharika cum Ijara		5,914	2,752
Diminishing Musharika		15,261,012	7,637,270
Advance against Murabaha Financing		261,499	227,605
Advance against Murabaha ERF		-	-
Advanced against Diminishing Musharika		2,164,556	1,198,877
Fixed Assets Ijara Financing (net)		948,381	514,532
Advance against Ijara		584,665	4,336
		<b>20,286,653</b>	11,373,893

## ANNEXURE III TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### (B) Profit and loss account

	2015	2014
	-----Rupees '000-----	
Profit / return earned on financing and investments	<b>3,049,738</b>	2,926,100
Profit / return expensed	<b>1,506,158</b>	1,377,042
Net spread earned	<b>1,543,580</b>	1,549,058
Provision against non-performing financings - net	<b>32,064</b>	25,156
Provision against consumer financings - general	<b>9,848</b>	8,548
Reversal against provision for diminution in value of investments	-	-
Recoveries against written off debts	-	(556)
	<b>41,912</b>	33,148
	<b>1,501,668</b>	1,515,910
<b>Other income</b>		
Fee, commission and brokerage income	<b>122,543</b>	92,188
Dividend income	-	-
Income from dealing in foreign currencies - net	<b>4,075</b>	16,868
Gain on sale of securities - net	-	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	<b>1,887</b>	3,760
Total other income	<b>128,505</b>	112,816
	<b>1,630,173</b>	1,628,726
<b>Other expenses</b>		
Administrative expenses	<b>909,325</b>	1,128,647
Other provision / write-offs	<b>205,673</b>	-
Other charges	-	-
Total other expenses	<b>1,114,998</b>	1,128,647
	<b>515,175</b>	500,079
Extraordinary items / unusual items	-	-
Profit for the year	<b>515,175</b>	500,079

### (C) Sectors and avenues of deposits and funds

The deposits and funds accepted under the pools mentioned in note (D) are provided to diversified sectors and avenues of the economy / business.

	2015	2014
	-----Rupees '000-----	
Government and other securities	<b>21,883,819</b>	20,694,546
Textiles, chemicals, pharmaceuticals, food and allied	<b>1,451,578</b>	2,141,264
Production and transmission of energy	<b>16,022,292</b>	7,130,054
Transportation	<b>2,240,896</b>	1,575,048
Construction / Housing	<b>817,391</b>	731,120
	<b>42,415,976</b>	32,272,032

Musharaka investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy.

## ANNEXURE III TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### (D) Pool management

The Bank's Islamic Banking Division (FBL IBD) has maintained the following pools:

- 'General Pool' for local and foreign currency deposits
- 'Islamic Export Refinance Pool'
- 'Treasury Musharaka Pool'

#### Key features and risk & reward characteristics of all pools

- The 'General Pool' for both local and foreign currency is catered for all FBL IBD depositors and provide profit / loss based on Modaraba and Musharaka.
- The IERS Pool caters the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.
- The 'Treasury Musharaka Pool' is to provide Shariah compliant mechanism for Interbank Money Market transactions and manage the liquidity position of FBL IBD balance sheet by creating sub pools against each FBL IBD money market deals.
- The risk characteristics of each pool mainly depends on the asset and liability profile of each pool.

### (D1) Profit / (loss) distribution to depositor's pool

#### Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Gross income generated from relevant assets, calculated at the end of the month is first divided between FBL IBD and investors / depositors in the ratio of FBL IBD's equity commingled in a pool on pro rata basis, and then amongst FBL IBD and the depositors as per agreed mudarib fee and weightages declared before start of a month, respectively. All Modaraba and Musharaka based deposits are fully invested in respective Pools to produce returns for them. In case where FBL IBD is unable to utilise all funds available for investment, priority is given to the deposit account holders.

All remunerative accounts such as savings account, term deposits, business kamil accounts are opened on the basis of Modaraba, Musharaka, Wakalah or a combination of Modaraba and Musharaka. Return on these deposits is calculated on the basis of Profit and Loss sharing (PLS). Unless specified, all remunerative local currency and foreign currency deposits are taken as General Modaraba and Musharaka pool.

Profit share is determined using weight and profit sharing ratio assigned to each category of deposit within a pool. These weightages and profit sharing ratios are declared by FBL IBD in compliance with the requirements of the SBP.

The allocation (of income and expenses to different pools) is based on pre-defined basis and accounting principles / standards. The direct expenses are charged to respective pool. The indirect expenses including the establishment cost is borne by FBL IBD as Mudarib. The direct expenses charged to the pool include depreciation of Ijara assets, cost of sales of inventories, insurance / takaful expenses of pool assets, stamp fee, documentation charges, brokerage fee for the purchase of securities / commodities, impairment / losses due to physical damages to specific assets in pools etc. Provisions against any non-performing assets of the pool are not passed on to the pool except on the actual loss / write-off of such non-performing asset and suspension of income against non-performing assets. The profit of the pool is shared between the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

Particulars	2015		2014	
	Rupees '000	Percent	Rupees '000	Percent
- Mudarib share amount and percentage of distributable income	<b>980,170</b>	<b>50.27</b>	922,162	50.5
- Amount and percentage of mudarib share transferred to depositors through Hiba	<b>343,324</b>	<b>35.03</b>	391,224	42.42
- Profit rate earned (annualised)	-	<b>8.12</b>	-	9.77
- Profit rate distributed (annualised)	-	<b>6.19</b>	-	6.84



## ANNEXURE IV TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 (only in case of individuals)
----- Rupees '000 -----							
<b>Owned - Vehicles</b>							
Honda Accord	2,750	2,200	550	1,666	1,116	Bid	M.Tariq Hafeez - Individual Plot No. 5-C, Suit No.706-B, 7th Floor West Land Trade Centre, Block 7/8, K.C.H.S Shaheed-e-Millat Road, Karachi.
Honda Civic	1,775	1,420	355	1,137	782	Bid	Hassan Masood Kunwar Office No. 4e, Commercial Area 21, Karachi.
Honda Civic	1,686	1,349	337	337	-	As per Bank Policy	Mr. Ali Raza - Executive
Honda Civic	1,668	1,334	334	1,125	792	Bid	Mr. Ali Kashif Rizvi 56 / II Khayaban-e-Shahbaz, Phase- VI, D.H.A, Karachi.
Honda City	1,429	1,143	286	1,000	714	Bid	Mr. M. Imran Younus F.B. Area Karachi.
Toyota Corolla	1,290	963	327	344	17	As per Bank Policy	Mr. Ali Raza - Executive
Mitsubishi Lancer	1,145	1,145	-	800	800	Insurance Claim	EFU Insurance Company Limited
<b>Owned - Office furniture, fixtures, equipments, and computers</b>							
CISCO 3550	1,349	1,349	-	70	70	Bid	Mr. M. Yousaf 123 - Badami Bagh, 5400, Lahore.
ATM Machine	1,870	1,870	-	1,093	1,093	Insurance Claim	Adamjeed Insurance Company Limited & EFU Insurance Company Limited
<b>Owned - Leasehold improvement</b>							
Assets written off	83,489	81,859	1,630	-	(1,630)	Write off	-

## SHARIAH BOARD'S REPORT 2015

In the Name of Allah the Most Beneficent, the Most Merciful

By the Grace of Allah Subhanahu-wa-Taa'la, for the last six years Islamic Banking is operating in Faysal Bank under the brand name of Barkat Islamic Banking. Faysal Bank Limited is operating with 68 standalone Islamic Banking Branches (IBBs) and 01 sub-branch.

The Shariah Board of Faysal Bank was formed on 1st October, 2015. Thereafter 1st Shariah Board meeting was held on 26th November 2015.

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of 'Barkat Islamic Banking Faysal Bank Limited' are conducted in a manner that comply with Shariah principles at all times, we are required to submit a report on the overall Shariah compliance environment of 'Barkat Islamic Banking Faysal Bank Limited'.

During this year some new products, policies and processes were introduced, and some existing processes were streamlined and improved. Moreover, an automated profit distribution system, Al-Qist has also been implemented this year. All this was duly reviewed and approved by the Shariah Advisor/Shariah Board of the Bank.

The Shariah Compliance Department and Internal Shariah Audit Unit have reviewed the operations which include review of assets transactions, liabilities, different agreements of financing products, and different process flows on a periodic and sample basis to ensure that all the products and services being offered conform to the injunctions of Shariah.

To form our opinion as expressed in this report, we have also reviewed the reports of Shariah Compliance and Internal Shariah Audit Unit and guidelines provided by the former Shariah Advisor.

Based on above, we are of the view that:

1. In our opinion the affairs of the Islamic Banking Division have been carried out in accordance with the rules and principles of Shariah, in the light of Rulings, Fatawa and the Guidelines issued by the Shariah Advisor/Shariah Board.
2. During review, any matters requiring corrective measures have been noted and were resolved by the management or ensured to be rectified in future. Subject to the foregoing, in our 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 fatawa and rulings issued by Shariah Board from time to time.
3. The Bank is in process of developing a comprehensive mechanism to ensure Shariah compliance in its overall operations.
4. Bank has a well-defined system in place in the form of Internal Shariah Audit and Shariah Compliance reviews to ensure that the earnings realised from sources or means prohibited by Shariah will be credited to Charity account and properly utilised. No earnings have been realised from sources or by means prohibited by Shariah rules and principles. The opening balance of Charity Funds was PKR 0.337 Million and during the year, an amount of PKR 1.597 Million was transferred to the charity

## SHARIAH BOARD'S REPORT 2015

account which was received due to delay in payments by the Bank's Customers and the profit on charity saving account. Further, an amount of PKR 0.900 Million was disbursed from the charity account to various charitable institutions as per the directives of the Shariah Board of the Bank.

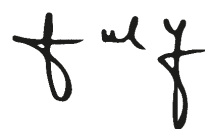
- The allocation of funds, profit and loss distribution and pool management are in accordance with Shariah rules and principles and as per the instructions of State Bank of Pakistan.
- During the year, Bank wide trainings on Islamic Banking have improved the level of awareness and sensitisation of the management and the staff in appreciating the importance of Shariah compliance in the products and processes of the Bank. However the Shariah Board feels that further improvement is required in this area so the management can be fully cognizant of the risk of Shariah non-compliance and its potential implications on the reputation and business of the Bank.
- The Management of the Bank provided us adequate resources to perform our duties effectively.

### Recommendations

Based on the above, we recommend that:

- The Bank should continue to nominate key executives/Islamic Banking staff for certificate/diploma programmes of Islamic Banking and Finance. The management is also advised to increase trainings to front line staff on Islamic Banking & relevant Islamic products.
- The Bank should arrange Islamic awareness training programs for its clients as well.

And Allah knows the Best.



**Mufti Muhammad Mohib ul Haq Siddiqui**  
Chairman Shariah Board



**Dr. Mufti Khalil Ahmad Aazami**  
Shariah Board Member



**Mufti Khawaja Noor ul Hassan**  
Resident Shariah Board Member

Dated: February 15, 2016 | Jumada-ul-Awal 06, 1437 A.H.

## COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDING

AS ON DECEMBER 31, 2015

Category No.	Categories of Share Holders	Category Wise No. of Share Holders	Number of Shares Held	Category Wise Number of Shares Held	Percentage %
1	<b>Associated Companies, undertakings and Related Parties</b>				
	Ithmaar Bank B.S.C.	6	537,888,643		
	Faisal Finance (Luxembourg) S.A.		102,632,590		
	DMI (Jersey) Limited		51,316,293	801,164,993	66.78
	Faisal Private Bank (Switzerland) S.A.		38,686,633		
	MFAI (Jersey) Limited		70,640,834		
2	<b>Mutual Funds</b>				
	CDC - Trustee JS Large CAP Fund	18	21,750		
	CDC - Trustee AKD Index Tracker Fund		79,952		
	CDC - Trustee NAFA Stock Fund		1,171		
	CDC - Trustee NAFA Multi Asset Fund		3,992		
	CDC - Trustee NIT-Equity Market Opportunity Fund		411,320		
	CDC - Trustee NAFA Asset Allocation Fund		2,168		
	CDC - Trustee NAFA Savings Plus Fund- MT		120,500		
	CDC - Trustee AKD Aggressive Income Fund- MT		25,500		
	CDC - Trustee PICIC Income Fund- MT		12,500	4,899,016	0.41
	CDC - Trustee Alfalah GHP Income Fund- MT		43,000		
	MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund		150,000		
	CDC - Trustee Atlas Income Fund- MT		39,000		
	CDC - Trustee PIML Strategic Multi Asset Fund		109,625		
	CDC - Trustee First Capital Mutual Fund		210,185		
	CDC - Trustee National Investment (UNIT) Trust		3,549,853		
CDC - Trustee Askari High Yield Scheme - MT		10,500			
CDC - Trustee NAFA Income Opportunity Fund- MT		53,000			
CDC - Trustee PIML Value Equity Fund		55,000			
3	<b>Directors and their spouse(s) and minor Children</b>				
	Farooq Rahmatullah	7	1,129		
	Ahmed Abdulrahim Mohamed Abdulla Bucheery		575	108,266	0.01
	Mian Muhammad Younis		575		
	Juma Hasan Ali Abul		575		
	Imtiaz Ahmad Pervez		105,412		
	Nauman Ansari	-	-	-	-
	Abdulelah Ebrahim Mohamed Al-Qasimi	-	-	-	-

## COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDING

AS ON DECEMBER 31, 2015

Category No.	Categories of Share Holders	Category Wise No. of Share Holders	Number of Shares Held	Category Wise Number of Shares Held	Percentage %
4	Executives	10	14,121	14,121	0.00
5	Public Sector Companies and Corporations	13	73,912,834	73,912,834	6.16
6	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds.	29	27,119,686	27,119,686	2.26
7	Foreign Investors	44	111,347,270	111,347,270	9.28
8	General Public	17,805	131,427,444	131,427,444	10.95
9	Others	154	49,766,469	49,766,469	4.15
	Total	18,086	1,199,760,099		100.00

Total Paid-up Capital 1,199,760,099 Shares

5% of the Paid-up Capital 59,988,005 Shares

## COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDING

AS ON DECEMBER 31, 2015

Category No.	Categories of Share Holders	Number of Shareholders	Number of Shares Held	Percentage %
1	Associated Companies, undertakings and Related Parties	6	801,164,993	66.78
2	Mutual Funds	18	4,899,016	0.41
3	Directors and their spouse(s) and minor Children	7	108,266	0.01
4	Executives	10	14,121	0.00
5	Public Sector Companies and Corporations	13	73,912,834	6.16
6	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds.	29	27,119,686	2.26
7	Foreign Investors	44	111,347,270	9.28
8	General Public	17,805	131,427,444	10.95
9	Others	154	49,766,469	4.15
	Total	18,086	1,199,760,099	100.00

S. No.	Shareholders Holding 5% or More Voting Rights in the Listed Company	Number of Shares Held	Percentage %
1	Ithmaar Bank B.S.C	537,888,643	44.83
2	Faisal Finance (Luxembourg) S.A.	102,632,590	8.55
3	State Life Insurance Corporation of Pakistan	63,532,760	5.30
4	MFAI (Jersey) Limited	70,640,834	5.89

## PATTERN OF SHAREHOLDING

AS OF DECEMBER 31, 2015

Number of Shareholders	Shareholdings' Slab		Total Shares Held
4626	1	to 100	140,342
5919	101	to 500	1,624,625
1339	501	to 1000	1,002,722
4091	1001	to 5000	10,198,472
788	5001	to 10000	5,798,186
322	10001	to 15000	3,994,912
175	15001	to 20000	3,112,851
142	20001	to 25000	3,240,248
88	25001	to 30000	2,451,035
64	30001	to 35000	2,132,339
33	35001	to 40000	1,259,303
41	40001	to 45000	1,746,101
55	45001	to 50000	2,659,811
25	50001	to 55000	1,311,843
30	55001	to 60000	1,731,202
11	60001	to 65000	695,185
16	65001	to 70000	1,073,681
14	70001	to 75000	1,009,899
13	75001	to 80000	1,015,465
7	80001	to 85000	577,847
9	85001	to 90000	786,004
6	90001	to 95000	564,517
30	95001	to 100000	2,989,528
11	100001	to 105000	1,135,069
13	105001	to 110000	1,395,156
11	110001	to 115000	1,256,470
9	115001	to 120000	1,058,189
7	120001	to 125000	859,149
7	125001	to 130000	890,977
2	130001	to 135000	262,544
2	135001	to 140000	270,417
3	140001	to 145000	429,143
7	145001	to 150000	1,039,560
3	150001	to 155000	455,198
3	155001	to 160000	474,863
1	160001	to 165000	160,670
2	165001	to 170000	337,000
1	170001	to 175000	172,087
3	175001	to 180000	535,000
2	180001	to 185000	364,067
2	185001	to 190000	380,000
1	190001	to 195000	193,080
15	195001	to 200000	2,991,204
1	200001	to 205000	201,007
3	205001	to 210000	625,235
2	210001	to 215000	425,185
2	220001	to 225000	449,572
6	225001	to 230000	1,378,120
4	235001	to 240000	952,619
2	240001	to 245000	486,353
3	245001	to 250000	749,155
1	250001	to 255000	250,125
2	260001	to 265000	525,308
1	265001	to 270000	270,000
3	275001	to 280000	828,134
4	280001	to 285000	1,132,727

## PATTERN OF SHAREHOLDING

AS OF DECEMBER 31, 2015

Number of Shareholders	Shareholdings' Slab		Total Shares Held
1	285001	to 290000	288,390
2	295001	to 300000	600,000
1	305001	to 310000	306,828
1	310001	to 315000	311,804
1	315001	to 320000	318,750
1	320001	to 325000	324,500
1	325001	to 330000	325,377
1	330001	to 335000	330,772
2	340001	to 345000	687,750
2	370001	to 375000	743,043
2	375001	to 380000	759,500
3	380001	to 385000	1,150,959
1	385001	to 390000	387,307
3	395001	to 400000	1,199,276
1	410001	to 415000	411,320
1	435001	to 440000	435,871
1	450001	to 455000	455,000
1	465001	to 470000	468,500
2	470001	to 475000	943,526
1	495001	to 500000	500,000
2	515001	to 520000	1,035,500
1	525001	to 530000	529,339
2	550001	to 555000	1,101,456
1	555001	to 560000	556,799
1	595001	to 600000	600,000
1	625001	to 630000	630,000
3	665001	to 670000	1,996,035
1	695001	to 700000	698,781
1	715001	to 720000	720,000
2	745001	to 750000	1,500,000
2	750001	to 755000	1,501,718
1	765001	to 770000	768,339
1	770001	to 775000	774,950
1	795001	to 800000	799,673
1	920001	to 925000	921,000
1	925001	to 930000	927,610
2	995001	to 1000000	2,000,000
2	1005001	to 1010000	2,014,597
2	1065001	to 1070000	2,132,767
1	1095001	to 1100000	1,100,000
1	1145001	to 1150000	1,150,000
1	1180001	to 1185000	1,184,325
1	1210001	to 1215000	1,214,539
1	1380001	to 1385000	1,383,548
1	1485001	to 1490000	1,485,500
1	1520001	to 1525000	1,525,000
1	1565001	to 1570000	1,569,507
1	1650001	to 1655000	1,653,997
1	1695001	to 1700000	1,697,500
1	1705001	to 1710000	1,707,500
1	1895001	to 1900000	1,900,000
1	1985001	to 1990000	1,989,325
1	2290001	to 2295000	2,293,100
1	2380001	to 2385000	2,381,500
1	2455001	to 2460000	2,455,232
1	2560001	to 2565000	2,561,506
1	2830001	to 2835000	2,832,306

# PATTERN OF SHAREHOLDING

AS OF DECEMBER 31, 2015

Number of Shareholders	Shareholdings' Slab		Total Shares Held
1	2915001	to	2920000
1	2995001	to	3000000
1	3015001	to	3020000
1	3545001	to	3550000
1	3775001	to	3780000
1	4055001	to	4060000
1	5540001	to	5545000
1	5660001	to	5665000
1	6040001	to	6045000
1	6050001	to	6055000
1	7125001	to	7130000
1	7485001	to	7490000
1	7645001	to	7650000
1	7910001	to	7915000
1	9725001	to	9730000
1	10170001	to	10175000
1	10255001	to	10260000
1	12945001	to	12950000
1	14415001	to	14420000
1	15705001	to	15710000
1	30825001	to	30830000
1	38685001	to	38690000
1	39810001	to	39815000
1	49745001	to	49750000
1	51315001	to	51320000
1	63530001	to	63535000
1	102630001	to	102635000
1	537885001	to	537890000
18086			1,199,760,099

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	165	South	Green Belt Residency Branch	Karachi	021-35877922-35375103	Green Belt Residency, Shop No. 13-16, Plot No. Commercial 7/1, Block KDA Scheme-5, Kehkashan, Clifton Karachi
2	269	South	Clifton Centre Branch	Karachi	021-358630113-5	Plot No. DC-1, 16-A, 16-B, Block 5 Clifton Centre, Kehkashan, Karachi
3	330	South	Abdullah Haroon Branch	Karachi	021-1111-11-22-33	16-Abdullah Haroon Road, Karachi
4	425	South	Zamzama	Karachi	021-35875303-35875323-35875781	13-C, 7Th Zamzama, Commercial Lane, Clifton, Karachi
5	175	South	Phase IV DHA	Karachi	021-358602423	14-C, Sunset Commercial Street No. 2, Phase IV, DHA, Karachi
6	196	South	Saba Avenue	Karachi	021-35245377-35245380	Shop No. 2 & 3, Ground Floor Plot No. 36-C, Badar Commercial Street, St. No. 6, Phase V, Karachi
7	216	South	DHA Phase VIII	Karachi	021-35246011	43-C, Al-Murtaza Commercial Lane No. 4, DHA, Phase VIII, Karachi
8	338	South	Defence Phase VI	Karachi	021-35347266-35341761-35856091	22/C, Lane-2, Shahbaz Commercial, Phase VI, DHA, Karachi
9	441	South	Bukhari Commercial	Karachi	021-335149595-97	Ground, Basement And First Floor, 19-C Bukhari Commercial Lane No 5, Phase VI, DHA, Karachi
10	170	South	I. I. Chundrigar Road I Branch	Karachi	021-322638011-13	11/13, Trade Centre, I.I Chundrigar Road, Karachi
11	115	South	Shahrah-e-Adalat	Quetta	081-2840386-87-2840587-2842028	Shahrah-e-Adalat Road, Quetta
12	118	South	Quality Height Clifton	Karachi	021-35863771-73-74-75	32-A, Ground Floor, Quality Heights, K.D.A Scheme No. 5, Clifton Block-8, Karachi
13	144	South	Korangi Road	Karachi	021-35388161-35388175-35388160	KM Centre, 130/1, Main Korangi Road, Phase I, Defence Housing Authority, Karachi
14	172	South	Stadium Lane, Khayaban-e-Mujahid	Karachi	021-35349111-12	43-C, Stadium Lane II, Khayaban-e-Mujahid D.H.A Phase V, Karachi
15	173	South	Khayaban-e-Tanzeem	Karachi	021-35877909-10	Plot No. C-4-D-N, Phase V, Khayaban-e-Tanzeem, DHA, Karachi
16	183	South	Fatima Jinnah Road	Quetta	081-2837234-2824973-2836943-2824807	Yousuf Centre, Fatima Jinnah Road, Quetta
17	209	South	Korangi No.2	Karachi	021-35071758-59	Q-14, Ground Floor, Sector 33-A, Korangi No. 2, Karachi
18	453	South	Turbat	Turbat	-	Main Bazar, Turbat
19	198	South	Khalid Bin Waleed Road	Karachi	021-34302250	Plot No. 89-B, Block-2, P.E.C.H.S, Karachi
20	255	South	Mehmoodabad	Karachi	021-34376346-34376349	Plot No. SA-85, Block 7, Karachi Administration Employees Cooperative Housing Society (KAECHS), Karachi
21	281	South	Tariq Road Branch	Karachi	021-35143538-40	Shop No. 1 & 2, Plot 9-C, Block 2, Main Tariq Road, P.E.C.H.S, Karachi
22	156	South	Korangi Industrial Area	Karachi	021-35114402-3 / 7	Plot No. 51/9, Sector 15, Main Korangi Road, Karachi

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
23	424	South	I.I. Chundrigar II Branch	Karachi	021-32418300-1	Nadir House, I. I. Chundrigar Road, Karachi
24	134	South	Cloth Market Branch	Karachi	021-32439021-22 -32438150	BR-2-1/1, Bander Quarters, New Neham Road Kharadar, Karachi
25	164	South	Timber Market Branch	Karachi	021-32734508-32734490	Plot No. 6/2 Old Haji Camp, Siddique Wahab Road Lee Quarters, Karachi
26	217	South	APWA Complex Garden	Karachi	021-32294779-80	Shop No. SOA , 5 Ground Floor Apwa Complex, Plot No. 67-AC, Garden Road, Karachi
27	227	South	Burns Road Branch	Karachi	021-32211077-23-43	Shop No. 4 & 5, Ground Floor, Lokhat Mansion, Survey No. 2, Shahra-e-Liaquat , Burns Road, Karachi
28	236	South	Electronic Market Branch	Karachi	021-32751585-86	Shop No. 3, Hashmi Electronics Centre, Abdullah Haroon Road, Saddar, Karachi
29	290	South	Pak Colony Branch	Karachi	021-32556695-96-97	Plot No. 250, 251 & 252 Modern Colony, Manghopir Road, Karachi
30	422	South	Abdullah Haroon Branch	Karachi	021-35652099 -35684525-35683301	State Life Building No. 11, Abdullah Haroon Road, Karachi
31	423	South	Jodia Bazar II Branch	Karachi	021-32522225-8	NP 12/74, Mohammad Shah Street, Karachi
32	436	South	Metroville	Karachi	021-36661300-36662034	Street 15, Block 3, Metroville Site, Karachi
33	437	South	Denso Hall	Karachi	021-32752306-9	Plot No. 19, Survey Sheet No. WO-07, Wadhomal Oddharam Quarters, M.A Jimna Road, Saddar Town, Karachi
34	123	South	Jodia Bazar I Branch	Karachi	021-32471440-3 -32443795-32444073	G-2, Plot No. MR-6/52/1, Ismail Trade Centre, Ram Bharti Street, Karachi
35	145	South	New Challi Branch	Karachi	021-32214903-04	Abid Chamber, Plot 3 SR. 6/9, Shahra-e-Liaquat, Karachi
36	138	South	Saddar, Hyderabad	Hyderabad	022-2728356-59	Plot No. 339, Main Bohra Bazar Saddar, Hyderabad
37	230	South	Sukkur	Sukkur	071-5617195-97	City Survey No. D1596 / 1-D, Race Course Road , Sukha Talab, Sukkur
38	239	South	Latifabad	Hyderabad	022-3820526-7	C - 489, Unit No 8,Latifabad, Hyderabad
39	258	South	Mirpur Khas	Mirpurkhas	0233- 876472-75	City Survey No. 715, 716 And 718, Ward A, Umerkot Road, Taluka And District, Mirpurkhas
40	272	South	Nawabshah	Nawabshah	0244-330895-97	CS No. 555, Ward B, Main Mohni Bazar, Nawabshah
41	287	South	Larkana	Larkana	074-4056054-56	City Survey No. 2016/ 4-A Ward C, Faysal Bank Chowk, Larkana City
42	291	South	Qasimabad	Hyderabad	022-2103433-34	Plot No. B-1 , R.S.258/2, Bilal Villas Housing Scheme, Deh Sari, Taluka Qasimabad
43	292	South	Ghotki	Ghotki	0723-600807	Ground Floor, City Survey No. 890, Ward-B, Situated At Devri Sahab Road, Ghotki
44	297	South	Shahdadkot	Shahdadkot	074-4014227-28	Plot City Survey No. 520 Ward B, Situated At Shaikh Mohala, Shahdadkot

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
45	301	South	Kandhkot	Kandhkot	072-2572705-7	Plot No. 130, Main Bazar Shah Abdul Latif Road, Near Police Station, Kandhkot
46	195	South	Nazimabad Branch	Karachi	021-36707420	Plot No. 16, Row No. 1, Sub Block A, Block III (III-A, 1 / 16), Nazimabad, Karachi
47	221	South	Power House UP More	Karachi	021-36961034-36	R1, Sector 5C-4, North Karachi, Near Agha Khan Lab, Powerhouse Chowrangi, Karachi
48	222	South	Buffer Zone	Karachi	021-36950081-87	Plot No. R-2, Sector 15-A / 2, Buffer Zone, North Karachi, Karachi
49	231	South	Guizar-e-Hijri	Karachi	021-34652159	Plot No. A-747/C, Block 13-A, KDA Scheme 33, Pakistan Employe Cooperating Housing Society, Karachi
50	265	South	F B Area II	Karachi	021-36340242-5	Plot No. St-4/A-1, Block-20, Scheme-16, Federal 'B' Area, Adjacent Bank Al Habib, Karachi
51	342	South	North Nazimabad	Karachi	021-36721600-4	D-4, Block D North Nazimabad, Karachi
52	428	South	Karachi North Nazimabad	Karachi	021-36648750-51	Almas Square, Plot No. Sd-5, Block G, North Nazimabad, Karachi
53	438	South	Federal B Area	Karachi	021-36800694-36800695	C-25, Block 17, Federal B. Area, Karachi
54	139	South	SITE	Karachi	021-32585918-20	Plot No. B-17, State Avenue, Karachi
55	152	South	North Karachi Industrial Area	Karachi	021-36957155 36954054-36956475	SA-2, St 1/1, Sector 12-B, North Karachi Industrial Area, Karachi
56	110	South	Karachi Main	Karachi	021-111-747-747 -32785200	Faysal House St-02, Main Shahra-e-Faisal, Karachi
57	119	South	Gulshan-e-Iqbal	Karachi	021-3499 4262-3	B -35, Block 13-A, Main University Road, Gulshan-e-Iqbal, Karachi
58	127	South	Shaheed-e-Millat	Karachi	021-34388104-105-106	Iqbal Arcade, Plot No. 6,3/7, D.M.C Society, Karachi
59	131	South	Shahrah-e-Faisal	Karachi	021-34315634-37	Business Avenue Centre, Block No. 6, P.E.C.H.S, Karachi
60	143	South	MACHS	Karachi	021-34390511-34390516	Plot No. 2, F Commercial ,M.A.C.H.S, Karachi
61	153	South	Gulshan Chowrangi	Karachi	021-3481 5319- 34833720-34833718	Shop No. 1-4, Ground Floor, Sana Arcade, Plot No., ZC-6, Block No. 7, K.D.A Scheme 24, Karachi
62	210	South	Gulshan Block-2	Karachi	021-3497 2202-34972998	A-287, Block-2, K.D.A Scheme -24, Gulshan e Iqbal, Karachi
63	333	South	Karachi Shaheed-e-Millat	Karachi	021-111-321-321 -34382595	72-A/Z, Block 7/8, Al- Riaz, Karachi
64	335	South	Karachi Gulshan	Karachi	021-34830110 -34830111-34830112 -34830108-34830109	SB-25, Block 13/C, Main University Road, Gulshan e Iqbal, Karachi
65	442	South	Karachi Tipu Sultan Road	Karachi	021-34301181-3	Plot No. 110, Zonal Commercial Area, Karachi

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
66	174	South	Gulistan-e-Jauhar	Karachi	021-34026856 -34030556-7	Shop No. 28 & 29, Ruffi Lake Drive, Block 18, K.D.A Scheme No. 36, Karachi
67	252	South	Safoora Goth Branch	Karachi	021-34023795 -34023791-34023793	Shop No. 1,2,3,4, Plot SV-9, Block VII, Gulistan-e-Jauhar, KDA Scheme No. 36, Karachi
68	112	Central I	The Mall -Branch	Lahore	042-37236014-8	43, Shahrath-e-Quaid-e-Azam, Lahore
69	132	Central I	Circular Road -Branch	Lahore	042-37673001-6	Babar Center, 51, Circular Road, Lahore
70	137	Central I	Shalimar Garden-Branch	Lahore	042-36844714-17	Bilal Market, Chowk Shalimar Bagh, G.T.Road, Baghbanpura, Lahore
71	179	Central I	Shahalam Market-Branch	Lahore	042-37675619-37651968	5 A-C, Near Fowara Chowk, Shah Alam Market, Lahore
72	180	Central I	Urdu Bazar-Branch	Lahore	042-37314617-18	S-38, R-205-A, Cattle Street, Circular Road, Urdu Bazar, Lahore
73	186	Central I	Shahdara -Branch	Lahore	042-37902501-04	G.T.Road, Shahdara, Lahore
74	197	Central I	Mcleod Road-Branch	Lahore	042-36370045-36370067	Usman Plaza, Opposite: Lahore Hotel, Mcleod Road, Lahore
75	205	Central I	Mughalpura-Branch	Lahore	042-36524869-4	3/15 Jahangir Road, Lal Pul, Near AFC, Mughalpura, Lahore
76	208	Central I	Chouburji--Branch	Lahore	042-35244832 -35244898-35244885	50, Choburji Chowk, Lahore
77	218	Central I	Nilla Gumbud-Branch	Lahore	042-37360032-34-38	8-The Mall, Bank Square, Lahore
78	223	Central I	Brandreth Road-Branch	Lahore	042-37367225 -37367228-37367227 -37367231	78 Brandreth Road, Old Nishtar Road, Lahore
79	253	Central I	Fruit Market -Branch	Lahore	042-37720899-4	136, Farooq Centre, Fruit Market Scheme, Ravi Link Road, Lahore
80	271	Central I	Main Multan Road	Lahore	042-37801910-37801909	235/1, Badar Block, Allama Iqbal Town, Lahore
81	273	Central I	Daroghawala	Lahore	042-36533526	386-C, More Salamat Pura, Main G.T Road, Daroghawla, Lahore
82	276	Central I	Shadbagh Branch Lahore	Lahore	042-37614814-37614815	Tajpura Chowk, Near PTCL Exchange, Misri Shah, Shadbagh, Lahore
83	416	Central I	Gulshan-e-Ravi-Branch	Lahore	042-37404511-12	2/B, Civic Center, Gulshan-e-Ravi, Lahore
84	467	Central I	Badami Bagh-Branch	Lahore	042-37708172-4	343-Circular Road, Badami Bagh, Lahore
85	469	Central I	Bilal Gunj-Branch	Lahore	042-37214085	16-Shahjehan Road, Bilal Gunj, Lahore
86	178	Central I	Shadman-Branch	Lahore	042-35408506	11-A, Shadman 1, Jail Road, Lahore
87	187	Central I	Liberty Market-Branch	Lahore	042-35752108-9	37-E, III Saeed Alam Tower, Liberty Market, Gulberg III, Lahore
88	188	Central I	Ichra-Branch	Lahore	042-37566934-35	172, Ferozpur Road, Ichra, Lahore
89	457	Central I	Gulberg Industrial Area-Branch	Lahore	042-35717142-45	25-B-2, Gulberg III, Lahore
90	130	Central I	Garden Town-Branch	Lahore	92-42-35889810-14	4-Albak Block, New Garden Town, Lahore.

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
91	142	Central I	Allama Iqbal Town-Branch	Lahore	92-42-37806022-25	18-Hunza Block, Main Road, Allama Iqbal Town, Lahore
92	150	Central I	Model Town-Branch	Lahore	92-42-35884705-07	13-Bank Square Market, Model Town, Lahore
93	158	Central I	Faisal Town-Branch	Lahore	92-42-35201990, 92, 94	10-C, Main Boulevard, Faisal Town, Lahore
94	182	Central I	Johar Town-Branch	Lahore	92-42-35300897 -35315735-36	435-G-1, Johar Town, Lahore
95	212	Central I	Ghazi Chowk-Branch	Lahore	92-042-35212250-54	8-A, Awaisia Cooperative Housing Society, Ghazi Chowk, Link College Road, Township Lahore.
96	274	Central I	Karim Block	Lahore	92-42-35295572-4, 35295578-79	Plot No. 2-B, 2-C, Karim Block, Allama Iqbal Town Lahore
97	419	Central I	Faisal Town-Branch	Lahore	92-42-35203881 -2, 35203892	594-A, Faisal Town , Lahore.
98	459	Central I	Valancia-Branch	Lahore	92-42-35224791-92	9-A, Commercial Zone Valancia Society , Lahore.
99	461	Central I	PIA Town-Branch	Lahore	92-42 35227086-9	Building/Plot 402, Block No. E, PIA Housing Society Road , Near BFC, Lahore.
100	464	Central I	New Garden Town-Branch	Lahore	92-42-35861111, 35868776, 35868010	Awami Complex, Block No 2, New Garden Town, Lahore
101	122	Central I	Sialkot Main	Sialkot	052-4292501-3	Plot No.B1-16S-98B, 17-Paris Road, Opp Cc & I, Sialkot
102	128	Central I	Gujranwala	Gujranwala	055-3730301-3	Zia Plaza, G.T. Road, Gujranwala
103	146	Central I	Gujrat	Gujrat	053-3533315--3536781 -3-3533855	Nobel Furniture Plaza, G.T Road, Gujrat
104	238	Central I	Daska	Daska	052-6614623-4	Plot No.3,4 & 5, Muslim Market , Gujranwala, Daska
105	245	Central I	Lalamusa	Lalamusa	053-7519576-9	Faysal Bank Limited, Shayan Plaza Kaira, G.T Road, Lalamusa
106	261	Central I	Cannt Sialkot	Sialkot	052-4261507 -4261709-10	100 - A, Aziz Shaheed Road, Sialkot Cantt
107	268	Central I	Sheikhupura Road, Gujranwala	Gujranwala	055-4240155-60	Rehman Market, Sheikhupura Road, Gujranwala
108	279	Central I	Wazirabad	Wazirabad	055-6609526-27	Ground Floor, Al Rehmat Plaza, Hajjipura Chowk, Sialkot Road, Wazirabad
109	148	Central I	Main Boulevard Gulberg-Branch	Lahore	042-35787839-40-50	69-B, Main Boulevard, Gulberg, Lahore
110	233	Central I	CMH Chowk-Branch	Lahore	042-36602327-29	1482/14-15, Day Building, CMH Chowk, Sarwar Road, Lahore Cantt
111	331	Central I	Upper Mall Branch	Lahore	042-111-11-22-33 -35751001-6	310-Upper Mall, Shahrath-e-Quaid-E-Azam, Lahore
112	401	Central I	Egerton Rd-Branch	Lahore	042-36371111 -36375472-36375473	Ground Floor, Aiwan-e-Iqbal Complex, Opposite Holiday Inn Hotel, Lahore

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
113	468	Central I	Jail Road Branch	Lahore	042-37420318	9-Main Jail Road, Lahore
114	125	Central I	D.H.A H-Block-Branch	Lahore	042-35897712-17	136/1, Block-H, Commercial Area, Phase-I, DHA, Lahore Cantt
115	160	Central I	Thokar Niaz Baig-Branch	Lahore	042-35314020-23	Jamal Market, Ali Town, Opp.Lahore University,Thokar Niaz Baig, Raiwand Road
116	181	Central I	Bedian Road-Branch	Lahore	042-371165350	Bedian Road, Near DHA Phase VI, Lahore Cantt
117	189	Central I	Walton Cantt.-Branch	Lahore	042-36604309-12	36-Jinnah Plaza, Main Boulevard Defence Link Road, Walton Cantt, Lahore
118	211	Central I	New Airport Road-Branch	Lahore	042-35910014-15	Adjoining Divine Mega-II Plaza, New Airport Road, Cantt, Lahore
119	256	Central I	EME-Branch	Lahore	042-37511081-4	111-D, Commercial Area, EME Society, DHA Multan Road, Lahore
120	282	Central I	Tufail Road	Lahore	042-36604909-15	Garrison Officers Mess 12, Tufail Road, Lahore Cantt
121	334	Central I	Cavalry Ground-Branch	Lahore	042-111-321-321-36655590	4/5 Haroon Plaza, Cavalry Ground, Lahore
122	417	Central I	Phase V DHA	Lahore	042-37182356-58	Plot No. 10, Commercial Area, Sector C-C-A, Phase-V, DHA, Lahore
123	462	Central I	DHA Z Block-Branch	Lahore	042-35726000	77-Y, Phase III, Commercial Area, DHA, Lahore
124	111	Central II	Civil Line, Main-Faisalabad	Faisalabad	041-2644481-85	Bilal Road, Civil Lines Faisalabad
125	121	Central II	Boson Road	Multan	061-6214905-09	1/A-2, Officers Colony, Boson Road, Multan.
126	133	Central II	Old Bahawalpur Road	Multan	061-4783391, 061-4783523	129/1, Old Bahawalpur Road, Multan.
127	149	Central II	Bahawalpur	Bahawalpur	062-2730691-93	2 - Rehman Society, Noor Mahal Road, Bahawalpur.
128	154	Central II	Vehari	Vehari	067-3366401, 3366123	47-A, Karkhana Bazar, Vehari.
129	155	Central II	Okara	Okara	044-2551772, 2551773	M.A. Jinnah Road, Okara.
130	157	Central II	Rahim Yar Khan	Rahim Yar Khan	068-5889411-14	27- Town Hall Opp. City Park, Rahim Yar Khan.
131	163	Central II	Jhang	Jhang	047-7623283-84	P-10/1/A, Katchery Road,Near Session Chowk, Saddar Jhang
132	176	Central II	GM Abad, Faisalabad	Faisalabad	041-2691262, 041-2691375	39-B, Usman Plaza, Sadar Bazar GM Abad,Faisalabad
133	177	Central II	D-Ground, Faisalabad	Faisalabad	041-8730405, 041-8730443	447-D, Peoples Colony, Faisalabad
134	200	Central II	Burewala	Burewala	067-3773011-13	95-C, Multan Road, Burewala.
135	201	Central II	Sadiqabad	Sadiqabad	068-5702440	Shop # 567,Allama Iqbal Road, Sadiqabad.
136	202	Central II	Sahiwal	Sahiwal	040-4224060 -64	Sarwar Shaheed Road, Sahiwal.
137	203	Central II	Gulshan Market	Multan	061-6784277-78	11 Y-block Gulshan Market, New Multan Multan

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
138	224	Central II	Madina Town, Faisalabad	Faisalabad	041-8723365, 041-8723317	Madina Town Branch FaisalAbad
139	225	Central II	Chichawatni	Chichawatni	040-5482305 - 6	G.T Road Chichawatni
140	226	Central II	Depalpur	Depalpur	044-4540766-68-69	Shop # 1 & 2, Gillani Heights, Madina Chowk, Depalpur.
141	228	Central II	Toba Tek Singh	Toba Tek Singh	046-2517801-2	P-356 A/15-5, ST-6, Chaudhry Park, Farooq Shaheed Road, Toba Tek Singh
142	229	Central II	Mian Channu	Mian Channu	065-2664262-63	GT Road near T Chowk, Mian Channu.
143	232	Central II	Arifwala	Arifwala	0457-835425-26	173-D Thana Bazar Arifwala.
144	241	Central II	Khanewal	Khanewal	065-2553610-11	Plot No. 75, Block 12, Sir Syed Road, Khanewal.
145	242	Central II	Haroonabad	Haroonabad	063-225130-32	25/C Grain Market Haroonabad Distt Bahawalnager.
146	247	Central II	Pakpattan	Pakpattan	045-7352307-09	College Road, Pakpattan.
147	249	Central II	Rabwah	Rabwah Chenab Nagar	047-6215530-32	Plot # 09, Gol Bazar Darul Saddar Chenab Nagar Rabwah.
148	254	Central II	Samanabad, Faisalabad	Faisalabad	041-2563671-73	650 A, Samanabad, Industrial Labor Colony, Faisalabad
149	260	Central II	Vehari Road, Multan	Multan	061-6241083-84	Sheary Commercial Center, Vehari Road Multan.
150	263	Central II	Khanpur	Khanpur	068-5577411-14	Faysal Bank Ltd, Doabba Road Khanpur.
151	264	Central II	Cheshtian	Cheshtian	063-2507809-10	143 B - Block Main Bazar Cheshtian.
152	266	Central II	Bahawalnagar	Bahawalnagar	063-2279338-39	2-B Ghalla Mandi , Bahawalnagar.
153	270	Central II	Hasilpur	Hasilpur	062-2441403-04	16-D Baldia Road, Hasilpur.
154	275	Central II	Kot Addu	Kot Addu	066-2241093-96	GT Road Kot Addu.
155	280	Central II	Gojra	Gojra	046-3512023-25	Teshil Office Road Gojra
156	283	Central II	Yazman Mandi	Yazman Mandi	062-2703161-62	56/A-DB Bahawalpur Road, Yazman
157	284	Central II	Ahmed Pur East	Ahmed Pur East	062-2275214-15	22, Dera Nawab Road, Adjacent Civil Hospital, Ahmed Pur East
158	285	Central II	Liaquat Pur	Liaquat Pur	068-5792451-52	Shop # 9-10 Abbasia Road, Liaquat Pur
159	286	Central II	Renala Khurd	Renala Khurd	044-2635781-83	20-A/2-L, Gulshan Ishaq Colony, Welcome Road, Renala Khurd.
160	288	Central II	Clock Tower, Faisalabad	Faisalabad	041-2630971-73	Plot No. 221/A, Clock Tower, Faisalabad.
161	293	Central II	Pattoki	Pattoki	049-4421950-53	55-Allama Iqbal Road, Pattoki.
162	298	Central II	Haveli Lakkha	Haveli Lakkha	044-4775091-94	Head Sulemanki Road, Haveli Lakkha, Depalpur, Okara
163	299	Central II	Factory Area Branch	Faisalabad	041-2540186-87	Factory Area Tata Market ,Faisalabad



## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
164	341	Central II	Cannt Branch	Multan	061-4588377-79	44/D Aziz Shaheed Road, Multan Cantt.
165	444	Central II	Liaquat Road, Faisalabad	Faisalabad	041-2636341-43	P-III, Liaquat Road, Faisalabad
166	448	Central II	Dera Ghazi Khan	Dera Ghazi Khan	064-2474175-77	Block 18, Hospital Chowk, Pakistan Plaza, Dera Ghazi Khan
167	162	North	Kharian	Kharian	053-7536064	Faysal Bank Limited, Rizwan Plaza, First Floor, GT Road, Near City Hospital, Kharian
168	215	North	Mandi Bahauddin.	Mandi Bahauddin	0546-600722-23	Khasra No.143/112/2 Railway Road, Mandi Bahauddin
169	243	North	Chakwal	Chakwal	0543-553932-34	Faysal Bank Limited, Talha Gang Road, Opposite Alliance Travel, Chakwal
170	257	North	Sarai Alamgir	Sarai Alamgir	0544-654623-4	RMA Complex, Main GT Road, Sarai Alamgir
171	405	North	Sargodha	Sargodha	048-3726647-8	Khayyam Chowk, Railway Road, Sargodha
172	450	North	Bhawal	Bhawal	048-6642405-08	131-A, Liaquat Shaheed Road, Bhawal
173	116	North	Mirpur (AJK)	Mirpur	05827-445103-445683 -445100-2	Ch. Sharif Plaza, Mian Muhammad Road, Opp. Quaid-e-Azam Stadium, Mirpur, Azad Kashmir
174	136	North	Gujar Khan	Gujar Khan	051-3514985 -3514996-3514968 -3514874	Faysal Bank Limited, B-111, 215-D, Ward 5, G.T. Road, Gujar Khan
175	190	North	Dina	Dina	0544-636824	Faysal Bank Limited, 1880- Al-Bilal Plaza, Gt Road, Dina
176	204	North	Jhelum	Jhelum	0544-626001	Faysal Bank Limited, Kohinoor Bank Square, Old G.T. Road, Jhelum Cantt
177	235	North	Chaksawari	Chaksawari	05827-454800-2	Faysal Bank Limited, Khalid Plaza, Main Bazar, Chak Sawari, Mirpur A.J.K.
178	259	North	Dudial	Dudial	05827-465813-16	Hussain Shopping Centre, Main Bazar Branch, Dudial, Azad Kashmir.
179	289	North	Rawat	Rawat	051-4612114-6	Office No. 1, Riaz Hussain Shah Plaza, Main Gt Road, Rawat
180	294	North	Gilgit	Gilgit	05811-457380-9	ZS Plaza, Shahr-e-Quaid-e-Azam, Opposite Radio Station Pakistan, Jutial, Gilgit
181	295	North	Skardu	Skardu	05815-456400-10	Plot Own Kasra No. 658/25/123, Skamaidan Bazar College Road, Near Old Yacgar Chowk, Skardu
182	296	North	Chilas	Chilas	05812-450730-40	Near Madni Masjid, Main Bazar Chilas, District Diamer, Chilas
183	300	North	Dassu	Dassu	0998-407301-9	Shreen Plaza, Dassu, Kohistan
184	113	North	Blue Area	Islamabad	051-2275096-9	Faysal Bank Limited, 15-West, Jinnah Avenue Blue Area, Islamabad
185	126	North	F-10 Markaz Islamabad	Islamabad	051-2104456-8	Faysal Bank Limited, 2-G, Capital Business Center, F-10 Markaz, Islamabad
186	166	North	F-7 Markaz	Islamabad	051-2652676-2654689	Faysal Bank Limited, Shop 1, Plot 12 D, Jinnah Supermarket, F-7 Markaz, Islamabad
187	169	North	I-10 Markaz	Islamabad	051-4102105-8	Faysal Bank Limited, 3-G, Monawwar Plaza, C10 Markaz I-10, Islamabad

## BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
188	194	North	F-11 Markaz	Islamabad	051-2228142-4	Faysal Bank Limited, Plot 14, F-11, Markaz, Islamabad
189	213	North	F-8 Markaz	Islamabad	051-2287412 & 13	Faysal Bank Limited, NPT Building, Markaz F-8, Islamabad
190	220	North	G-10, Markaz	Islamabad	051-2351330-2351353	Faysal Bank Limited, 20-A Ground Floor, Sardar Plaza, G-10 Markaz Branch, Islamabad
191	262	North	Bara Koh	Islamabad	051-2304041-50	Shop No. 8,11 Usman Plaza, Main Murree Road, Bara Koh, Islambad
192	452	North	Islamabad Blue Area II Roshen Center	Islamabad	051-2275250-2	78-W, Roshan Center, Jinnah Avenue, Blue Area, Islamabad
193	332	North	F-7 II	Islamabad	051-111-11-22-33	15, Markaz F-7, Opposite Fg College For Women, F-7/2, Islamabad
194	191	North	University Road	Peshawar	091-5711401-8	4652-4670, Omer Plaza, Jahangirabad, University Road, Peshawar
195	192	North	Khyber Bazar	Peshawar	091-2220471-73	417-D, Outside Bajori Gte, Shoba Chowk, Khyber Bazar, Peshawar
196	219	North	Abbottabad	Abbottabad	0992-385919-20-385925	841 Farooqabad Main Mansehra Road, Abbottabad
197	246	North	Attock	Attock	057-2602061-62	Faysal Bank Limited, Plot No. 169 Shaikh Jaffar Plaza, Saddiqui Road, Attock
198	248	North	Hariapur	Hariapur	0995-616427-9	Akbar Arcade, Akbar Khan Plaza, Shahr-e-Hazara, Hariapur
199	250	North	Peshawar University Camp	Peshawar	091-5610913, 091-5610943	Ground Floor, Western Corner, Academic Block - II, University Of Peshawar, Peshawar
200	277	North	Peepal Mandi	Peshawar	091-2592802	Ashraf China Trade Centre, Pipal Mandi, Peshawar
201	411	North	Peshawar Fakhr-e- Alam	Peshawar	091-5285289, 5270176-8	1 Fakhr-e- Alam Road Cantt, Peshawar
202	120	North	Haider Road	Rawalpindi	051-5701018 - 22	32, Haider Road, Rawalpindi Cantt. Rawalpindi
203	135	North	Satellite Town	Rawalpindi	051-4424969-72	5Th Road, City Shopping Centre, Commercial Market, Satellite Town - Rawalpindi
204	168	North	Raja Bazar	Rawalpindi	051-5530661 -5775625-23-27	U-I, Iqbal Road, Fawara Chowk, Raja Bazar, Rawalpindi.
205	184	North	Westridge	Rawalpindi	051-5166835-37	Peshawar Road Westridge, RV Arcade - Rawalpindi
206	214	North	Sadiqabad Road	Rawalpindi	051-4257745 - 4573741- 42	Faysal Bank Limited 72-C, Satellite Town Sadiqabad Road Rawalpindi
207	234	North	Kalma Chowk	Rawalpindi	051-5683053-4	Kalma Chowk, Kamalabad, Dhok Syedan Road, Rawalpindi
208	267	North	Gulraiz	Rawalpindi	051-5596187-9-102-106	Plot No. 27, Gulraiz Scheme II, Rawalpindi
209	278	North	PWD	Islamabad	051-5706450-51	Atta Arcade, Ground Floor, Main Blvd, Near Police Foundation, PWD, Islamabad
210	337	North	Civil Lines	Rawalpindi	051-111321321-5795105	CL/ 55 - A, Civil Lines, Meo Road, Rawalpindi
211	409	North	Rawalpindi Gunj Mandi	Rawalpindi	051-5539115,-5535988	Gunj Mandi, Raja Bazar, Rawalpindi

## BRANCH NETWORK - ISLAMIC

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	3024	North	F-10 Markaz	Islamabad	051-2296962-3, 2222873, 2809056-8, 2222881, 2106723	Ground Floor, 7-L, F-10 Markaz, Islamabad
2	3044	North	Aabpara Market	Islamabad	051 2870474-76	Unit No.715, Kamran Restaurant, Aabpara Market, Khayaban-e-Suhrawardy, Islamabad
3	3048	North	I-8 Markaz	Islamabad	051 4861800-802	Plot No. 33, Aneek Arcade, Sector No. I-8 Markaz, Islamabad
4	3005	North	The Mall	Rawalpindi	051 5701054-57	Century Towers, 6 The Mall, Rawalpindi
5	3034	North	Mansehra	Mansehra	0997 308902-3, 308305-7, 308309-11	Khata/Khatooni No. 3179/6260, Ground Floor, Rehman Plaza, Abbottabad Road, Mansehra
6	3019	North	Mirpur, Azad Kashmir	Azad Kashmir	05827 448412	Plot No.2, Sector A/5, Al-Manzar Building, Allama Iqbal Road, Mirpur, Azad Kashmir
7	3062	North	Bahria Town, Rawalpindi	Rawalpindi	051 5412154-55	Plot No. 177, Service Avenue, Intellectual Village, Bahria Town, Phase 7, Rawalpindi
8	3009	North	Mingora	Swat	0946-722011-13	Lower Ground & First Floor, Abasin Towers, Green Chowk, Madyan Road, Mingora, Swat
9	3011	North	Mardan	Mardan	0937 870256-58	Ground Floor, Khattak Plaza, Main Bazar, Bank Road, Mardan
10	3020	North	Charsadda	Charsadda	0916 511011, 0916 511013, 0916 512013-4	Ground Floor, Gold Mines Towers, Nowshera Road, Charsadda
11	3028	North	Nowshera Cantt.	Nowshera	0923 613400-2	1st Floor, Amin Tower, G.T. Road, Nowshera Cantt. Nowshera
12	3053	North	Buner	Buner	0939 555428	Khasra No. 3249, Khatooni No. 887, Mardan Road, Sawari Main Bazar, District Buner
13	3055	North	Timergara	Timergara	0945 821351-52	Shop # 1,2, Fakir Plaza Opposite General Bus Stand, Main GT Road, Lower Dir, Timergara
14	3058	North	Makan Bagh, Mingora	Swat	0946 700801-802	Makan Bagh Chowk, Near Swat Continental Hotel, Saidu Sharif Road, Mingora Swat
15	3069	North	Batkheela	Batkheela	0932 411850-52	Al-Madina Market, Near Khwar, Main Bazar, Batkheela, District Malakand
16	3035	North	Kohat	Kohat	0922 522451, 522454	Plot No. 14, Survey No. 253-C, Near Butt Super Store, Katchery Chowk, Hangu Road, Kohat Cantt.
17	3036	North	D.I. Khan	D.I. Khan	0966 718903-6, 308305-7, 308309-11 0966 718941, 0966 718954, 0966 718956	Plot No.19, Survey No.79, Near GPO Chowk, East Circular Road, D.I. Khan Cantt.

## BRANCH NETWORK - ISLAMIC

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
18	3049	North	Bannu	Bannu	0928 611540-41	Khasra No. 1462/1833, Mouza Fatima Khel, Near Durrani Plaza, Ex GTS Chowk, Bannu Cantt., Bannu
19	3002	North	Hayatabad	Peshawar	091-5811395, 091-5810638	Industrial State Karkhano Market, 1st Floor, Shop Number 1-7, S.S. Plaza, Jamrud Road, Hayatabad, Peshawar
20	3041	North	Ashraf Road	Peshawar	091 2593364, 091 2593164	Shop No. 471-472/203-204, New Rampura Gate, Ashraf Road, Peshawar
21	3012	North	G.T. Road Peshawar	Peshawar	091 2590484-7	Ground Floor, Raheem Medical Centre, G.T. Road, Peshawar
22	3013	North	Peshawar Cantt.	Peshawar	091 5273091-92 & 091 5275182	6, Saddar Road, Tasneem Plaza, Peshawar Cantt., Peshawar
23	3001	South	Sharfabad	Karachi	021-34923770-4	Alharam Tower 1, BMCHS, Alamgir Road, Sharfabad, Karachi
24	3007	South	Nazimabad	Karachi	021-36613053-55	1st Floor, Plot #16 Row #1, Sub Block A, Block III (III-A, / 16) Nazimabad, Karachi
25	3046	South	Cattle Colony	Karachi	021-35080125-27	Plot No. 3-A, Commercial Area, Landhi, Cattle Colony, Karachi
26	3059	South	Nagan Chowrang	Karachi	021-36940461	Plot No. R-410, Sector No. 11-C/1, North Karachi Township, North Karachi, Karachi
27	3063	South	Gulbahar	Karachi	021 36729805 - 07	Plot No. 476, 477, 478, Ghousia Colony, Gulbahar, Karachi
28	3064	South	Shah Faisal Colony	Karachi	021 34686211-12	Plot No. B-09, Main Electronic Market, Shah Faisal Colony No. 1, Karachi
29	3066	South	Aysha Manzil	Karachi	021 36360877-79	Shop No.1 & 2, Ground Floor, Komal Classic, Plot No.C-10, Block No.4, Federal 'B' Area, Near Aysha Manzil, Karachi
30	3068	South	Shershah	Karachi	021 32580175-77	Godown No. D-283/21 & D-283/22, Plot No. D-283, SITE, Shershah, Karachi
31	400	South	DHA Phase I	Karachi	021-35311473, 021-35311482	Speedy Towers 129/I & II, Korangi Road, Phase I, DHA, Karachi
32	3010	South	Jodia Bazaar	Karachi	021-32463265-68	Shop No. G-1, Ground, Basement & First Floor, Plot No. M.R. 3/18/II-B-143, Market Quarters, Bolton Market, Karachi
33	3043	South	Gulshan-e-Iqbal	Karachi	021-34819572-76	Plot No. FL-2/4, Block-6, KDA Scheme No. 24, Gulshan-e-Iqbal, Karachi
34	3026	South	Dhoraji	Karachi	021-34860851,2, 4860855,8	Shop No. G-1 to G-4, Talha Arcade, Plot No. 35/187, Block 7/8, C.P. Berar Cooperative Housing Society, Karachi
35	3031	South	Khayaban-e-Shahbaz	Karachi	021-35342364-7	43-C, Khayaban-e-Shahbaz, Phase VI, DHA, Karachi
36	3050	South	Rashid Minhas Road	Karachi	021 34832875-77	Plot No. 16, Al Musawir Crown, Block 10-A, KDA Scheme NO. 24, Gulshan e Iqbal, Karachi
37	3060	South	DHA Phase II Ext.	Karachi	021 35319595-97	Ground Floor Plot No.61-C, 21st Commercial Street Phase II Extension, DHA, Karachi
38	3042	South	Hyderabad	Hyderabad	022 2730074-77	C.B. 41/474/2, Saddar, Hyderabad

## BRANCH NETWORK - ISLAMIC

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
39	3018	South	Qandhari Bazaar	Quetta	081 2837890, 2843005, 2820916, 2837320	1-25/14-15, Qandhari Bazaar, Quetta
40	3052	South	Market Road (Hyd)	Hyderabad	022 2613406-08	City Survey No.1284 & 1296, Ward "A", Market Road, Hyderabad
41	3004	South	Zarghoon Road	Quetta	081-2443177/ 081-2443265	Near Bukhari Petroleum, New Zarghoon Road, Quetta
42	3003	Central	D-Ground	Faisalabad	041-8555643/ 041-8555646	447-D, (1st Floor) Peoples Colony 1, D-Ground, Faisalabad
43	3014	Central	Minerwa Road	Faisalabad	041-2416281-85	Shop No.1,2, 46-50, New Grain Market, Minerwa Road, Faisalabad
44	3021	Central	Liaquat Road	Faisalabad	041-2617403-8, 2619025, 2627806-7	3-Liaquat Road, Faisalabad
45	3022	Central	Abdali Road	Multan	061-4571768, 4570768, 4570398, 4517408 4581905-6,	80- Abdali Road, Multan
46	3047	Central	Chowk Shaheedan	Multan	061 4574462-64	Property # 1771/SH, Ward # VIII-M, Chowk Shaheedan, Multan
47	3039	Central	Bahawalpur	Bahawalpur	062-2731115-6, 2731118	Plot No. 29, Block A, Ghallian Mandi Road, Model Town-B, General Official Colony, Bahawalpur
48	3061	Central	Chiniot	Chiniot	047 6333561-3	Property # 3188/3178, Main Faisalabad Rd, Sagheer Town, Near NADRA Office, Chah Karari Wala, Chiniot No. 2, Chiniot
49	3017	Central	East Circular Road, Gujrat	Gujrat	053 3535931-2, 3533143	Shop # B-10/251, Near Shah Doula Gate, East Circular Road, Opposite Green House, Gujrat
50	3023	Central	Daska Road	Sialkot	052-3240200-204, 3252996-8	Plot No. 651, Daska Road, Pul Aik, Sialkot
51	3023*	Central	Citi Housing Sub Br.	Sialkot	052-6556010 052-6556022	City Housing Society Limited, Shop No. 19, Opposite Main Office, 6-Km Daska Road, Sialkot
52	3045	Central	Gujranwala	Gujranwala	055 3735531-5	157-AI-Majeed Centre, Street No. 14, Mohalla Faisalabad, G.T. Road, Gujranwala
53	3008	Central	Talagang	Talagang	0543 411995-97	BJI-278-279, Madina Plaza, Near Boys High School No.1, Chakwal Road, Talagang
54	3065	Central	Azam Cloth	Lahore	042-37671351-54	Shop No. F-1469, 1566 & 1567, Akbar Block, Rahim Centre, Azam Cloth Market, Lahore
55	3025	Central	Azam Cloth	Lahore	042 37656873-876	Property # F-1173, Multani Mohallah, Koocha Sodaagran, Chuna Mandi, Lahore
56	3033	Central	Allama Iqbal Town	Lahore	042-37811068, 37811100, 37811074	20, Gulshan Block, Allama Iqbal Town, Lahore
			Circular Road	Lahore	042-37670600-05	33 - Circular Road, Outside Shah Alam Gate, Lahore

## BRANCH NETWORK - ISLAMIC

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
57	3040	Central	Expo Centre	Lahore	042 35316023-24	Plot No. 590, Block H-III, Opposite Expo Centre, M.A Johar Town, Lahore
58	3006	Central	Leads Centre, Gulberg	Lahore	042-35783955-57-59	Shop # 4, 4A and 4B, Leeds Center, Main Boulevard, Gulberg, Lahore
59	3016	Central	Baghbanpura	Lahore	042-36840310-3	310/3/1, Bilal Market Chowk, Shalamar Bagh, G. T Road, Baghbanpura, Lahore
60	3038	Central	Z-Block, DHA	Lahore	042 35743741-43	10-Z, Street 1, Phase III, DHA, Lahore
61	3054	Central	Kasur	Kasur	049 2760780-782	B IV-9B-220 A, Outside Lahori Gate, Railway Road, Kasur
62	421	Central	Cavalry Ground	Lahore	042-36603412-15	97- Commercial Area, Cavalry Ground, Lahore
63	3032	Central	Township	Lahore	042-35176051-3	894-D, Faisal Town, Peco Road, Township, Lahore
64	3037	Central	Raiwind Road	Lahore	042-35320164, 35320264, 35320360	131/178, Bohbatain Chowk, Raiwind Road, Lahore
65	3051	Central	Bahria Town	Lahore	042 35452054-58	Plot # 5/A, Sector C, Bahria Town, Lahore
66	3056	Central	Sheikhupura	Sheikhupura	056 3614270-71, 056 3614273	3-C, College Road, Civil Lines, Sheikhupura
67	3057	Central	Sahiwal	Sahiwal	040 4221601-03	Khata No. 923, Khatooni Number 942, Gali Sukh Chain, Mohallah Baloch Gari, Sahiwal
68	3067	Central	Ferozpur Road	Lahore	042 35827951-53	Mohalla Makhdoom Abad, Chungi Amar Sidhu, Main Ferozpur Road, Lahore4581905-6,

## INTRODUCTION

Faysal Bank's reputation is a priceless asset that each of us is responsible for maintaining. Our reputation not only affects whether or not someone will be our customer; it also determines whether we are proud to be associated with this organisation — how we feel about coming to work.

The Code of Conduct is designed to guide the personal business ethics of all of us. It applies to every employee of Faysal Bank Limited and each of its subsidiaries. In addition, other persons performing services for the Company may be subject to the Code by contract or agreement. You are expected to read this document promptly upon receiving it. You also are expected to read and understand the Company policies that relate to sections of this Code.

Individual business units or staff groups may issue additional policies that provide more specific guidance about certain practices related to those particular businesses. You should speak with your leader for more information about any additional policies that may pertain to you.

In addition to the ethical guidelines included in the Code, you must comply with the requirements of all applicable laws and regulations. This is mandatory for everyone and is not subject to business priorities or individual discretion.

Adherence to the Bank's Code of Conduct is a condition of employment. All employees are required to comply with the Code, and no waivers from its coverage may be granted.

## BUSINESS ETHICS AND COMPLIANCE WITH LAW

**You are expected to protect and enhance the assets and reputation of Faysal Bank Limited.**

Our business is based on a strong tradition of trust. It is the reason our customers come to us. Honesty and integrity are cornerstones of ethical behavior. Trustworthiness and dependability are essential to lasting relationships. Our continued success depends on doing what we promise — promptly, competently and fairly.

In our rapidly evolving businesses, each of us is challenged by a complex environment, this often requires fast responses under pressure. No written policy can definitively set forth the appropriate action for all business situations. **Accordingly, rather than a set of specific rules, this Code emphasises a standard of ethical conduct that must permeate all of our business dealings and relationships.** Individual businesses may issue additional policies that provide more specific guidance about certain practices related to that business. You should speak with your leader for more information about any of those policies that pertain to you. You also should pay careful attention to compliance training programs to help you apply the Code in your daily activities.

The Code of Conduct provides guidelines for a variety of business situations. It does not try to anticipate every ethical dilemma you may face. Faysal Bank, therefore, relies on your good judgment.

**You must conduct business in accordance with applicable laws and regulations and the Code.**

You should consult the Legal counsel whenever you have a question about the legality of a course of action. You must also exercise the utmost care to ensure that all statements you make, especially those made to the government bodies that regulate our businesses (or with which we do business), are accurate. If you are in doubt about any situation or behavior, you should speak to your leader, Compliance or your Human Resources representative.

**Leaders, by virtue of their positions of authority, must be ethical role models for all employees.**

An important part of a leader's responsibility is to exhibit the highest standards of integrity in all dealings with fellow employees, customers, suppliers and the community at large. An equally important responsibility is to obtain employees' commitment and develop their ability to make sound ethical judgments. Leaders must communicate the seriousness of the Bank's expectations for ethical conduct and their own personal support of these expectations. Ethical leadership includes both fostering a work environment that encourages employees to voice concerns or otherwise seek assistance if faced with potentially compromising situations, and supporting those who speak out. Leaders must be alert to any situations and/or actions that may be unethical or potentially damaging to the Company's reputation and to respond appropriately. Leaders must avoid giving even implicit approval of such situations and actions. For example, leaders must ensure that financial reports and product and service claims are honest and complete.

## TREATMENT OF EMPLOYEES AND OTHERS

**You are expected to treat colleagues, employees and others with whom you interact with respect and dignity.**

Treating all employees with respect and dignity is an FBL Value that applies to everyone. This is particularly important for leaders who influence the work environment of their areas on a daily basis. Leaders must remember that they are role models for their employees and that these employees are likely to treat their colleagues, including employees whom they manage and others, as they themselves are treated.

The Company expects leaders to seek out the ideas of subordinates and to involve them in decisions whenever appropriate. At the same time, once a decision is made, everyone involved is expected to pull together and support it.

In addition, you must respect and maintain the confidentiality of information you learn about your employees and colleagues (e.g., salaries, performance reviews, disabilities or leaves of absence). You must not share this information with anyone either inside or outside your department, except as is necessary to perform your job.

## RELATIONS WITH REGULATORS

All communications with regulators must be handled through the appropriate department/function. Where communication with the regulator is part of an employee's job description (e.g. dealing with the regulators for filing regular financial returns which is the responsibility of the respective department sending the regular returns), in these cases, Compliance is only involved if there is a potential breach of regulations. Guidelines of SBP issued in this regard shall be strictly followed. A copy of all non-routine correspondence with the regulators must be provided to the Compliance Function.

### Meetings with Regulators

Any visits to regulators by employees or senior management must be notified to and if required may be coordinated by the Compliance Function.

### Reporting to Regulators

Information provided to regulators by FBL must:

- a) be accurate;
- b) not omit any information that might result in the information provided being misleading;
- c) be provided only after all reasonable enquiries are made to ascertain the accuracy and completeness of the information;
- d) be reviewed by Head of the Department/Function.

### Inspection by Regulators

Regulators may inspect FBL to enable regulators to inspect its activities, FBL must maintain all records in a form capable of being checked or audited. Employees must ensure that they do not amend, destroy, erase or make further entries to any record or file which is, or may be, relevant to a matter being inspected or investigated by a regulator or to any disciplinary process or appeal process. Employees must co-operate with any inspection carried out by the regulator to the fullest possible degree. Compliance may co-ordinate inspections but employees must:

- a) make themselves readily available to the inspection team;
- b) on receipt of a proper request by the regulator, produce to the inspection team any documents, files and computer data and other material in their possession or control;
- c) give the inspection team access, at all times, to FBL's premises and reasonable facilities;
- d) to the extent that they are properly requested by the regulator, permit the inspection team to copy any documents or other material in FBL's premises or elsewhere at FBL's expense and to remove copies and hold them elsewhere; and
- e) answer truthfully and fully all questions put to them by the inspection team. Failure to comply with a request by regulators to produce records and documents, give regulators access to the premises, staff or records of FBL for the purposes of supervision or inspection or to provide information relating to a transaction is an offence for which FBL and senior management may be punished by fine or imprisonment. Directors, officers or employees of FBL must comply with any fines, prohibitions, requirements, sanctions, penalties, orders and decisions of any regulator.

### RELATIONS WITH CUSTOMERS

Employees must ensure that all communications are clear, fair and not misleading. FBL must manage conflicts of interests appropriately and ensure fair treatment of all affected clients.

Employees must not unfairly or unreasonably place the interests of FBL above those of a client. Employees must ensure they are aware of each client's current financial situation and other relevant facts about the client appropriate to the services provided to or requested by the client. If FBL has control of client assets, it must ensure those assets are properly accounted for and safeguarded in accordance with regulatory, contractual or fiduciary responsibilities.

**Every employee shall not divulge any information relating to the affairs of its customers except in circumstances in which it is, in accordance with law, practice and customary usage among Bankers, necessary or appropriate to divulge such information.**

### EMPLOYEES' DUTY OF NON-DISCLOSURE & TIPPING OFF

Anti Money Laundering (AML) Act of 2010 forbids and makes it a crime, for the Bank or employee to alert a client or potential client (or any party involved in the transaction) to the fact that the Bank is investigating their actions or motives, or to tell them, or any other outside party, that a report of activity identified as suspicious has been prepared and/or filed. The same also applies for the Currency Transaction Reporting (CTR) to Financial Monitoring Unit. Such an act is known as Tipping Off and is a punishable crime under AML Act of 2010 which may lead to fine and/or imprisonment. Such an act may also subject an employee to disciplinary action by the Bank.

To protect against a violation of any non-disclosure requirements, employees should adhere to the following guidelines:

- Never disclose to the client or any third parties that information has been provided to any department within FBL or a government authority or that any suspicious activity investigation is contemplated or underway.
- Never take any action that might otherwise alert the subject that FBL has suspicions that will result in a report or filing a Suspicious Transaction Reporting (STR) and treat the filing of an STR as a confidential matter, even within FBL.

### CONFIDENTIALITY

It is the policy of FBL to honor all applicable laws, including AML, data protection, privacy and Bank confidentiality laws. Copies of STR filings and underlying documentation are maintained as confidential documents. This means they are shared within FBL only on a "need to know" basis. A summary or description of these reports (and supporting materials) may be shared with local regulators as required by applicable law. Generally, regulators are also required to treat as confidential any details that they are provided. In case of any uncertainty as to how to respond to such an inquiry, kindly contact the Compliance Function for guidance.

### FBL EMPLOYEE REPORTING RESPONSIBILITIES

Every employee of FBL is responsible for identifying reportable events and adhering to the CAAML policy with respect to any suspicious activity he/she may observe in his/her job capacity. Consistent with FBL's CAAML Policy, employees with client-related duties are responsible for understanding the nature of their clients' transactions, business and source of wealth, and for using currently available FBL resources to monitor their clients' activity for consistency with this understanding. This review activity is a formal means by which Reportable Events may be identified. In addition, employees must be diligent and alert in all aspects of their job functions, including but not limited to the use and review of any available reports and information databases, and must use common sense and experience to guide them in asking questions and spotting irregularities.

When a possibly suspicious activity or potential legal or regulatory violation is observed, the employee is responsible for calling the situation to the attention of his/her supervisor, who will notify the Functional

Head and the Compliance Function. In extremely sensitive situations or in any instance where an employee is uncomfortable working with their supervisors on such matters, he/she may directly report to the Compliance Function.

Failure to follow the STR policy when a Reportable Event occurs is a breach of policy and may subject an employee to disciplinary action.

### KNOW YOUR CUSTOMER & ANTI MONEY LAUNDERING

Every client must be owned by a relationship officer of the business line. Such relationship officer will be responsible for the client's KYC, due diligence and ensuring that FBL is safeguarded against criminal activities like money laundering, terrorist financing and drug trafficking etc in this regard.

We must ensure that we have sufficient information about our customers to satisfy ourselves as to their reputation and standing and the nature of their business activities.

Money laundering is the process by which Banks are used as vehicles to disguise or "launder" the proceeds of criminal activity. Such activities undermine a Bank's integrity, damage its reputation, deter honest customers and expose a Bank to severe sanctions. Faysal Bank fully supports the international drive against money laundering and is committed to assisting relevant authorities in preventing money laundering.

Faysal Bank's success on this front is dependent upon the co-operation of all employees. Everyone must exercise prudence and vigilance when assessing potential new clients, handling client requests and processing client transactions. With everyone's commitment and determination, it is possible to translate the spirit of FBL's core values and business principles into daily practice, continue to protect the integrity of the Banking system, and maintain the Bank's reputation as a respectable and trustworthy institution.

Accordingly, the following precautionary steps are to be adopted in this connection:

- The identity of every new customer with whom we deal must be established from reliable identifying documents.
- If you suspect that funds stem from illegal activities, this must be reported internally to your next Reporting Supervisor or Compliance who will liaise with competent authorities.
- Customers should not be warned when information relating to them is being reported.
- Detailed requirements on Bank's due diligence policy and procedures are to be followed as given in the Compliance Manual.

### INSIDER TRADING

**Insider trading involves the improper use of unpublished price sensitive information for personal benefit when dealing in securities.**

According to Sections 15A and 15B of Securities and Exchange Ordinance 1969, employees and other persons who have privileged price information about a company during the preceding six months should not deal in securities of the company. Those found guilty of contravening the provisions of the Ordinance can be awarded punishment up to three years and obliged to pay fine as well as compensation to any person who may have suffered on account of such insider trading.

### SPECULATIVE DEALING

**Personal dealing in speculative transactions can entail employees with risks to their financial standing, can distract them from the performance of their duties and can impact on the reputation of the Bank. For these reasons, employees should not engage in speculative transactions for their personal account.**

Accordingly, no employee shall:

- borrow money from or in any way place himself under pecuniary obligation to a broker or money lender or any firm or persons having dealings with the Bank;
- buy or sell stocks, shares, commodities, foreign exchange or securities of any description without funds to meet the full cost thereof;
- lend money in his private capacity to a constituent of the Bank or have personal dealings with a constituent for the purpose of sale of bill of exchange, Government paper or any other securities.

In this connection, employees are advised to note that borrowing money from any source or placing themselves under pecuniary obligations beyond the capacity to repay or honor the commitment will be tantamount to speculative activity.

If employees are unclear whether any particular transaction/activity could be considered speculative they should seek guidance from their Executive Officer or Compliance. Please refer to the Compliance Manual Chapter 29 - Personal Account Dealing Policy on the intranet for details and for adherence.

### CONFLICT OF INTEREST

**You must be alert to any situation that could compromise the position of trust you hold as a Faysal Bank employee, and avoid any kind of conflict between your personal interests and those of Faysal Bank.**

You may engage in outside activities that do not conflict with the interests of the Bank, interfere with the responsibilities of its employees, or damage or misuse the reputation, trademarks, relationships, confidential information or other property of the Bank. The Bank has adopted the following guidelines to protect both the Bank and employees against conflicts of interest, and from situations that create a perception of impropriety.

From time to time, situations will arise that are not clear-cut. If you are uncertain about the propriety of your conduct or business relationships, consult your supervisor, Legal or Compliance.

You should never use your position with the Bank, or information acquired during your employment, in a manner that may create a conflict — or the appearance of a conflict — between your personal interests and the interests of the Bank or its customers and clients. You also should be aware that actual or potential conflicts of interest can arise not just from dealings with external parties, such as customers or suppliers, but also from relationships or transactions with leaders, subordinates or other employees. If a conflict or potential conflict arises, you must report it immediately to your leader or the Compliance Function, who will review and any such discussion will be held in confidence to the extent possible and in a spirit of cooperation.

Employees must ensure that their personal interests do not conflict with the duties which are owed to the Bank or which the Bank owes to its customers. This includes engaging in any of the following activities

## CODE OF CONDUCT

without the prior written approval of the Management:

- Becoming personally involved in any transaction of the Bank/Group.
- Negotiating or contracting on behalf of the Bank with an entity in which you or a relative has an interest.
- Accepting any employment (whether part time, temporary or other), consultancy, directorship or partnership outside the Bank.

If you are in doubt about whether a certain circumstance might create a conflict of interest, you may consult the Compliance for guidance before taking action.

### PERSONAL INVESTMENT POLICY

This policy covers Members of Investment Committee and Members of Investment Staff (Back Office) who are required to disclose their personal investments in stocks and shares and other securities.

Accordingly a staff member in the above category is required to obtain prior permission in writing from the Chief Executive for personal investments making sure that there is no case of conflict of interest. A copy should also be forwarded to Compliance.

In case prior approval could not be obtained for any reason, investment made should be reported to Compliance as and when investment is made.

### EXTERNAL FUNCTIONS

**You may not simultaneously work for any concern that does business with or competes with the Bank without the approval of the Head HR.**

You must disclose the following outside positions to the HR, who will determine if a conflict exists:

- A member of your immediate family or household works for, and holds a position that can influence decisions at, a firm that directly competes with or does business with the Company.
- A member of your immediate family or household holds a position that interacts with positions of authority at a firm that directly competes with or does business with the Company.
- Further, you may not serve as a director, trustee, officer or similar position (paid or otherwise) of any business, other than with the Bank or one of its subsidiaries, without prior approval of the HR. This rule does not apply to charitable, civic, religious, educational, public or social organisations, or to residential boards whose activities do not conflict with the interests of the Bank and do not impose excessive demands on your time.

### BOOKS AND RECORDS

#### ACCURACY AND COMPLETENESS

**You must ensure that the accounting and financial records of the Bank meet the highest standards of accuracy and completeness.**

Reporting accurate, complete and understandable information about the Bank's business, earnings and financial condition is an essential responsibility of all employees. It is not the exclusive responsibility of

## CODE OF CONDUCT

the Bank's accounting personnel to ensure that the Bank's accounting and financial records are accurate and complete. If you have reason to believe that any of the Bank's books and records are not being maintained in an accurate or complete manner, you are expected to report this immediately to your leader, the Chief Financial Officer, Compliance or the HR. Similarly, the Bank relies on you to speak up if you feel that you are being pressured to prepare or destroy documents in violation of Bank policy. You also should speak up if you become aware that any misleading, incomplete or false statement has been made to an accountant, auditor, attorney or government official in connection with any audit, examination or filing with a government agency, such as the State Bank of Pakistan or Securities and Exchange Commission.

### PROTECTION AND PROPER USE OF BANK'S PROPERTY

**As Faysal Bank's employee, you are entrusted with protecting the Bank's property.**

Acts of dishonesty against the Bank or its customers involving theft, destruction or misappropriation of money, property, office equipment, supplies or any other items of value, are, of course, prohibited. Falsification, alteration or substitution of records for the purpose of concealing or aiding such acts is also prohibited. If you suspect someone has committed such an act or you witness such an act, you should report it immediately to Security. If you prefer, you can speak informally and confidentially with Compliance.

You also must protect the use of the Bank's computer equipment, including Internet access. You should follow the Bank's procedures in connection with the disposition of personal computers, personal digital assistants, mobile phones or other Bank assets.

### GIFTS AND ENTERTAINMENT

It is the policy of the Bank that gifts are not to be accepted from customers or suppliers and potential donors must be diplomatically informed of this.

#### Exceptions

In cases where refusal of a gift would be regarded as an affront or it would be impractical or impossible to return the gift then in certain cases it can be accepted provided the gift is:

- not in the form of cash,
- clearly not in return for any consideration or in the anticipation of such,
- of nominal value only.

Any departure or proposed departure from the above must be reported through the line to the Compliance Function for a ruling on acceptance.

#### Personal Gifts by Employees

Personal friendships developed on the basis of Banking relationships can sometimes encourage the exchange of gifts for personal account. Care must be taken in this regard as it must be realised that, unfortunately, what may be offered simply as a token of friendship and goodwill, may be construed, in some circumstances, as not only a breach of ethics but even a criminal action.

#### Presenting Gifts

Gifts may be given for promotional purposes or on special occasions where it may be appropriate while

remaining within the jurisdiction of FBL management. The context in which such gifts are given is important and care must be exercised to avoid any such event that could be misinterpreted or construed as bribery or corruption.

### CONFIDENTIAL INFORMATION AND TRADE SECRETS

**You must protect confidential information and trade secrets, and prevent such information from being improperly disclosed to others inside or outside the Bank.**

You may learn, to a greater or lesser degree, facts about the Bank's business, plans, operations or "secrets of success" that are not known to the general public or to competitors. Sensitive information such as customer lists, the terms or fees offered to particular customers, marketing or strategic plans, or proprietary or product systems developments are examples of the Bank's confidential information and trade secrets. Similarly, during the course of performing your responsibilities, you may obtain information concerning possible transactions with other companies or receive confidential information about other companies. You may not disclose any confidential information or trade secret of the Bank to others or use any such information for your own or someone else's benefit. Within the Bank, confidential information and trade secrets should be divulged only to other employees who need the information to carry out their business responsibilities. You also are responsible for maintaining the confidentiality of sensitive employee information, such as salary, bonus or performance appraisal data. These obligations apply both during and subsequent to your employment with the Bank. You must be careful not to discuss such matters with family members, business or social acquaintances, or in places where you can be overheard, such as taxis, elevators, the Bank cafeteria or restaurants. In addition, you should not communicate or transmit confidential or sensitive information through external online communications services, such as the Internet.

### BREACHES & DISCIPLINARY ACTION

In the event of an employee committing breach of this Code or any of the provisions of Employment Rules or contravenes instructions/orders issued to him/her in connection with official work or who displays negligence, inefficiency, indolence or criminal (riotous) behavior or does anything detrimental to the interests of the Bank or is guilty of any other act of fraud, misconduct or insubordination, the Competent Authority, in its sole discretion and without limitation may impose on him/her one or more of the following penalties:

- Postponement or stoppage of increment or promotion.
- Recovery from pay of the whole or part of any pecuniary loss caused to Bank by the employee.
- Demotion to a lower stage of pay in his/her Grade or to a lower Grade.
- Dismissal from service, which will involve permanent disqualification for future employment in the Bank without notice period.
- Termination from service.
- Compulsory retirement from Service.

### ACCRUAL BASIS

Recognising 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 DIVIDEND

A cash dividend is money paid to shareholders, normally out of the company's current earnings or accumulated profits.

### 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.

### 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.

### COST / INCOME RATIO

Operating expenses as a percentage of total income.

### 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.

### DERIVATIVES

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

- 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');
- 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
- it is settled at a future date.



## GLOSSARY OF TERMS

### **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.

### **EARNINGS PER SHARE**

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

### **EFFECTIVE TAX RATE**

Net tax charge divided by the profit before taxation.

### **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.

## GLOSSARY OF TERMS

### **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 partly or wholly uncollectible.

### **MATERIALITY**

The relative significance of a transaction or an event or 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.

### **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.

### **NPLS TO GROSS ADVANCES/LOANS**

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

### **OFF BALANCE SHEET TRANSACTIONS**

Transactions that are not recognised 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 judgement 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.

## GLOSSARY OF TERMS

### 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.

### RETURN ON AVERAGE ASSETS

Profit after tax divided by the average assets.

### REVENUE RESERVE

Reserves set aside for future distribution and investment.

### 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.

### 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 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.



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# 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 29, 2016** and at any adjournment thereof.

Signed \_\_\_\_\_ day of \_\_\_\_\_, 2016

Witness:

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

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

Revenue Stamp  
Rs. 5/-

Signature of Member(s)

## Notes:

1. The Share Transfer Books of the Bank shall remain closed from **March 23, 2016 to March 29, 2016** (both days inclusive). Transfer received at the Shares Registrar of the Bank, by the close of business on March 22, 2016 will be treated in time for attending Annual General Meeting will be held on March 29, 2016 at Karachi.
2. A member entitled to attend and vote at the Meeting may appoint another Member as per his/her proxy to attend and vote for him/her provided that a corporation may appoint as its proxy a person who is not a member, but is duly authorized by the corporation. Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the holding of the Meeting.
3. Members are required to timely notify any change in their address to Bank's Shares Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.





# Bank on Ambition

FAYSAL BANK LIMITED

**Registered Office:**

Faysal House  
ST-02, Shahrah-e-Faisal,  
Karachi. Pakistan

[www.faysalbank.com](http://www.faysalbank.com)