

**Bank on Ambition**



ANNUAL REPORT  
**2012**

# پندرہویں سالانہ رپورٹ

نور اللغات سے فیض پارکنگ

ANNUAL REPORT  
2012

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Last year we discovered our individual selves with Khudi. Through the labyrinth of the deep self, lives the individual. With our selves resolved, we form a race, a nation. Standing under a flag, we join hands to change all that is around us and defines us.

Inspired by the works of Faiz, let us give 'khudi' a new collective ambition and let's take it forward in the creation of an enlightened nation.

نہی سے فیض پارک تک



We are today standing on the spring board to launch Faysal Bank into an era of even greater success.

# CHAIRMAN'S MESSAGE

## Assalam o Alaikum

The start of 2012 marked the beginning of a new phase of growth for Faysal Bank as we successfully integrated the merger with RBS Pakistan and the combined organisation emerged as a seamless single unit held together by Faysal Bank's Vision and Values. The challenges of integration, relating to People, Systems, Customer Offerings and Organisation Structure & Culture, were manifold and imperative. I am pleased to report that we have overcome most of these challenges by working together as a cohesive Team. We are today standing on the spring board to launch Faysal Bank into an era of even greater success.

During the year 2012, we were impacted by turbulent economic environment caused by energy shortages, poor law and order situation, and dwindling foreign and domestic investment. The consequent economic slowdown led to an increase in the bank's NPLs. In addition, the declining interest rates scenario added to the tough operating conditions for banks. We have successfully manoeuvred in this difficult climate to partially off-set the negative impact of the macro-environment by leveraging the enhanced size and scope of the Bank, through the untiring efforts of our employees. Today we stand with an increased footprint of more than 260 branches in over 70 cities.

Concerted efforts for controlling cost, increasing top-line revenue, and thus enhancing profitability were undertaken relentlessly throughout the year 2012. This thrust will continue into the new year, as we aim to broaden our range of innovative products and offerings, and to bring them to our customers with superior service. The focus has to be on diversified volumetric growth with a watchful eye on costs.

In this challenging and competitive environment, the most monumental task that we have on hand is to strike an optimal balance among the demands of our various stakeholders. We will continue to work to meet or exceed the expectations of our Customers, our Shareholders, and our Employees – while being a responsible and compliant Corporate Citizen. I am fully confident that we are on our way to achieving the excellence we seek as an institution.

I look forward to facing the next set of challenges, capitalising on the opportunities that lie ahead, and making 2013 a year of record accomplishment.

Syed Naseem Ahmad  
Chairman of the Board

**Our Vision**

Excellence in all that we do

**Our Mission**

Achieve leadership in providing financial services in chosen markets through innovation

**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' right 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****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**

# TAKE

We've been there and lived this time but all is not lost. We seek a purely green passion today. Perhaps the battle is over, the war for good continues.

تم یہ کہتے ہو وہ جنگ ہو بھی چکی  
جس میں رکھا نہیں ہے کسی نے قدم  
کوئی اُترانہ میدان میں دشمن نہ ہم  
کوئی صفت بن نہ پائی نہ کوئی علم

# وہ جنگ ہو بھی چکی ہے



# BOARD OF DIRECTORS

MOHAMED A. R. HUSSAIN  
Director

SHAHID AHMAD  
Director

FAROOQ RAHMATULLAH  
Director

NAVED A. KHAN  
President & CEO

SYED NASEEM AHMAD  
Chairman

HASSAN M. M. HASSAN  
Director

GRAHAM RODERICK WALKER  
Director

LT. GEN. MUHAMMAD MAQBOOL (Retd)  
Director



## BOARD OF DIRECTORS PROFILES

### Syed Naseem Ahmad Chairman

Syed Naseem Ahmad has a Masters Degree with Honours in Physics, with more than 50 years management experience, of which 27 years have been spent as Chief Executive of eight organisations namely: Education Equipment Technical Assistance Centre, a project of Ford Foundation based in Lahore, Philips Pakistan, Pakistan Security Printing Corporation, Security Papers Limited, SICPA Inks Pakistan Ltd., Pakistan Electric Power Company (PEPCO) National Beverages (Coca Cola), NAMS Trading Company, Doha, Bin Nayfa Al Shahwani International, Doha, State of Qatar. He has also worked in Levers Bros. Pak. Ltd. (UNILEVER).

His overall experience covers a wide field and includes areas of General Management, Human Resource, Administration, Marketing and Sales. He has substantial experience of re-engineering organisations, managing change and establishing independent profit centres within the organisation. He has a unique experience in Pakistan of demerger, when a part of Philips making refrigerators, was separated as an independent legal entity.

#### Key Positions held:

- President OICCI
- Vice-Chairman, Board of Trustees, KPT
- Chairman, Engro Chemicals Pakistan Ltd.

- Chairman, Pakistan Security Printing Corporation
- Chairman, Security Papers Limited
- Chairman, SICPA Inks Pakistan Ltd.
- Chairman, Philips Electrical Company of Pakistan
- Member, Board of Governors LUMS
- Director on the Board of PARCO
- Director on the Board of Sui Southern Gas Company
- Director on the Board of Karachi Electric Supply Corporation
- Director on the Board of Karachi Stock Exchange
- Director on the Board of Governors, Pakistan Institute of Management
- Member - Engineering Development Board of Pakistan and numerous Task Forces and other advisory bodies

Currently, he is the Chairman of the Board of Directors, Faysal Bank and Director, Pakistan Cables.

Syed Naseem Ahmad is a certified director having completed the Certificate of Director Education programme from Pakistan Institute of Corporate Governance.

### Naved A. Khan President & CEO

Naved A. Khan, President & Chief Executive

Officer at Faysal Bank, holds a BS Degree from Kelly School of Business, Indiana University, USA and an MBA degree from Butler University, USA. He has over 28 years of work experience with 26 years of broad-based banking experience. His last assignment was as Chief Executive Officer – ABN AMRO Bank Pakistan Ltd. Prior to joining ABN AMRO, he served in senior management positions in Bank of America, Pakistan.

Naved A. Khan is a certified director from Pakistan Institute of Corporate Governance.

#### Key Positions held:

- President of Overseas Investors Chambers of Commerce and Industry (OICCI) for the year 2011
- President of Pakistan Banks Association for the year 2006 & 2007
- Chairman – Academic Board, Institute of Bankers Pakistan from 2008 to-date
- Member of the Institute of Bankers Council since 2007
- Vice President of Institute of Bankers Pakistan
- Member of the Executive Committee, Pakistan Banks Association
- Chairman of PBA Sub Committee of Consumer Finance
- Member of the Board of Karachi Shipyard and Engineering Works
- Member of the Board of Fauji Fertilizer Bin Qasim

- President of Rotary Club of Karachi Metropolitan for the Year 2008
- Member of the Executive Committee of Dar Al Maal Al Islami (DMI)

### Graham Roderick Walker Director

Graham Roderick Walker has been an Executive Vice-President and Group Head of Finance and Risk Management of Dar Al-Maal Al-Islami Trust (DMI). He has served as a Finance Director of Ithmaar Bank B.S.C. Prior to joining DMI in 2000, he held various senior management positions with a number of major international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Foreign & Colonial Management Limited. He has a wide range of experience in banking and financial services.

Graham Walker is a Member of the Institute of Chartered Accountants of Scotland.

#### Key Positions held:

- Director on the Board of Faysal Bank Ltd.
- Director and a Member of Executive Board of Committee at CITIC International Assets Management Limited
- Director of Ithmaar Bank B.S.C.
- Member of Audit Committee of Shamil Bank of Bahrain B.S.C.

### Mohamed A. R. Hussain Director

Mohamed A. R. Hussain, who was appointed Ithmaar Bank Chief Executive Officer in August 2009, has been a Member of the Ithmaar Board of Directors since June 2008. He has also been a member of the Bank's Executive Committee and has been responsible for overseeing the Bank's holdings in subsidiaries, associates and strategic investments, as well as the Group's Treasury, Private Banking and Risk Management.

Mohamed A.R. Hussain has professional experience of over 33 years. He holds a Bachelor of Arts (Economics & Finance) degree from Aleppo University, Syria.

#### Key Positions held:

- Ithmaar Bank Chief Executive Officer
- Member of the Ithmaar Board of Directors and Member of the Bank's Executive Committee
- Chief Executive and Member of the Board of Shamil Bank (Bahrain)
- Deputy Chief Executive of Shamil Bank (Bahrain)
- General Manager of Islamic Investment Company of the Gulf (E.C.) - Bahrain
- Senior Vice President, Smith Barney Inc. Bahrain
- Director, Marketing and Corporate Finance, Bahrain International Bank
- Assistant Vice President, Gulf International

## BOARD OF DIRECTORS PROFILES

- Bank
- Currently serving on the Boards of BBK (formerly known as Bank of Bahrain and Kuwait), Faysal Bank Limited (Pakistan), First Leasing Bank, Solidarity and Eskan Bank

### Farooq Rahmatullah Director

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 and PIA.

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 Stone Development Company

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

**Shahid Ahmed  
Director**

Shahid Ahmad has been active in international trade for 40 years. His business interests are in Manufacturing, Real Estate, Investments, Trade, Travel-related Business, News and Cable TV, and Remote Site Management.

He serves on the boards of a number of public and private corporations and philanthropic organisations.

**Hassan Mohammed Mahmood Hassan  
Director**

Hassan Mohammed has over 40 years of extensive diversified work experience of Auditing, Accounting, Fund Management, Offshore and

Investment Banking. He is currently working as a consultant in Islamic Investment Company of the Gulf (Bahamas) Limited. He holds a Diploma in Book Keeping and a Bachelor of Commerce from University of Bangalore, India.

**Key Positions held:**

He is holding directorships in:

- Egyptian Investment Company, Cairo, Egypt
- Faisal Finance Morocco, Casablanca, Morocco
- Overland Capital Group, Inc. Boston, Massachusetts, USA

- BBK BSC (Bank of Bahrain & Kuwait)
- Islamic Investment Company of the Gulf (Bahamas) Ltd.
- Faisal Islamic Bank of Egypt, Cairo, Egypt
- Ithraa Capital, Kingdom of Saudi Arabia

**Lt. Gen. Muhammad Maqbool (Retd)  
Director**

Lt Gen (Retd) Muhammad Maqbool, HI(M), SBT, has served in the Army for 37 years from 1961 to 1998. Holds a Masters degree in War Studies and has attended advanced professional courses at home and abroad. He has commanded an independent armoured brigade, an armoured division and an infantry division, a strike corps, Pakistan Military Academy and National Defence College (now NDU).

Soon after his retirement in 1998, he, with a portion of his pension fund, established "Teach A Child School System" meant to provide "privileged education to the underprivileged". In January 1999, he assumed the responsibilities as the Managing Director Fauji Foundation (FF)- the largest industrial cum welfare conglomerate at that point in time. Besides six limited companies, he was responsible for the largest non-government nation- wide welfare complex comprising large network of educational institutions, numerous hospitals, static and mobile health facilities, artificial limb centre, vocational

& technical training centres accessible to ex-servicemen, their families and in most cases also to the local population. As MD FF, he had a very enriching experience of leading the FF team to negotiate, with the Ministry of Finance, GOP, IFC and consortium of local banks, the financial restructuring of FFC Jordon Fertilizer Company Limited (FJFC; now known as FFBL) and Fauji Cement Company Limited. He successfully established the Fauji Cards Company- a state of the art facility in Islamabad - to manufacture national ID cards.

**Key Positions Held**

**Listed Companies**

- Chairman, Fauji Fertilizer Company Ltd
- Chairman, FFC Jordan Fertilizer Company Ltd
- Chairman, Fauji Cement Company Ltd
- Chairman, Mari Gas Company Ltd

**Unlisted Companies**

- Chairman, Fauji Kabirwala Company Ltd
- Chairman, Fauji Oil Terminal Company Ltd
- Wholly Owned Companies. Chairman, Boards of Management
- Three sugar mills at Khoski, Tando M.Khan & Sangla
- Foundation Gas
- Fauji Corn Complex
- Fauji Cereals
- Fauji Polypropylene

- Fauji Seed Multiplication Farm
- Foundation Securities (Pvt) Limited
- Overseas Employment Services
- FF Institute of Management Sciences
- Foundation Medical College

He has held Directorship positions on the Boards of Human Development Foundation, ABN Amro Bank, and Royal Bank of Scotland.

Currently, he is Chairman, Board of Governors, The Helpcare Society, Lahore and Director, Faysal Bank Limited.

## CORPORATE INFORMATION

### Board of Directors

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

### Audit Committee (AC)

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

### Board Risk Management Committee (BRMC)

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

### Recruitment Nomination and Remuneration Committee (RNRC)

Syed Naseem Ahmad  
Farooq Rahmatullah  
Naved A. Khan  
Shahid Ahmad  
Hassan Mohammed Mahmood Hassan

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

Chairman  
Member  
Member

Chairman  
Member  
Member  
Member

Chairman  
Member  
Member  
Member  
Member

## BOARD MEETING ATTENDANCE

ATTENDED BY / MEETING DATE	28/02/12	20/04/12	28/08/12	30 & 31/10/12	13/12/12
<b>ATTENDED BY</b>					
Syed Naseem Ahmad	✓	✓	✓	✓	✓
Naved A. Khan	✓	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	✓	✓	✓
Graham R. Walker	✓	✓	✓	Leave of Absence	Leave of Absence
Mohamed A. R. Hussain	✓	✓	✓	✓	✓
Shahid Ahmad	✓	✓	✓	✓	✓
Hassan Mohammed Mahmood Hassan	✓	✓	✓	Leave of Absence	✓
Lt. Gen. Muhammad Maqbool (Retd)	✓	✓	✓	✓	✓

# SENIOR MANAGEMENT

A. MEHREEN AMIN  
Head Human Resources

B. SUHAIL KHAN  
Chief Risk Officer

C. FOUAD FARRUKH  
Head Islamic Banking

D. AARIJ ALI  
Head Retail Banking

E. SYED MAJID ALI  
Chief Financial Officer

F. NAVED A KHAN  
President & CEO

G. YOUSAF HUSSAIN  
Head Special Assets Management

H. SALMAN AHMED USMANI  
Head Treasury & ECM

I. ABADULLAH  
Head Centralised Operations

J. NAUMAN ANSARI  
Head Corporate & Investment Banking

K. SHAHID SALIM  
Head Internal Audit

L. NASIR ISLAM  
Head Compliance & Acting Company Secretary

### Naved A. Khan President & CEO

Naved A. Khan, President & Chief Executive Officer at Faysal Bank, holds a BS Degree from Kelly School of Business, Indiana University, USA and an MBA degree from Butler University, USA. He has over 28 years of work experience with 26 years of broad-based banking experience. His last assignment was as Chief Executive Officer – ABN AMRO Bank Pakistan Ltd. Prior to joining ABN AMRO, he served in senior management positions in Bank of America, Pakistan.

Naved A. Khan is a certified director from Pakistan Institute of Corporate Governance.

#### Key Positions held:

- President of Overseas Investors Chambers of Commerce and Industry (OICCI) for the year 2011
- President of Pakistan Banks Association for the year 2006 & 2007
- Chairman – Academic Board, Institute of Bankers Pakistan from 2008 to-date
- Member of the Institute of Bankers Council since 2007
- Vice President of Institute of Bankers Pakistan
- Member of the Executive Committee, Pakistan Banks Association
- Chairman of PBA Sub Committee of Consumer Finance
- Member of the Board of Karachi Shipyard

- and Engineering Works
- Member of the Board of Fauji Fertilizer Bin Qasim
- President of Rotary Club of Karachi Metropolitan for the Year 2008
- Member of the Executive Committee of Dar Al Maal Al Islami (DMI)

### Nauman Ansari Head Corporate & Investment Banking

Nauman Ansari has 16 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 Ansari holds a Bachelors of Science degree in Business Studies from the USA.

### Aarij Ali Head Retail Banking

Aarij Ali has over 26 years of banking experience in various capacities in Retail, Consumer, Corporate and Operations areas. He has also handled business support projects related to HRD, Technology and Strategy Development. He holds an MBA Degree from IBA (Karachi). Prior to joining Faysal Bank, Aarij has been associated with ANZ Grindlays, MCB Bank and Saudi Pak Commercial Bank.

### Salman Ahmed Usmani Head Treasury & ECM

Salman Ahmed Usmani has extensive experience of over 23 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.

### Mehreen Amin Head Human Resources

Mehreen Amin possesses over 27 years of work experience, in the areas of I.T. and HR. She has been professionally associated in senior positions with leading multinationals such as G. D. Searle U.K., Shell Pakistan and Reckitt Benckiser, where she was the HR Regional Director (for the Africa Middle East region). In her last assignment at ABN AMRO Pakistan, she was the Head of Human Resources. She is the Member of the Board of Governors of Pakistan Society for Training & Development.

### Nasir Islam Head Compliance and Acting Company Secretary

Nasir Islam is a qualified Chartered Accountant with over 19 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.

### Yousaf Hussain Head Special Assets Management

Yousaf Hussain was previously Head of Corporate Banking (North) at Faysal Bank. He has been with Faysal Bank since August 2008 and has contributed significantly to our franchise through his active support on various strategic level initiatives and ramping up the Corporate Banking Business in the North region. Overall, Yousaf has 19 years of professional experience, primarily at ABN AMRO Bank within the Corporate/Credit and Transaction Banking functions. His experience also includes senior assignments at Samba Bank, Mashreq Bank, Motorola/Mobilink and Siemens Pakistan. In addition to being an electrical engineer, he has done his Masters in

Business Administration from LUMS.

### Syed Majid Ali Chief Financial Officer

Syed Majid Ali is a Fellow member of the Institute of Chartered Accountants. He has over 19 years of diversified experience, progressively responsible in the Accounts and Finance disciplines of banking with exposure in I.T. and HR activities. He has been associated as CFO with Emirates Bank International and Saudi Pak Commercial Bank, as well as KPMG as Partner.

### Suhail Khan Chief Risk Officer

Prior to joining Faysal Bank, Suhail was responsible for UK Institutional Sales as an Executive Director with Fortis Investments. He started his banking career with ABN AMRO Pakistan in 1996 as a Corporate Relationship Manager and then led a team in the Credit Portfolio Management function of the bank. In 2002, he moved to ABN AMRO UK where he served as the Global Business Manager for Investment Banking (Energy & Resources Sector) and Asset Management franchises. He brings with him over 15 years of diversified experience in financial services, both in local and foreign markets. Suhail holds an MBA in Finance from IBA (Karachi) and a Chartered Financial

Analyst (CFA).

### Fouad Farrukh Head Islamic Banking

Fouad Farrukh brings with him rich and broad-based experience of 17 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 Farrukh started his career with Faysal Bank as a Corporate Relationship Manager in 1996. He has previously worked as Gulf Risk Manager, Habib Bank Ltd., Dubai and Country Head, Habib Bank Ltd. Bahrain, before joining BMI Bank B.S.C. (c) Bahrain as Head, Islamic Financial Services.

### Shahid Salim Head Internal Audit

Shahid Salim has over 27 years of comprehensive work experience with major multinationals in Pakistan and abroad. Having worked with American Express Bank, ABN AMRO and ICI Pakistan, he brings with him significant experience and valuable skills from his diversified experiences in the field of Finance, Internal Audit and Compliance. He is a certified AML Specialist and Internal Control Auditor.

## SENIOR MANAGEMENT PROFILES

### Abadullah

#### Head Centralised Operations

Prior to joining Faysal Bank, 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 with United Bank Ltd. He brings with him 28 years of diversified experience of Branch Banking, Trade, Cash Management and Operations; he holds a Masters in Business Administration (Finance) from IBA University of Punjab.

انور سے فیض پارک

## SENIOR MANAGEMENT AND INTERNAL COMMITTEES

### Senior Management

**Naved A. Khan**  
President & CEO

**Nauman Ansari**  
Head Corporate & Investment Banking

**Aarij Ali**  
Head Retail Banking

**Salman Ahmed Usmani**  
Head Treasury & ECM

**Yousaf Hussain**  
Head Special Assets Management

**Suhail Khan**  
Chief Risk Officer

**Syed Majid Ali**  
Chief Financial Officer

**Mehreen Amin**  
Head Human Resources

**Nasir Islam**  
Head Compliance  
& Acting Company Secretary

**Fouad Farrukh**  
Head Islamic Banking

**Shahid Salim**  
Head Internal Audit

**Abadullah**  
Head Centralised Operations

### Management Committee

**Naved A. Khan**  
Chairman

**Syed Majid Ali**  
Member & Secretary

**Nauman Ansari**  
Member

**Aarij Ali**  
Member

**Salman Ahmed Usmani**  
Member

**Yousaf Hussain**  
Member

**Suhail Khan**  
Member

**Mehreen Amin**  
Member

**Nasir Islam**  
Member

### Asset & Liability Committee

**Naved A. Khan**  
Chairman

**Salman Ahmed Usmani**  
Member & Secretary

**Nauman Ansari**  
Member

**Aarij Ali**  
Member

**Syed Majid Ali**  
Member

**Asad Kerai**  
Head Enterprise Risk Management  
Member

**Suhail Khan**  
Member

**Yousaf Hussain**  
Member

### Compliance Committee

**Naved A. Khan**  
Chairman

**Nasir Islam**  
Member & Secretary

**Suhail Khan**  
Member

**Syed Majid Ali**  
Member

**Shahid Salim**  
Member

**Abadullah**  
Member

### IT Steering Committee

**Naved A. Khan**  
Chairman

**Muhammad Afzal**  
Head Technology  
Member & Secretary

**Syed Majid Ali**  
Member

**Nasir Islam**  
Member

**Aarij Ali**  
Member

**Shahid Salim**  
Member

**Suhail Khan**  
Member

**Nauman Ansari**  
Member

**Abadullah**  
Member

### Investment Committee

**Naved A. Khan**  
Chairman

**Salman Ahmed Usmani**  
Member & Secretary

**Nauman Ansari**  
Member

**Suhail Khan**  
Member

**Syed Majid Ali**  
Member

**Asad Kerai**  
Member

### Enterprise Risk Management Committee

**Naved A. Khan**  
Chairman

**Asad Kerai**  
Member & Secretary

**Suhail Khan**  
Member

**Nauman Ansari**  
Member

**Aarij Ali**  
Member

**Salman Ahmed Usmani**  
Member

**Syed Majid Ali**  
Member

**Nasir Islam**  
Member

**Abadullah**  
Member

### Country Credit Committee

**Naved A. Khan**  
Chairman

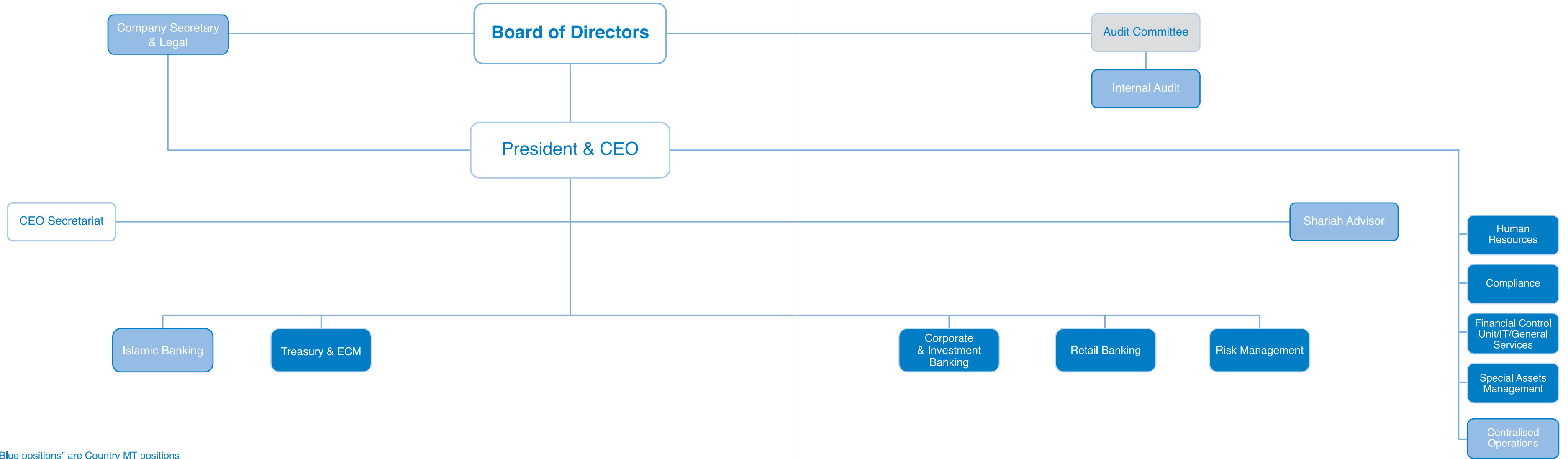
**Suhail Khan**  
Member & Secretary

**Nauman Ansari**  
Member

**Aarij Ali**  
Member

## SENIOR MANAGEMENT AND INTERNAL COMMITTEES

# ORGANISATIONAL STRUCTURE



■ "Blue positions" are Country MT positions



# GIVE

It's time we give up the dark and step into the light. It's time we give ourselves a new resolve as a nation.

دل کے ایواں میں لئے کُل شدہ شمعوں کی قطار  
نورِ خورشید سے سہم ہوئے اکتائے ہوئے  
حسنِ محبوب کے سیاں تصویر کی طرح  
اپنی تاریکی کو بھینچے ہوئے، لپٹائے ہوئے

اپنے تاریکی  
میں لپٹائے  
ہوئے

# CORPORATE SOCIAL RESPONSIBILITY

## INTENT AND DIRECTION

Faysal Bank believes in being a good corporate citizen of the communities that it operates in. Through its Corporate Social Responsibility programme, it reaches out to support charitable causes that help our less fortunate compatriots. The focus is on three avenues:

- Education – helping provide primary and secondary level schooling in less privileged areas; supporting professional education of talented youth who are in financial need
- Health – supporting charities that bring free or highly subsidised medical care to the indigent or provide means of disease prevention
- Poverty Alleviation – helping our youth acquire marketable skills through vocational training in trades that have a demand in the job market

The funds available in the Waqf Faisal Trust are disbursed in a responsible and transparent manner to qualified charities working in the pre-determined sectors. There is also a conscious and concerted effort to steward the donations by keeping track of how the monies are spent. In addition, the CSR Programme is used within Faysal Bank as a platform to develop and instill a culture of Community Investment through active Employee Engagement.

## ALLOCATION OF FUNDS

The CSR endeavours are funded by the Waqf Faisal Trust as per the following allocation of funds earmarked for charitable spend in the year: Education 40%; Health 40%; and Poverty Alleviation 20%. Some amount of funds are also used for helping staff overcome medical and sustenance needs arising out of emergency situations.

## DONATIONS IN 2012

During the year an aggregate amount of Rs. 12.6 million was donated to various non-profit organisations through Waqf Faisal. Some significant contributions made from this account are:

- PKR 1.3 million contributed to Lahore University of Management Sciences for sponsoring the studies of one engineering and one non-engineering student selected under the National Outreach Programme.
- PKR 0.8 million contributed to Human Development Foundation to sponsor a labour room with ultrasound machine in Mardan along with a contribution of PKR 1.1 million to fund the annual operational expenses of a school in Mardan.
- PKR 0.6 million contributed to Helpcare Society to sponsor studies of deserving students in TAC School
- A contribution of PKR 0.95 million made to Community Advisory and Welfare Services towards setting up of 2 safe water centres in designated areas of Karachi.
- PKR 1.5 million contributed to Karigar Training Institute in order to subsidise vocational training of one batch of approximately 40 trainees during 2012.
- PKR 1 million contributed to Karawan e Hayat to fund the operational expenses of their psychiatric hospital in Keamari

- PKR 1 million contributed to Marie Adelaide Leprosy Centre to wards procurement of medicines for tuberculosis treatment
- Shaukat Khanum Memorial Trust Hospital and The Kidney Centre were donated PKR 0.5 million each
- PKR 1.5 million given to the survivors of an employee who lost his life in an accident

Other than the above Waqf Faisal Trust-funded contributions, Faysal Bank also donated PKR 19 million during the year to the Institute of Business Administration (IBA), Karachi. This contribution is part of the ongoing commitments to support development work at the IBA to the tune Rs. 75 million over a 6 year period:

PKR 50 million over the years 2009 – 2013  
PKR 25 million over the years 2012 - 2014

As a gesture of appreciation, the main academic block at the IBA City Campus has been named Faysal Bank Academic Centre

In 2011, Faysal Bank donated PKR 30 million to TCF for construction and funding support for 3 years, of two schools in the flood affected areas of Mianwali and Khushab. The donation was made out of the Board of Directors' Allocated Fund for Flood Relief. Both these schools have been completed and have started with the academic year commencing from April 2012.



## SIX YEARS FINANCIAL SUMMARY

	(Rupees in million)					
	2012	2011	2010	2009	2008	2007
<b>OPERATIONAL RESULTS</b>						
Mark-up / return / interest earned	28,802	28,825	19,710	16,958	13,404	11,611
Mark-up / return / interest expensed	19,839	19,619	13,919	11,968	8,455	7,459
Fee, commission, brokerage & FX Income	2,627	2,624	1,659	1,286	1,161	1,058
Dividend and Capital gains	1,646	363	1,675	1,493	1,073	2,337
Total income	14,245	13,277	9,804	7,803	7,260	7,593
Provisions / Write-off	1,401	695	2,202	2,192	2,047	2,079
Operating expenses	11,004	11,103	6,775	4,311	3,416	2,816
Operating profit / (loss) before tax and provision	3,241	2,173	3,029	3,492	3,844	4,777
Profit / (loss) before taxation	1,840	1,478	827	1,301	1,797	2,698
Profit / (loss) after taxation	1,423	1,280	1,190	1,200	1,115	2,272
Dividends	%	-	-	-	-	25.0
Bonus shares	%	12.5	12.5	20.0	-	15.0
<b>BALANCE SHEET</b>						
Shareholders' equity	18,729	17,793	16,643	11,336	10,136	10,345
Revaluation Reserves	2,249	1,420	(125)	1,447	636	5,811
Deposits	240,713	214,615	195,315	123,665	102,777	102,067
Borrowings from financial institutions	35,568	39,697	34,636	34,986	13,027	9,996
Advances - net of provision	172,299	148,162	133,707	91,346	83,512	87,346
Investments - net of provision	87,995	93,409	86,419	56,531	36,153	31,553
Total assets	313,064	292,568	267,321	180,865	138,241	141,277
<b>OTHERS</b>						
Imports	120,269	103,766	73,116	66,400	38,089	68,171
Exports	83,525	69,033	44,646	36,173	50,395	52,110
<b>FINANCIAL RATIOS</b>						
Capital Adequacy ratio	%	10.75	10.65	10.31	11.93	10.84
Profit before tax ratio	%	6.39	5.13	4.20	7.67	13.41
Gross spread ratio (Net mark up income / gross mark-up income)	%	31.12	31.94	29.38	29.43	36.92
Income / Expense ratio	Times	1.29	1.20	1.45	1.81	2.13
Return on Capital Employed	%	1.16	1.31	0.80	9.00	10.57
Return on Average Equity (ROE)	%	7.79	7.43	8.51	11.18	10.89
Return on Average Assets (ROA)	%	0.47	0.46	0.53	0.75	0.80
CASA to total deposits	%	60.92	54.50	53.22	54.51	47.68
Weighted Average Cost of Deposit	%	6.37	7.04	6.70	8.23	7.03
Current Ratio	Times	0.98	0.73	0.68	0.51	0.54
Gross Advances / Deposit Ratio (Average)	%	78.26	77.25	78.25	82.58	87.69
Net Advances / Deposit Ratio (Average)	%	70.38	68.76	70.55	77.22	83.41
Non-performing loans to Gross advances ratio	%	14.44	15.74	16.34	10.85	8.40
Specific provision held / Non-performing loans ratio	%	66.31	65.51	69.46	62.45	65.14
Total assets turnover ratio / Fixed assets turnover ratio (Total assets / Fixed assets)	Times	28.83	26.96	30.63	64.87	52.23
Price Earning ratio	%	6.94	5.89	12.15	13.54	9.58
Earning per share (EPS) *	Rs.	1.53	1.38	1.28	1.30	1.20
Net Assets per share	Rs.	22.62	23.31	22.60	20.99	20.34
Market value per share	Rs.	10.65	8.13	15.59	17.53	11.51
Market value per share - high	Rs.	14.12	15.95	20.90	18.75	66.70
Market value per share - low	Rs.	8.38	8.07	12.97	7.94	11.51
Earning Asset to Total Asset Ratio	%	83.20	83.39	83.28	90.06	89.51
Dividend Yield Ratio (Cash Dividend)	%	-	-	-	-	-
Dividend pay out ratio (Cash Dividend)	%	-	-	-	-	-
Book value per share - excluding surplus/ (deficit) on revaluation of assets	Rs.	20.20	21.59	22.77	18.61	19.14
Book value per share - excluding surplus/ (deficit) on revaluation of fixed assets	Rs.	20.64	20.98	22.60	20.99	20.34
Book value per share - including surplus/ (deficit) on revaluation of assets	Rs.	22.62	23.31	20.99	20.34	30.51
Number of employees		3,465	3,435	3,582	2,042	1,759
Number of branches		265	257	226	133	105

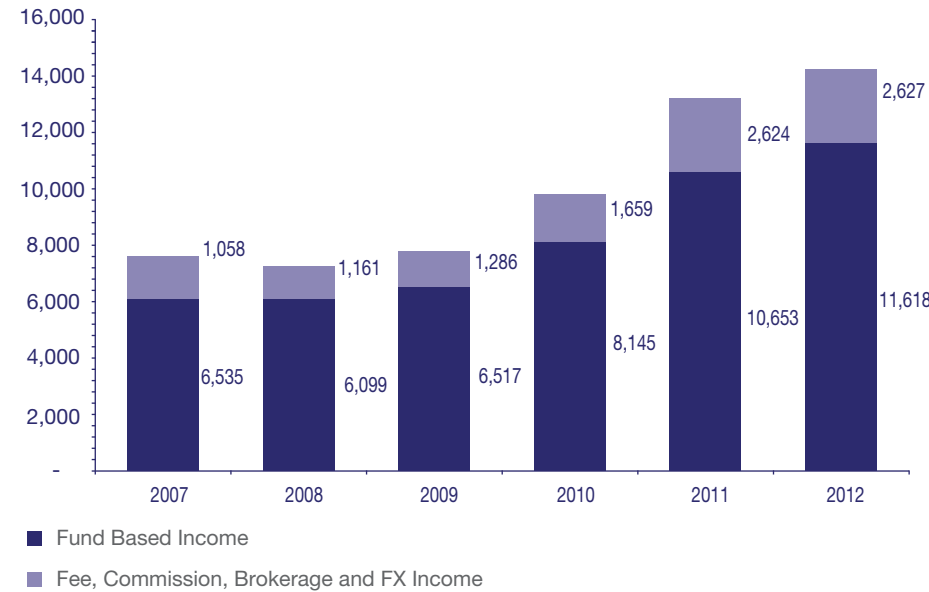
\* Adjusted for prior years to reflect bonus shares issued during 2012

## SIX YEARS FINANCIAL SUMMARY

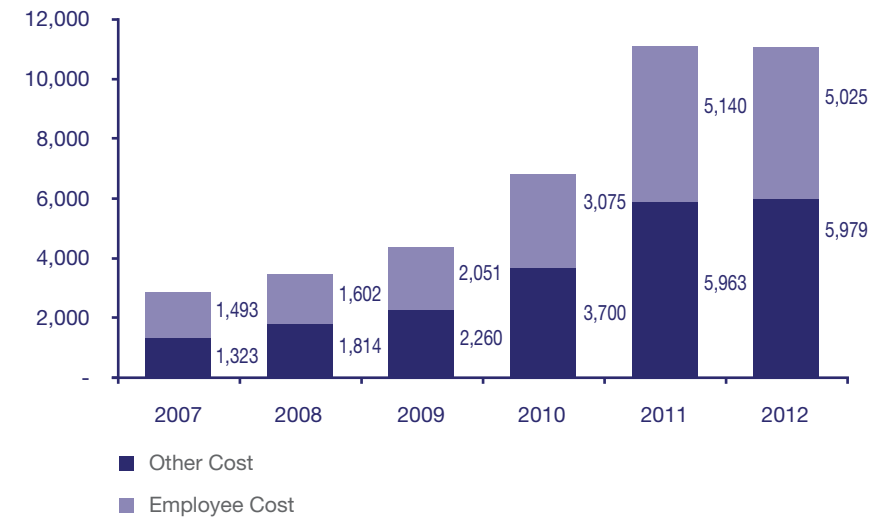
	(Rupees in million)					
	2012	2011	2010	2009	2008	2007
<b>CASHFLOWS</b>						
Operating activities	(4,767)	5,912	8,882	17,862	1,882	7,262
Investing activities	7,654	(5,842)	2,050	(18,438)	(2,669)	(5,505)
Financing activities	(204)	(209)	3,004	(5)	(1,326)	(818)
Cash & cash equivalents at end of the year	25,694	23,011	23,150	9,214	9,804	11,380
<b>MATURITY PROFILE</b>						
Net assets maturity wise:						
Upto one month	(28,399)	(28,640)	(77,873)	(71,637)	(41,840)	(30,936)
Over one month to three months	8,976	(3,212)	17,346	(10,549)	10,431	2,301
Over three months to six months	3,729	12,261	8,387	29,493	3,048	6,981
Over six months to one year	30,994	29,662	(5,960)	9,557	803	2,443
Over one year to two years	(2,525)	(17,458)	18,886	12,839	12,407	17,083
Over two years to three years	5,052	(139)	5,727	10,746	7,316	5,235
Over three years to five years	(3,349)	12,261	22,848	12,931	5,316	5,370
Over five years to ten years	(1,275)	4,736	17,006	14,923	6,596	3,970
Over ten years	7,774	9,743	10,149	4,480	6,695	3,710
Total net assets	20,978	19,214	16,516	12,783	10,772	16,157

## INCOME AND EXPENSE COMPOSITION

**Income Composition**  
Rupees in Million

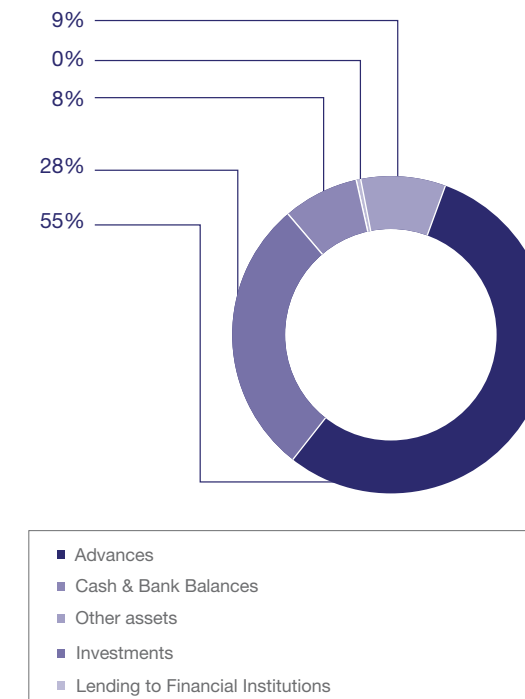


**Expense Composition**  
Rupees in Million

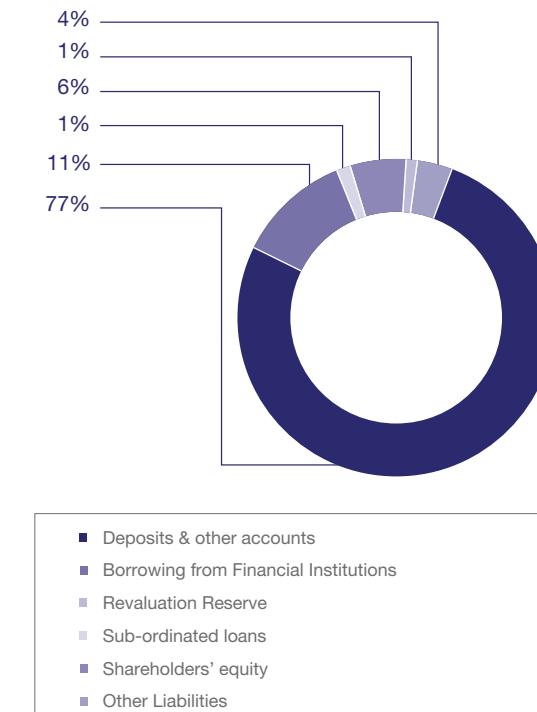


## STATEMENT OF FINANCIAL POSITION COMPOSITION

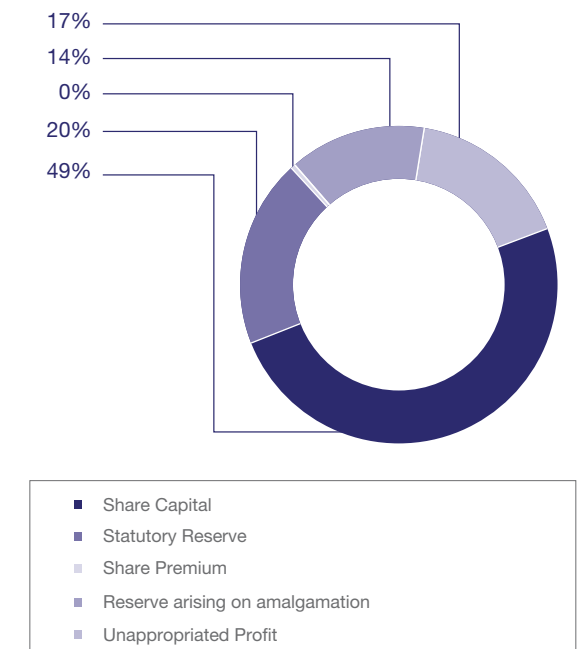
**Assets**



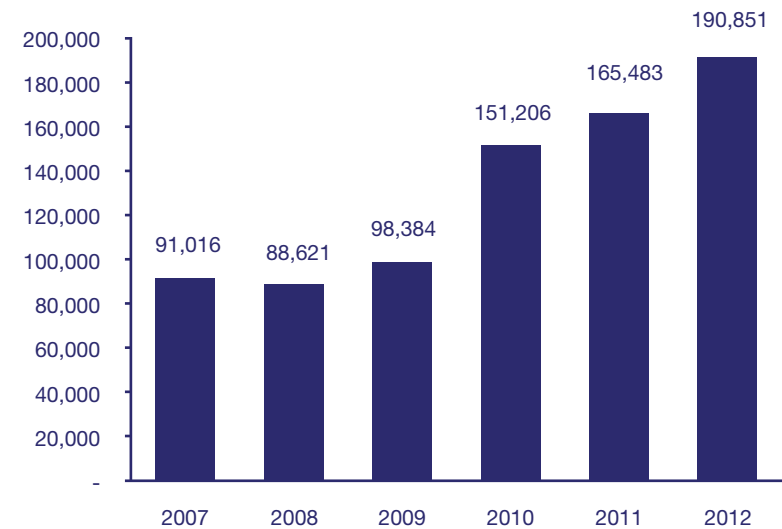
**Liabilities & Equity**



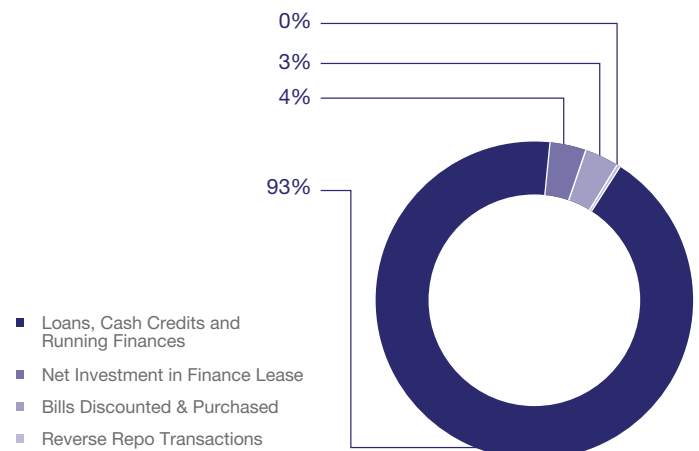
**Shareholders' Equity**



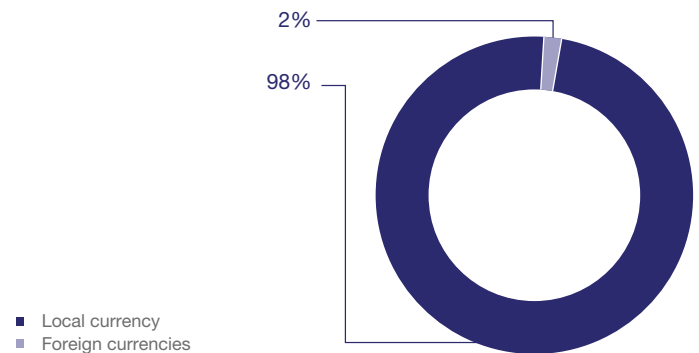
**Gross Advances**  
Rupees in Million



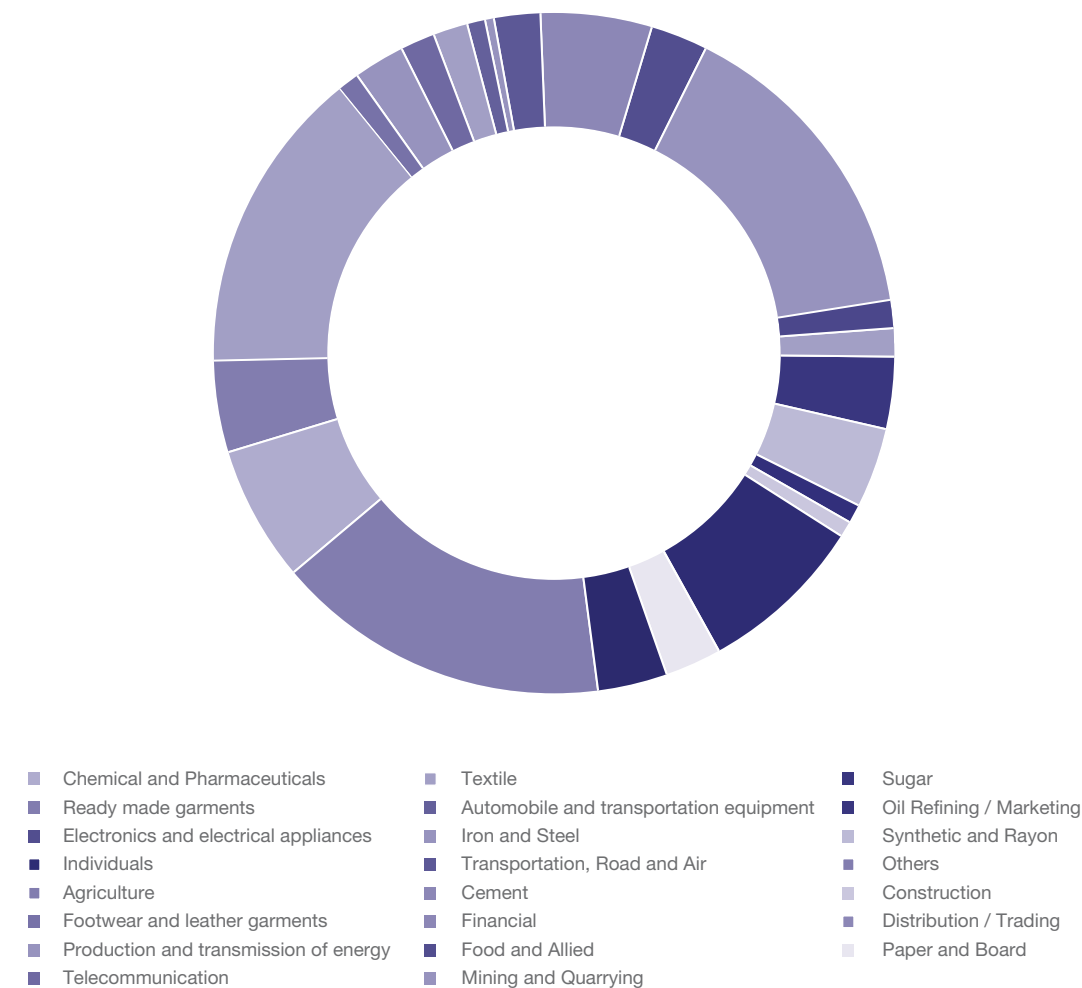
**Advances Categorisation**



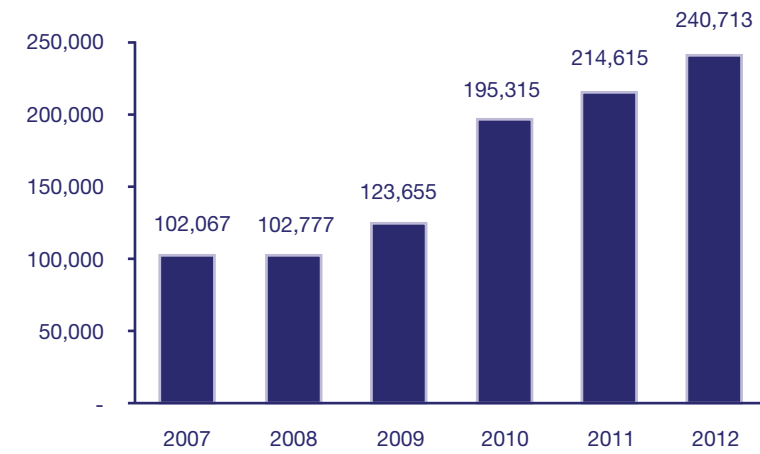
**Advances by Currency**



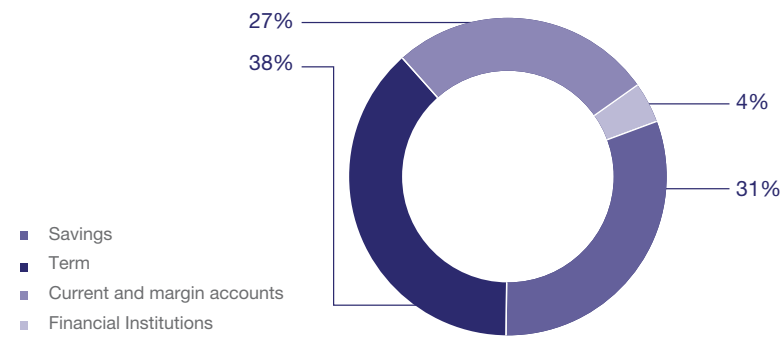
**Advances**



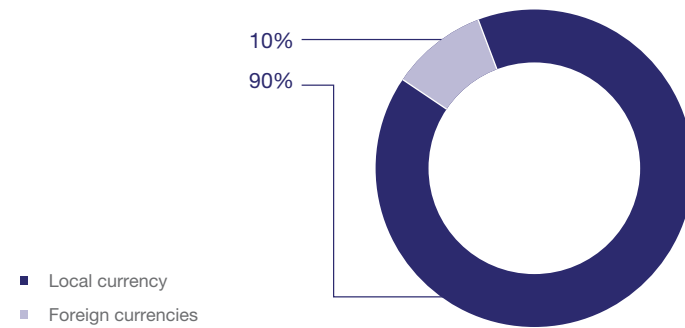
**Deposits**  
Rupees in Million



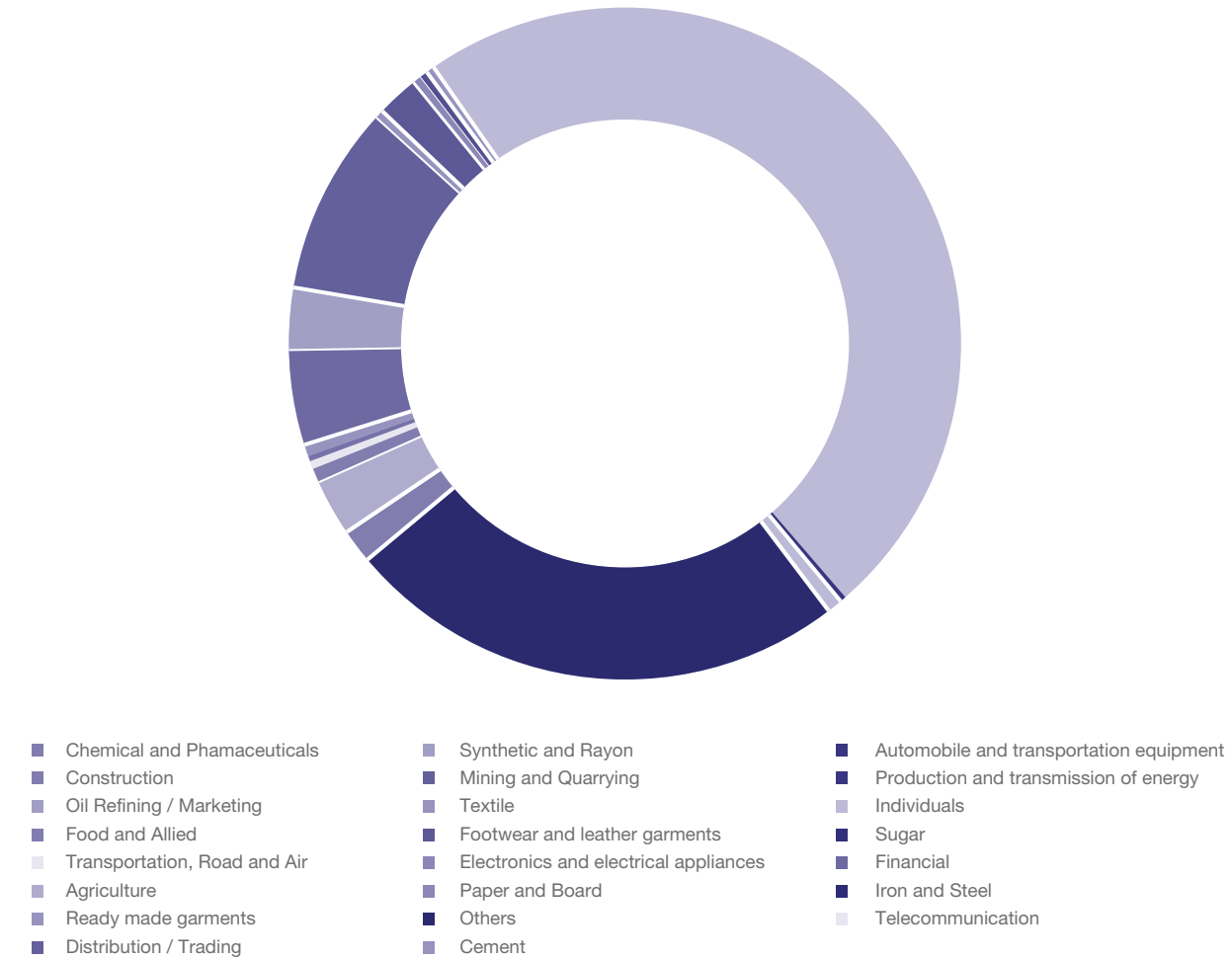
**Deposits Categorisation**



**Deposits by Currency**

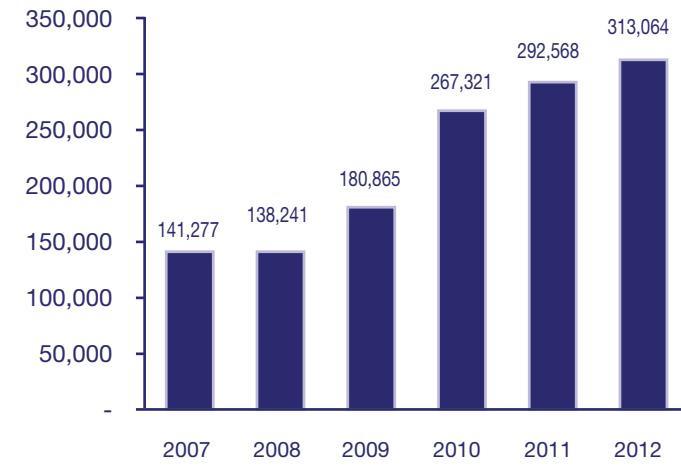


**Deposits**

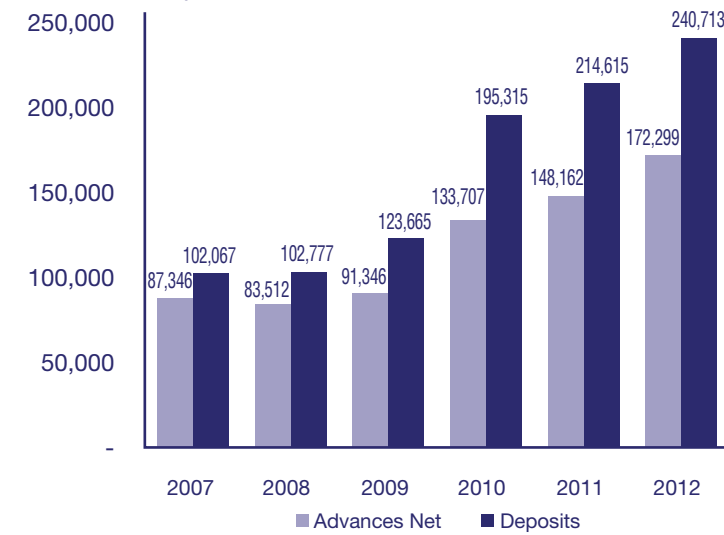


## TOTAL ASSETS AND NET ADVANCES TO DEPOSITS

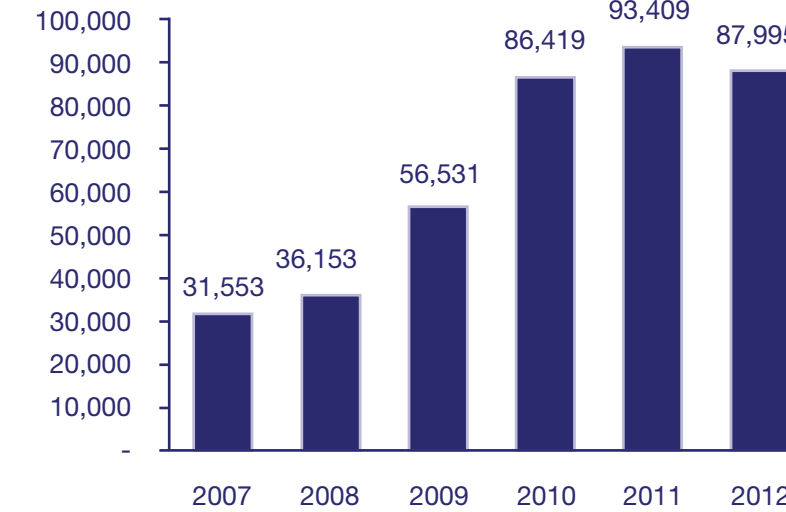
**Total Assets**  
Rupees in Million



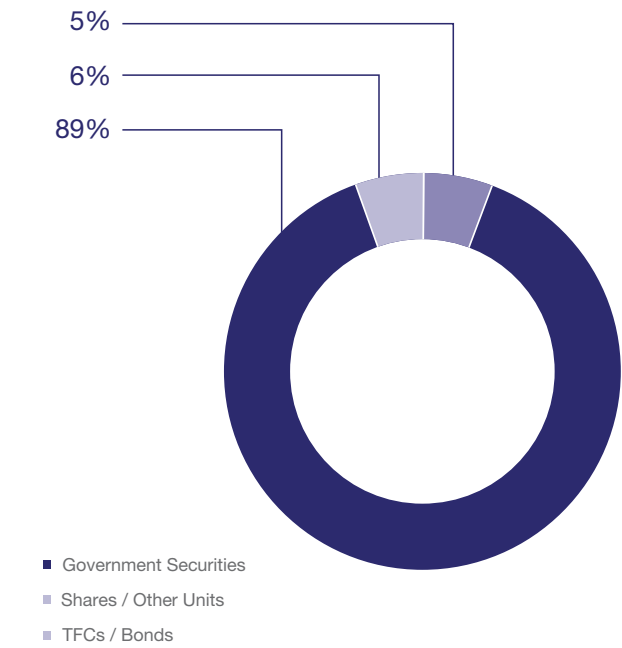
**Net Advances to Deposits**  
Rupees in Million



**Investments**  
Rupees in Million

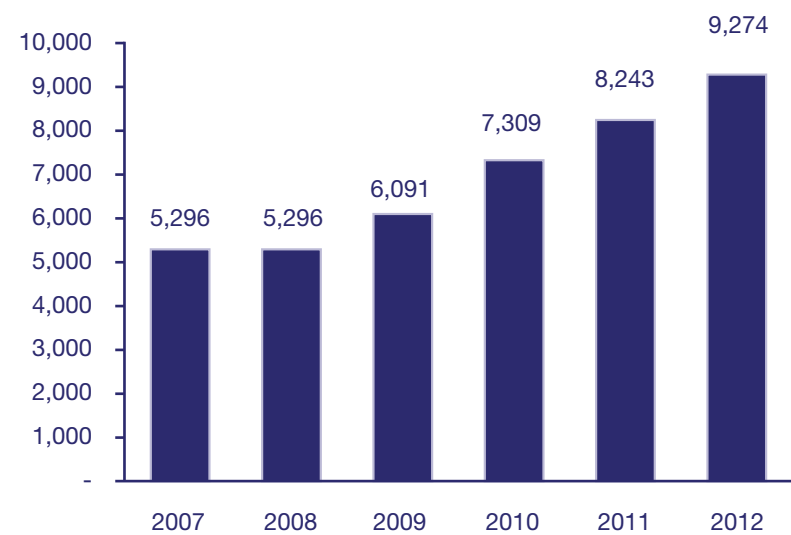


**Investments**



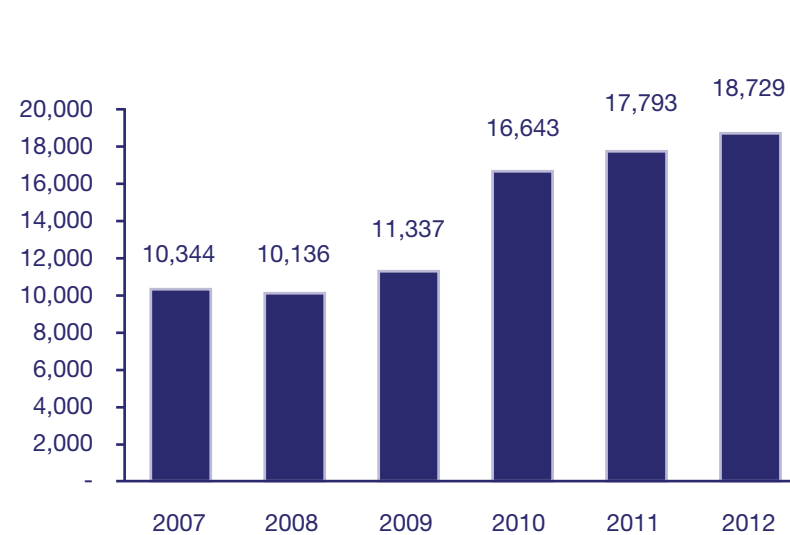
**Paid-up Capital**

Rupees in Million



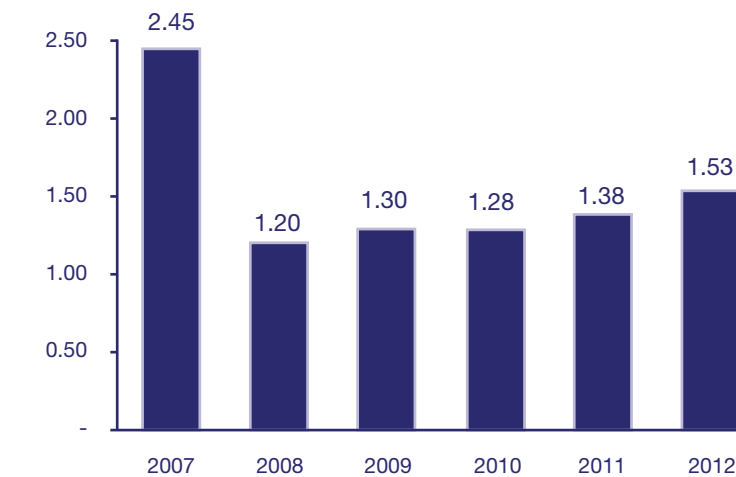
**Shareholders' Equity**

Rupees in Million



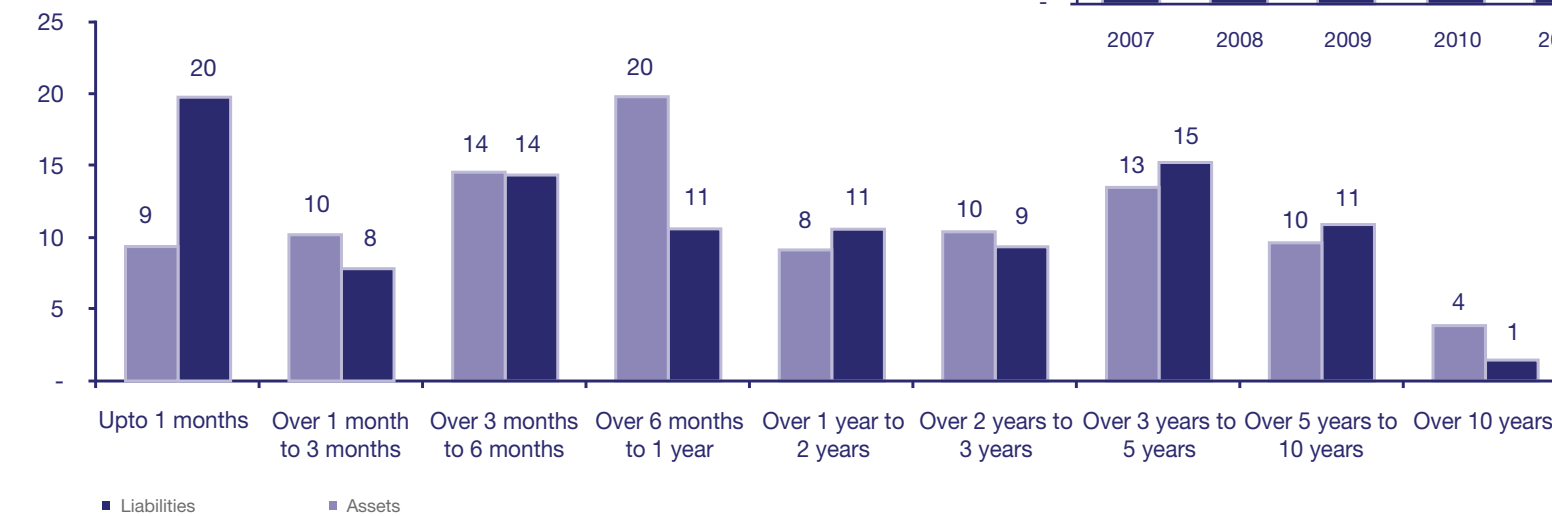
**Earning Per Share**

In Rupees



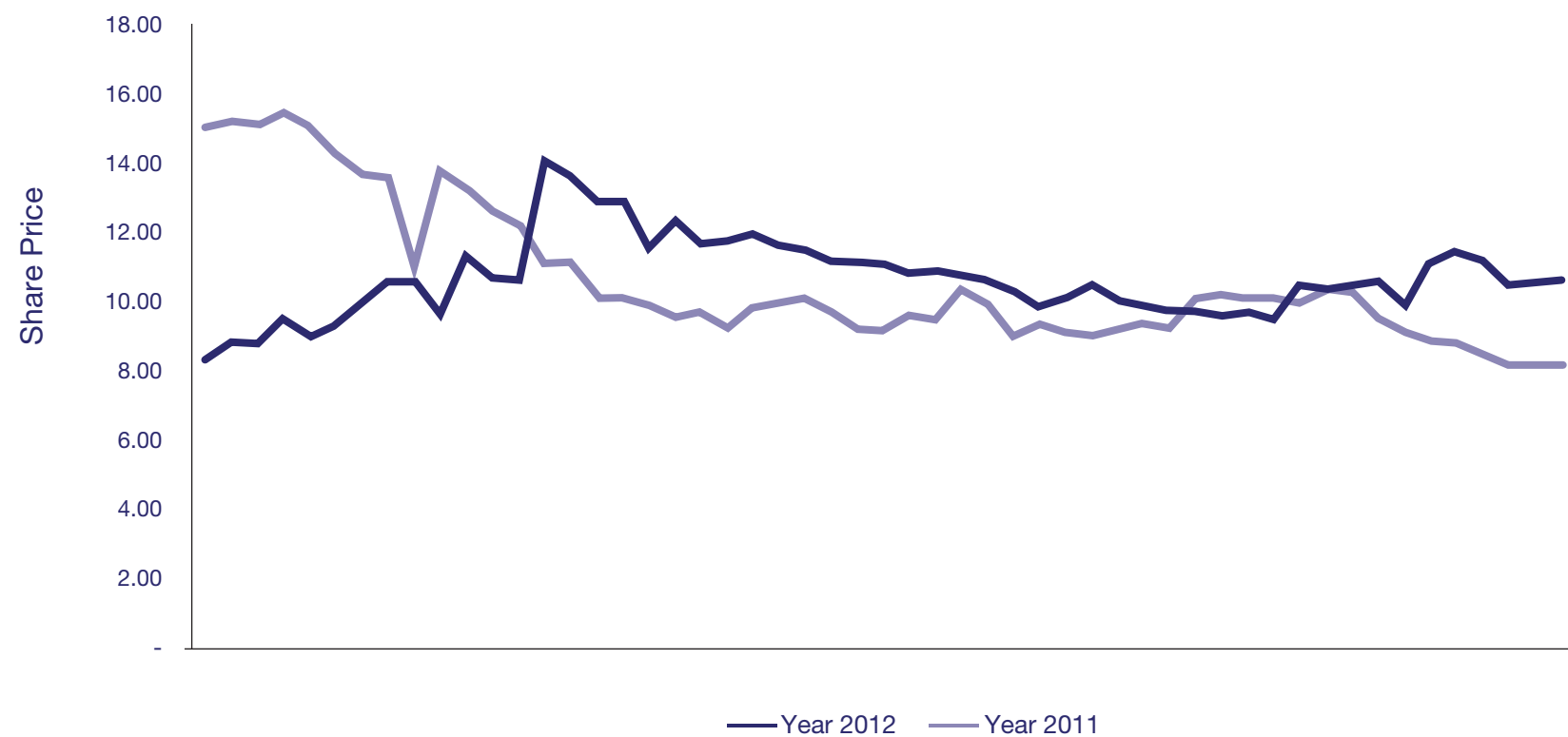
**Maturity Profile**

Percentage

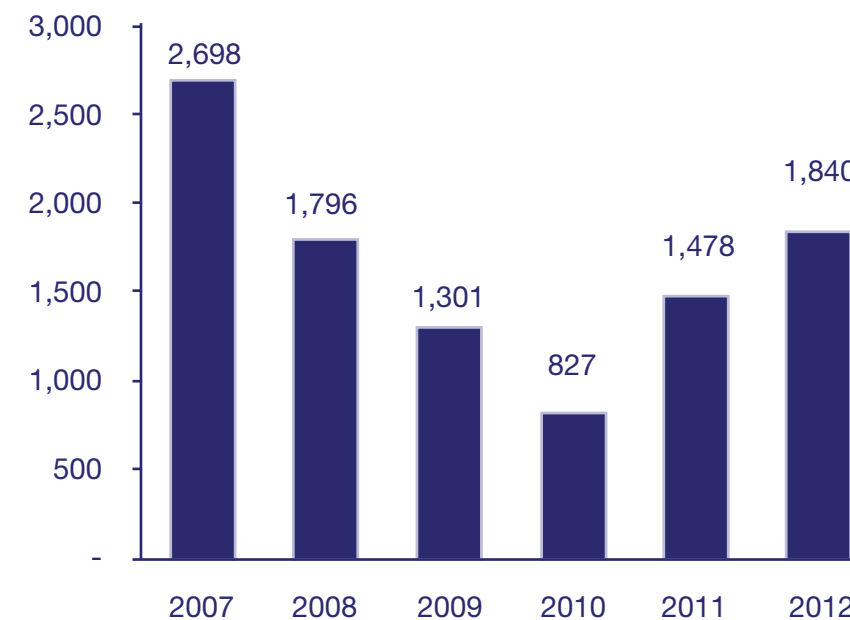




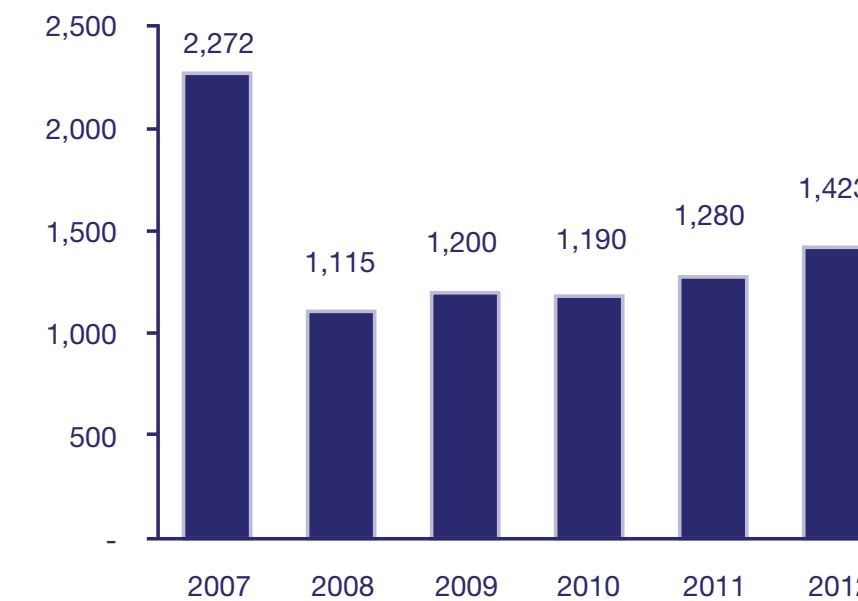
### FBL Share Price Movement 2012 vs 2011



### Profit before Tax Rupees in Million



### Profit after Tax Rupees in Million



## QUARTERLY PERFORMANCE 2012 AND 2011

### STATEMENT OF FINANCIAL POSITION

#### ASSETS

Cash and balances with treasury banks  
Balances with other banks  
Lendings to financial institutions  
Investments  
Advances  
Operating fixed assets  
Deferred tax assets - net  
Other assets

	2012				2011			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Cash and balances with treasury banks	24,509	19,250	18,727	17,581	18,445	16,240	15,816	15,182
Balances with other banks	1,209	2,841	2,521	3,917	4,686	4,064	3,602	3,479
Lendings to financial institutions	-	-	-	200	-	-	-	100
Investments	87,995	77,224	80,383	91,673	93,409	78,462	101,768	71,429
Advances	172,299	174,835	168,782	160,789	148,162	148,500	142,640	133,000
Operating fixed assets	10,860	10,795	10,668	10,779	10,850	8,453	8,420	8,476
Deferred tax assets - net	4,419	4,743	5,178	5,194	5,188	5,406	5,201	5,025
Other assets	11,773	11,014	12,414	11,192	11,828	10,641	10,162	9,903
	313,064	300,702	298,674	301,325	292,568	271,766	287,609	246,594

#### LIABILITIES

Bills payable  
Borrowings  
Deposits and other accounts  
Sub-ordinated loans  
Liabilities against assets subject to finance lease  
Deferred tax liabilities - net  
Other liabilities

Bills payable	4,244	4,219	3,528	3,399	3,076	3,324	2,963	3,014
Borrowings	35,568	36,477	24,442	46,011	39,697	28,101	48,826	19,467
Deposits and other accounts	240,713	227,140	236,496	215,420	214,615	206,584	203,134	190,795
Sub-ordinated loans	4,195	4,195	4,195	4,196	4,395	4,395	4,395	4,396
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-
Other liabilities	7,366	7,403	10,171	12,850	11,572	11,871	11,324	12,554
	292,086	279,434	278,832	281,876	273,355	254,275	270,642	230,226
	20,978	21,268	19,842	19,449	19,213	17,491	16,967	16,368

#### REPRESENTED BY

Share capital  
Reserves  
Unappropriated profit  
  
Surplus / (deficit) on revaluation of assets

Share capital	9,274	8,243	8,243	8,243	8,243	7,327	7,327	7,327
Reserves	6,309	6,322	6,455	6,560	6,591	7,266	7,298	7,329
Unappropriated profit	3,146	4,147	3,525	3,245	2,959	3,243	2,745	2,192
	18,729	18,712	18,223	18,048	17,793	17,836	17,370	16,848
Surplus / (deficit) on revaluation of assets	2,249	2,556	1,617	1,403	1,420	(345)	(402)	(480)
	20,978	21,268	19,840	19,451	19,213	17,491	16,968	16,368

### PROFIT AND LOSS ACCOUNT

Mark-up / return / interest earned  
Mark-up / return / interest expensed  
Net mark-up / interest income  
Provisions & write off  
Non mark-up / interest income  
Non mark-up / interest expenses  
Profit / (loss) before taxation  
Taxation reversal / (charge)  
Profit / (loss) after taxation

Mark-up / return / interest earned	7,207	7,550	7,268	6,777	7,481	7,589	7,077	6,679
Mark-up / return / interest expensed	(4,796)	(5,065)	(4,922)	(5,055)	(5,160)	(5,146)	(4,795)	(4,519)
Net mark-up / interest income	2,411	2,485	2,346	1,722	2,321	2,443	2,282	2,160
Provisions & write off	(648)	(456)	(97)	(199)	(777)	210	316	(445)
Non mark-up / interest income	1,087	1,918	902	1,375	904	517	1,266	1,383
Non mark-up / interest expenses	(2,727)	(2,940)	(2,778)	(2,559)	(2,845)	(2,569)	(2,920)	(2,769)
Profit / (loss) before taxation	123	1,007	373	339	(397)	601	944	329
Taxation reversal / (charge)	172	(384)	(134)	(72)	385	(102)	(393)	(89)
Profit / (loss) after taxation	295	623	239	267	(12)	499	551	240

# فیسل بینک

## HORIZONTAL ANALYSIS

### STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009	2008	2007	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006
	Rupees in Million						Variance %					
<b>ASSETS</b>												
Cash and balances with treasury banks	24,509	18,445	17,429	8,427	8,928	6,872	33	6	107	(6)	30	(5)
Balances with other banks	1,209	4,686	5,728	509	877	3,708	(74)	(18)	1,025	(42)	(76)	29
Lendings to financial institutions	-	-	-	15,018	2,861	7,078	-	-	(100)	425	(60)	54
Investments	87,995	93,409	86,419	56,531	36,153	31,553	(6)	8	53	56	15	40
Advances	172,299	148,162	133,707	91,346	83,512	87,346	16	11	46	9	(4)	17
Operating fixed assets	10,860	10,850	8,726	2,788	2,647	2,515	-	24	213	5	5	12
Deferred tax assets - net	4,419	5,188	5,017	1,280	-	-	(15)	3	292	100	-	-
Other assets	11,773	11,828	10,295	4,966	3,264	2,204	-	15	107	52	48	43
	<b>313,064</b>	<b>292,568</b>	<b>267,321</b>	<b>180,865</b>	<b>138,242</b>	<b>141,276</b>	<b>7</b>	<b>9</b>	<b>48</b>	<b>31</b>	<b>(2)</b>	<b>22</b>
<b>LIABILITIES</b>												
Bills payable	4,244	3,076	3,219	1,465	1,537	2,407	38	(4)	120	(5)	(36)	(47)
Borrowings	35,568	39,697	34,636	34,986	13,027	9,996	(10)	15	(1)	169	30	(33)
Deposits and other accounts	240,713	214,615	195,315	123,655	102,777	102,067	12	10	58	20	1	37
Sub-ordinated loans	4,195	4,395	4,595	999	1,000	1,000	(5)	(4)	360	-	-	100
Liabilities against assets subject to finance lease	-	-	-	-	4	8	-	-	-	(100)	(50)	(43)
Deferred tax liabilities - net	-	-	-	-	2,483	2,691	-	-	-	(100)	(8)	46
Other liabilities	7,366	11,572	13,038	6,977	6,642	6,951	(36)	(11)	87	5	(4)	17
	<b>292,086</b>	<b>273,355</b>	<b>250,803</b>	<b>168,082</b>	<b>127,470</b>	<b>125,120</b>	<b>7</b>	<b>9</b>	<b>49</b>	<b>32</b>	<b>2</b>	<b>23</b>
	<b>20,978</b>	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>9</b>	<b>16</b>	<b>29</b>	<b>19</b>	<b>(33)</b>	<b>17</b>
<b>REPRESENTED BY</b>												
Share capital (including proposed shares to be issued)	9,274	8,243	7,337	6,091	5,296	5,296	13	12	20	15	-	25
Reserves	6,309	6,591	7,355	4,030	3,790	3,567	(4)	(10)	83	6	6	16
Unappropriated profit	3,146	2,959	1,951	1,215	1,050	1,482	6	52	61	16	(29)	(18)
	<b>18,729</b>	<b>17,793</b>	<b>16,643</b>	<b>11,336</b>	<b>10,136</b>	<b>10,345</b>	<b>5</b>	<b>7</b>	<b>47</b>	<b>12</b>	<b>(2)</b>	<b>13</b>
Surplus / (deficit) on revaluation of assets	2,249	1,420	(125)	1,447	636	5,811	58	(1,236)	(109)	128	(89)	25
	<b>20,978</b>	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>9</b>	<b>16</b>	<b>29</b>	<b>19</b>	<b>(33)</b>	<b>17</b>

## HORIZONTAL ANALYSIS

### PROFIT AND LOSS ACCOUNT

	2012	2011	2010	2009	2008	2007	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006
	Rupees in Million						Variance %					
Mark-up / return / interest earned	28,802	28,825	19,710	16,958	13,404	11,611	-	46	16	27	15	19
Mark-up / return / interest expensed	19,839	19,619	13,919	11,968	8,455	7,459	1	41	16	42	13	22
Net mark-up / interest income	8,963	9,206	5,791	4,990	4,949	4,152	(3)	59	16	1	19	14
Provision against non-performing loans and Off balance sheet obligation	1,004	330	1,906	1,966	1,544	1,797	204	(83)	(3)	27	(14)	248
(Reversal)/ Provision for consumer loans - general	25	(77)	(90)	(27)	(105)	75	(132)	(14)	233	(74)	(240)	(29)
Provision for diminution in the value of investments	415	409	287	252	608	207	1	43	14	(59)	194	100
(Recoveries against written-off debts) / bad debts written-off directly	(42)	33	99	-	-	-	(227)	(67)	-	-	-	-
	<b>1,402</b>	<b>695</b>	<b>2,202</b>	<b>2,191</b>	<b>2,047</b>	<b>2,079</b>	<b>102</b>	<b>(68)</b>	<b>1</b>	<b>7</b>	<b>(2)</b>	<b>234</b>
Net mark-up / interest income after provisions	7,561	8,511	3,589	2,799	2,902	2,073	(11)	137	28	(4)	40	(31)
<b>Non mark-up / interest income</b>												
Fee, commission and brokerage income	1,858	1,773	1,141	885	814	743	5	55	29	9	10	23
Dividend income	432	619	335	668	1,207	1,221	(30)	85	(50)	(45)	(1)	(2)
Income from dealing in foreign currencies	769	851	519	400	347	314	(10)	64	30	15	11	160
Gain / (loss) on sale of securities	1,215	(256)	1,340	825	(134)	1,116	(575)	(119)	62	(716)	(112)	238
Unrealized gain / (loss) on revaluation of investments classified as held for trading	43	(58)	68	(46)	(3)	3	(174)	(185)	(248)	1,433	-	100
Other income	966	1,141	609	81	79	44	(15)	87	652	3	80	(90)
Total non mark-up / interest income	5,283	4,070	4,012	2,813	2,310	3,441	30	1	43	22	(33)	25
	<b>12,844</b>	<b>12,581</b>	<b>7,601</b>	<b>5,612</b>	<b>5,212</b>	<b>5,514</b>	<b>2</b>	<b>66</b>	<b>35</b>	<b>8</b>	<b>(5)</b>	<b>(4)</b>
<b>Non mark-up / interest expenses</b>												
Administrative expenses	10,810	10,814	6,644	4,284	3,258	2,800	-	63	55	31	16	50
Other provisions	91	225	62	(6)	97	6	(60)	263	(1,133)	(106)	1,517	100
Other charges	103	64	68	33	61	10	61	(6)	106	(46)	510	(70)
Total non mark-up / interest expenses	11,004	11,103	6,774	4,311	3,416	2,816	(1)	64	57	26	21	48
	<b>1,840</b>	<b>1,478</b>	<b>827</b>	<b>1,301</b>	<b>1,796</b>	<b>2,698</b>	<b>24</b>	<b>79</b>	<b>(36)</b>	<b>(28)</b>	<b>(33)</b>	<b>(30)</b>
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit before taxation</b>	<b>1,840</b>	<b>1,478</b>	<b>827</b>	<b>1,301</b>	<b>1,796</b>	<b>2,698</b>	<b>24</b>	<b>79</b>	<b>(36)</b>	<b>(28)</b>	<b>(33)</b>	<b>(30)</b>
Taxation - Current	268	393	239	1,157	156	282	(32)	64	(79)	642	(45)	(26)
- Prior years	(227)	289	192	2,823	100	(48)	(179)	51	(93)	2,723	(308)	(152)
- Deferred	376	(484)	(794)	(3,880)	426	192	(178)	(39)	(80)	(1,011)	122	(67)
	<b>417</b>	<b>198</b>	<b>(363)</b>	<b>100</b>	<b>682</b>	<b>426</b>	<b>111</b>	<b>(155)</b>	<b>(463)</b>	<b>(85)</b>	<b>60</b>	<b>(60)</b>
<b>Profit after taxation</b>	<b>1,423</b>	<b>1,280</b>	<b>1,190</b>	<b>1,201</b>	<b>1,114</b>	<b>2,272</b>	<b>11</b>	<b>8</b>	<b>(1)</b>	<b>8</b>	<b>(51)</b>	<b>(19)</b>
Basic/ diluted earnings per share - Rupees	1.53	1.38	1.45	1.64	1.53	3.11	11	(5)	(12)	8	(51)	(19)

## VERTICAL ANALYSIS

### STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009	2008	2007	2012	2011	2010	2009	2008	2007
	Rupees in Million						Composition %					
<b>ASSETS</b>												
Cash and balances with treasury banks	24,509	18,445	17,429	8,427	8,928	6,872	8	6	7	5	6	5
Balances with other banks	1,209	4,686	5,728	509	877	3,708	(0)	2	2	-	1	3
Lendings to financial institutions	-	-	-	15,018	2,861	7,078	-	-	-	8	2	5
Investments	87,995	93,409	86,419	56,531	36,153	31,553	28	32	32	31	26	22
Advances	172,299	148,162	133,707	91,346	83,512	87,346	55	51	50	51	60	62
Operating fixed assets	10,860	10,850	8,726	2,788	2,647	2,515	3	4	3	2	2	2
Deferred tax assets - net	4,419	5,188	5,017	1,280	-	-	1	2	2	1	-	-
Other assets	11,773	11,828	10,295	4,966	3,264	2,204	4	4	4	3	2	2
	<b>313,064</b>	<b>292,568</b>	<b>267,321</b>	<b>180,865</b>	<b>138,242</b>	<b>141,276</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>LIABILITIES</b>												
Bills payable	4,244	3,076	3,219	1,465	1,537	2,407	1	1	1	1	1	2
Borrowings	35,568	39,697	34,636	34,986	13,027	9,996	11	14	13	19	9	7
Deposits and other accounts	240,713	214,615	195,315	123,655	102,777	102,067	77	73	73	68	74	72
Sub-ordinated loans	4,195	4,395	4,595	999	1,000	1,000	1	2	2	1	1	1
Liabilities against assets subject to finance lease	-	-	-	-	4	8	-	-	-	-	0	0
Deferred tax liabilities - net	-	-	-	-	2,483	2,691	-	-	-	-	2	2
Other liabilities	7,366	11,572	13,038	6,977	6,642	6,951	2	4	5	4	5	5
	<b>292,086</b>	<b>273,355</b>	<b>250,803</b>	<b>168,082</b>	<b>127,470</b>	<b>125,120</b>	<b>93</b>	<b>93</b>	<b>94</b>	<b>93</b>	<b>92</b>	<b>89</b>
	<b>20,978</b>	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>11</b>
<b>REPRESENTED BY</b>												
Share capital	9,274	8,243	7,337	6,091	5,296	5,296	3	3	3	3	4	4
Reserves	6,309	6,591	7,355	4,030	3,790	3,567	2	2	3	2	3	3
Unappropriated profit	3,146	2,959	1,951	1,215	1,050	1,482	1	1	1	1	1	1
	<b>18,729</b>	<b>17,793</b>	<b>16,643</b>	<b>11,336</b>	<b>10,136</b>	<b>10,345</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>
Surplus / (deficit) on revaluation of assets	2,249	1,420	(125)	1,447	636	5,811	1	0	(0)	1	0	4
	<b>20,978</b>	<b>19,213</b>	<b>16,518</b>	<b>12,783</b>	<b>10,772</b>	<b>16,156</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>11</b>

## VERTICAL ANALYSIS

### PROFIT AND LOSS ACCOUNT

	2012	2011	2010	2009	2008	2007	2012	2011	2010	2009	2008	2007
	Rupees in Million						Composition %					
Mark-up / return / interest earned	28,802	28,825	19,710	16,958	13,404	11,611	100	100	100	100	100	100
Mark-up / return / interest expensed	19,839	19,619	13,919	11,968	8,455	7,459	69	68	71	71	63	64
Net mark-up / interest income	8,963	9,206	5,791	4,990	4,949	4,152	31	32	29	29	37	36
Provision against non-performing loans and Off balance sheet obligation	1,004	330	1,906	1,966	1,544	1,797	3	1	10	12	12	15
(Reversal)/ Provision for consumer loans - general	25	(77)	(90)	(27)	(105)	75	0	(0)	(0)	(0)	(1)	1
Provision for diminution in the value of investments (Recoveries against written-off debts) / bad debts written-off directly	415	409	287	252	608	207	1	1	1	1	5	2
	(42)	33	99	-	-	-	(0)	0	1	-	-	-
	1,402	695	2,202	2,191	2,047	2,079	5	2	11	13	15	18
Net mark-up / interest income after provisions	7,561	8,511	3,589	2,799	2,902	2,073	26	30	18	17	22	18
<b>Non mark-up / interest income</b>												
Fee, commission and brokerage income	1,858	1,773	1,141	885	814	743	6	6	6	5	6	6
Dividend income	432	619	335	668	1,207	1,221	1	2	2	4	9	11
Income from dealing in foreign currencies	769	851	519	400	347	314	3	3	3	2	3	3
Gain / (loss) on sale of securities	1,215	(256)	1,340	825	(134)	1,116	4	(1)	7	5	(1)	10
Unrealized gain / (loss) on revaluation of investments classified as held for trading	43	(58)	68	(46)	(3)	3	-	0	0	(0)	(0)	0
Other income	966	1,141	609	81	79	44	3	4	3	0	1	0
Total non mark-up / interest income	5,283	4,070	4,012	2,813	2,310	3,441	18	14	20	17	17	30
	12,844	12,581	7,601	5,612	5,212	5,514	45	44	39	33	39	47
<b>Non mark-up / interest expenses</b>												
Administrative expenses	10,810	10,814	6,644	4,284	3,258	2,800	38	38	34	25	24	24
Other provisions	91	225	62	(6)	97	6	0	1	0	(0)	1	0
Other charges	103	64	68	33	61	10	0	-	0	0	0	0
Total non mark-up / interest expenses	11,004	11,103	6,774	4,311	3,416	2,816	38	39	34	25	25	24
	1,840	1,478	827	1,301	1,796	2,698	6	5	4	8	13	23
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit before taxation</b>	<b>1,840</b>	<b>1,478</b>	<b>827</b>	<b>1,301</b>	<b>1,796</b>	<b>2,698</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>13</b>	<b>23</b>
Taxation - Current	268	393	239	1,157	156	282	1	1	1	7	1	2
- Prior years	(227)	289	192	2,823	100	(48)	(1)	1	1	17	1	(0)
- Deferred	376	(484)	(794)	(3,880)	426	192	1	(2)	(4)	(23)	3	2
	417	198	(363)	100	682	426	1	1	(2)	1	5	4
<b>Profit after taxation</b>	<b>1,423</b>	<b>1,280</b>	<b>1,190</b>	<b>1,201</b>	<b>1,114</b>	<b>2,272</b>	<b>5</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>20</b>

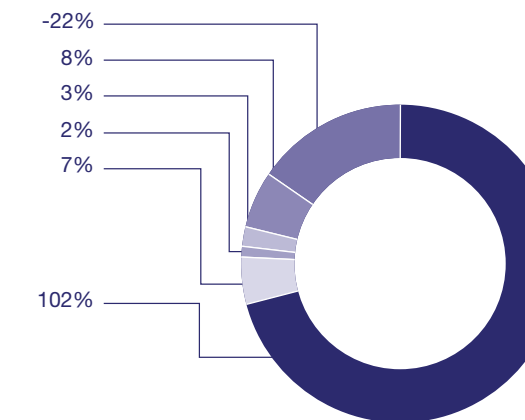
## STATEMENT OF VALUE ADDED

	2012		2011	
	Rs. '000	%	Rs. '000	%
Mark-up / return / interest earned - net of provisions	27,401,330	102	28,130,204	107
Fee, commission and brokerage income	1,857,688	7	1,773,198	7
Dividend income	431,656	2	618,764	2
Income from dealing in foreign currencies	769,394	3	850,833	3
Derivative income, gain on sale of investments etc.	2,222,981	8	827,574	3
	<b>32,683,049</b>	<b>122</b>	<b>32,200,573</b>	<b>122</b>
Administrative expenses	5,934,909	(22)	5,887,540	(22)
<b>Value Added</b>	<b>26,748,140</b>	<b>100</b>	<b>26,313,033</b>	<b>100</b>
Distributed as follows:				
To Depositors As profit on investments	14,510,879	54	14,426,061	55
To Financial Institutions As profit on borrowings	5,327,866	20	5,193,034	20
To Employees As remuneration	5,024,688	19	5,140,741	20
To Shareholders As dividends / bonus	1,030,390	4	915,902	3
To Government As income tax	417,219	2	197,795	1
Retained in Business As reserves and retained profits	392,492	1	364,394	1
To Society As donations	44,606	-	75,106	-
	<b>26,748,140</b>	<b>100</b>	<b>26,313,033</b>	<b>100</b>

## STATEMENT OF VALUE ADDED

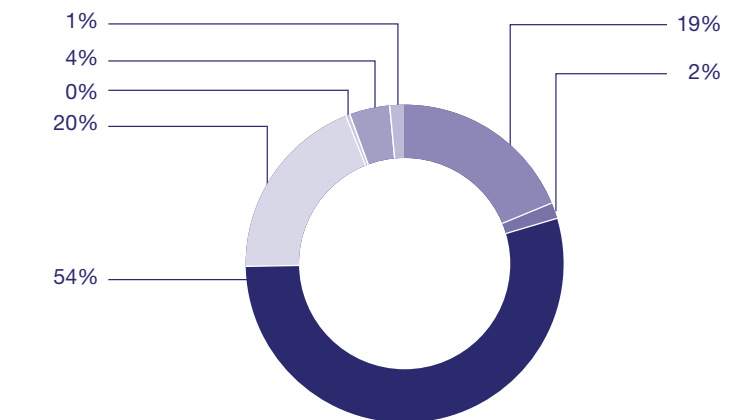
	Public Sector		Private Sector		Total	
	2012	2011	2012	2011	2012	2011
	Rupees '000					
Advances	34,073,397	17,702,339	156,777,878	147,780,991	190,851,275	165,483,330
Investments	78,119,510	76,904,720	12,195,500	18,409,551	90,315,010	95,314,271
Placements / Lendings	18,571,458	13,996,903	7,146,707	9,133,923	25,718,165	23,130,826
	<b>130,764,365</b>	<b>108,603,962</b>	<b>176,120,085</b>	<b>167,924,344</b>	<b>306,884,450</b>	<b>283,928,427</b>

### Income 2012



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

### Distribution 2012



■ To Employees
 ■ To Financial Institutions
 ■ Retained in Business
 ■ To Government
 ■ To Society
 ■ To Depositors
 ■ To Shareholders

# AIM

It's a continuous journey that needs not just summits, but a national commit. We begin with the end in mind. And there is no resting until we're there.

کٹتے بھی چلو بڑھتے بھی چلو بازو بھی بہت ہیں سر بھی بہت  
چلتے بھی چلو کہ اب ڈیرے منزل ہی پہ ڈالے جائیں گے

# پہلے چلو

## NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of Faysal Bank Limited ( FBL ) will be held on March 28, 2013 at 9:00 a.m. at Beach Luxury Hotel Aquarius Hall M.T. Khan Road, Karachi. To transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of the 17th Annual General Meeting held on March 28, 2012.
2. To receive and adopt Annual Audited Accounts, Statement of Compliance with Code of Corporate Governance of FBL for the year ended December 31, 2012 together with the Directors and Auditors Reports thereon.
3. To consider and approve 12.5% interim Bonus shares approved by the Board of Directors for the third quarter ended September 30, 2012 issued to the Shareholders on December 12, 2012 now placed for Post Facto approval by the Shareholders.
4. To appoint External Auditors for the ensuing financial year 2013 at a mutually agreed rate of remuneration. The present Auditors, A.F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.
5. Any other business with the permission of the Chair.

### SPECIAL BUSINESS:

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

RESOLVED that subject to all regulatory approvals, investment of FBL up to PKR 1.0 billion as seed money in the funds of FAML, an associated company of FBL, be and is hereby approved .

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

7. **To approve disposal of fractional shares created out of the issuance of 12.5% Interim Bonus shares by the Bank for the third quarter ended September 30, 2012 on Post facto basis by passing the following resolutions as ordinary resolutions with or without amendments:-**

## NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

### RESOLVED THAT :-

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

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

8. **To approve the remuneration paid to the Chairman, Non Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board committees for the year ended December 31, 2012 and to pass the following resolution as an ordinary Resolution:**

Resolved that the remuneration paid to the Chairman, Non Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board Committees as disclosed in note 37 of the Audited Financial Statements of the Bank for the year ended December 31, 2012, be and is hereby approved.

Karachi dated: March 5, 2013

By the order of the Board



Nasir Islam  
Acting Company Secretary

### Notes:

1. The Share Transfer Books of the Bank shall remain closed from March 21, 2013 to March 28, 2013 (both days inclusive). Transfer received at the Registrar and Share Transfer Agent of the Bank, by the close of business on March 20, 2013 will be treated in time.
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 Registrar/Share Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

## NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

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.

### 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 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.

### 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 28, 2013.

## NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

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

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

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

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

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

#### 2. **Purpose, benefits and period of investment**

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

#### 3. **Maximum amount of investment**

Investment of up to PKR 1.0 Billion

#### 4. **Maximum price at which securities will be acquired**

Face value

#### 5. **Maximum number of securities to be acquired**

Dependent upon number of funds launched by FAML.

#### 6. **Number of securities and percentage thereof held before and after the proposed investment**

Not applicable

#### 7. **Fair market value of securities**

Not applicable



## NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

### 8. Break-up value of securities intended to be acquired on the basis of the latest Audited financial statements

Not applicable

### 9. Earning per share of the associated company for the last three years

Not applicable

### 10. Source of funds from which securities will be acquired

Units will be purchased from FBLs own sources.

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

Not applicable

### 12. Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company or the transaction

There is no personal interest of the directors, sponsors, majority shareholders or their relatives.

#### II) To approve disposal of fractional shares created out of the issuance of 12.5% Interim Bonus shares by the Bank for the third quarter ended September 30, 2012 on Post facto basis.

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

#### III) To approve the remuneration paid to the Chairman, Non Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board committees for the year ended December 31, 2012

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

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

## AUDITOR'S REVIEW REPORT ON COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2012.

Chartered Accountants  
Dated: March 6, 2013  
Karachi.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

**Name of Company: Faysal Bank Limited**  
**Year Ended: December 31, 2012**

This statement is being presented to comply with the of Code of Corporate Governance (CCG) issued by contained in Regulation No. 35 chapter (xl) of listing Regulations of the Stock Exchanges 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. Shahid Ahmad Lt. Gen. Muhammad Maqbool (Retd)
Executive Directors	Mr. Naved A. Khan, President & CEO
Non-Executive Directors	Syed Naseem Ahmad Mr. Graham R. Walker Mr. Mohamed A. R. Hussain Mr. Farooq Rahmatullah Mr. Hassan Mohammed Mahmood Hassan

2. The Directors have confirmed that none of them is serving as a Director on more than ten listed companies, including the Bank.
3. All the resident Directors of the Bank are registered taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Institution or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year 2012.
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 adopted a vision/mission statement, overall corporate strategy and significant policies for the Bank. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material 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, as appropriate.

8. The Meetings of the Board were presided over by the Chairman and his absence, by a director elected by the Board for this purpose. The Board of Directors met five times in the year 2012. Written notice of the Board meetings, along with agenda and working papers, were circulated at least seven days before the Meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged an orientation course for its directors during the year in 2012.
10. The Board had approved the appointment of CFO, Acting 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 Pakistan Institute of Corporate Governance has awarded certification of Certified Director to four of the Board Members of the Bank.

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 applicable corporate and financial reporting requirements as required by the CCG.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are Independent/non-Executive directors and the Chairman of the Committee is an Independent director.
17. The Audit Committee held four (04) 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 of Audit Committee have been framed and approved by the Board and have been advised to the committee for compliance.

18. The Board has formed a Recruitment, Nomination and Remuneration Committee (RNRC). It comprises of five members, all of whom are Independent/Non-Executive/Executive directors and the Chairman of the Committee is a Non-Executive director.
19. The Audit Committee members also met with External Auditors of the Bank without CFO and Head of Internal Audit and with Head of Internal Audit and other members of the Internal Audit function as required under the provisions of 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 programme 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 and intimated to directors, employees and stock exchange(s).
24. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
25. We confirm that all other material principles contained in the CCG have been complied with.

Karachi  
Dated: February 28, 2013



**Naved A. Khan**  
President & CEO

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

# SPEAK

Like a war cry... the words of people speak their hearts. When we say something together, we almost make it happen then and there. With our hearts set on the songs of green, let's not be shy to own them with our speech. Words have the power to begin new worlds.

بول کہ لب آزاد ہیں تیرے  
بول زباں اب تک تیری ہے  
تیرا استواں جسم ہے تیرا  
بول کے جاں اب تک تیری ہے

بول کہ لب آزاد ہیں تیرے  
بول زباں اب تک تیری ہے  
تیرا استواں جسم ہے تیرا  
بول کے جاں اب تک تیری ہے



# DIRECTORS' REPORT

For the year ended December 31, 2012.

On behalf of the Board of Directors, I am pleased to present the Eighteenth Annual Report of Faysal Bank Limited along with the audited financial statements and the Auditor's Report thereon for the year ended December 31, 2012.

### **Economic Update**

Half way through Fiscal Year 2013 (FY 13) the economy seems to be showing signs of modest improvement in key macro economic variables. Preliminary data indicates that the fiscal deficit for H1FY 13 is showing signs of consolidation and has displayed improvement year on year, inflation has continued its downward trajectory into single digits, current account has posted a slight surplus and the commodity producing sector is fairing rather well. Despite some improvement in these key variables, economic growth is again expected to remain below the target of 4.2% for FY 13 and remain lackluster around FY 12 levels of 3.7%. A continuous fall in private investment which was recorded at 12.5% of FY 12 has been singled out by the State Bank of Pakistan (SBP) as the primary culprit for this low growth trajectory alongside long standing impediments such as energy shortages, poor law and order condition and political uncertainty.

The positive economic indicator thus far in FY 13 has been the Consumer Price Index (CPI) trajectory wherein better than expected performance has prompted three consecutive policy responses by the SBP, bringing the discount rate to single digit for the first time since 2007. CPI which was targeted at 10% at the onset of FY 13 has averaged 8.3% in the first 7 months and the SBP now expects this in the vicinity of 8-9%. This benign inflationary outlook is supported by excess capacity in the economy and lackluster aggregate demand. We expect CPI for full FY 13 to be close to 8%.

Given the structural rigidities in our trade account and vulnerabilities in our financial account managing the foreign exchange reserves in FY 13 was always going to be a challenge in the face of looming principal repayments to International Monetary Fund and almost complete dry up in Foreign Direct Investment (FDI). In such a scenario obligations are generally met by a draw down on reserves (as was the case in FY 12). However, the performance of the current account has simply been outstanding, aided by timely receipt of Coalition Support Fund (CSF) flows, muted aggregate demand and 12.5% year on year growth in home remittances providing the swing factor. Against a full year deficit at 2.1% of Gross Domestic Product (GDP) in FY 12 (USD 4,634 Mln) the first six months of FY 13 have posted a 0.2% surplus (USD 250 Mln) and the year-end revised target of -0.7% may prove easily attainable especially considering the outlook for energy prices is benign and international cotton prices due to a bad regional crop are expected to rebound. These factors ought to bode well for our trade balance.

The fiscal consolidation witnessed in H1FY 13 has been mildly encouraging as the deficit is estimated at 2.7% of GDP — quite paradoxical to the 8.5% recorded for FY 12. This improved performance has been aided mainly by timely receipt of CSF flows and surplus posted by the provinces. Going forward the full year target of 4.7% of GDP looks quite challenging and is contingent upon; improved tax collection (a herculean task), receipt of dues from Etisalat and successful auctioning of 3G licensees realization of which continues to dodge the financial managers. The SBP expects the fiscal deficit for full year FY 13 at between 6-7% of GDP. However the biggest challenge herein is the financing mix of the deficit which is lopsided in favor of commercial banks.

This crowding-out is stifling the investment environment and eroding the long term productive capacity of the economy. Unless this financing equilibrium is restored promoting economic growth and curtailment of inflation shall remain challenging.

Going forward economic recovery and long term growth prospects shall be determined by a multiplicity of factors – both at home and abroad. Hence it is imperative that Pakistan embark on structural reforms aimed towards greater recourse mobilization so that we can free up more credit for the private sector and reform Public Sector Enterprises so that they may become commercially viable and less of a drag on national finances. The tax amnesty scheme currently under consideration may provide much needed fiscal space and bring new tax payers into the net. There is also a need to rejuvenate private investment which cannot be done without compelling the banks to resume their role as an intermediary between private savers and borrowers. This was one of the primary considerations in the SBPs decision to bring the Discount Rate down to single digit without changing the floor on PLS rate. This may signal a paradigm shift towards how the banking sectors balance sheets may evolve over the medium term.

### **Bank's Performance**

After the acquisition of RBS in October '10 the bank continued to focus on three major areas namely: reduction in costs, mobilizing core deposits and proactively managing credit costs / NPLs. We have made significant progress on the aforementioned issues and are confident that our results in the future will reflect the efforts and successful execution of our strategy. Some of the key developments during the period under review are highlighted below:

### **Customer Franchise**

#### **Corporate and Investment Banking**

- FBL partially financed PKR 2.1 bln coal fired boiler project undertaken by Pakistan's largest soda ash manufacturer under the SBP's LTFF scheme.
- FBL extended PKR 2 bln non-funded import facility to the country's 2nd largest oil and gas exploration company.
- FBL extended working capital facilities of over PKR 850 mln to one of the leading denim producers in the country.
- FBL extended cumulative facilities of PKR 4 bln under various facilities to country's sole integrated power utility.
- FBL was mandated with the cash management solutions with volumes exceeding PKR 16 bln by group companies forming part of one of the largest conglomerates in Pakistan.
- FBL solicited cash management mandate from a packaging film manufacturer, translating to an annual collections of PKR 8 bln.
- Executed country wide collections mandate with a major electrical appliances manufacturer's hire purchase arm.

Despite lack of major new investment initiatives during the year, the investment banking group concluded following significant transactions during the year:

- FBL successfully closed debt arrangement of local currency financing requirement equivalent to USD 43.7 Mln to set-up Pakistan's first dedicated coal and clinker terminal.

- FBL in the capacity of Joint Lead Advisor and Arranger closed financing mandate of up to PKR 3 bln for one of the biggest wind power project to be constructed in Gharo (Sindh). The rest of the funding has been arranged by Islamic Development Bank and Asian Development Bank.
- FBL successfully arranged PKR 1 bln syndicated financing for a reputable sugar manufacturer unit to acquire assets of other semi operative sugar mill based in Gojra Punjab.
- FBL acted as Joint Lead Advisor and Arranger in successful closure of PKR 6 bln syndicated term finance facility for a leading telecommunication company.
- FBL has been jointly mandated as Lead Advisor and Arranger to arrange PKR 12 bln for expansion project of one of the largest and most reputable refineries in the Country.
- FBL acted as Joint Lead Arranger for arranging PKR 1.5 bln long term financing for one of the most successful and largest float glass manufacturing company in Pakistan.
- FBL has been jointly mandated as Financial Advisor for setting up of an IPP which shall undertake coal conversion of six furnace oil based electricity generating units comprising of 1260 mw belonging to the largest utility company of Karachi.

During 2012 FBL become the first financial institution to register under the newly introduced Debt Securities Trustee Regulations 2012. By adapting under the regulations FBL will further equip itself to handle the fiduciary role in an efficient and watchful manner, safeguarding the interest of the Bank in particular and investors in debt instruments in general.

#### **Branch Distribution: Retail Banking**

Lowering deposit cost is one of the key strategic targets for the bank. As part of this strategy the bank has been opening branches in smaller towns leading to generation of low cost core deposits for the bank and position itself to serve agriculture based sectors. During the year the bank opened / relocated 19 conventional branches adding our footprint to 9 more cities. New cities added to the FBL network were Yazman Mandi, Ahmedpur East, Gojra, Liaquatpur, Renela Khurd, Larkana, Ghotki, Patoki and Gilgit. As at December 31, 2012 FBL had a branch network of 265 branches including 52 Islamic banking branches in 75 cities across the country.

Another aspect of the strategy that has met with success has been the reprofiling of the deposits biased towards CASA and diversification. Both facets of the strategy are expected to positively impact profitability through lower cost of funds and cross selling.

#### **Alternate Distribution Channels: Retail Banking**

The volume of banking transactions handled through Alternative Delivery Channels is showing aggressive growth each year. Realizing the increasing importance of ADCs in retail banking your bank launched various initiatives aimed at tapping the potential business opportunity that lay in this area. To cater to it diverse customer base two new initiatives on the debit card side have been introduced. Faysal Bank partnered with China UnionPay to

launch the first UnionPay Debit card in Pakistan. We expect this new partnership to provide tremendous benefits to both the bank and Pakistan's growing consumer market.

The bank has also successfully upgraded the proprietary debit cards of Ex-RBS to Visa Debit Card providing customers the convenience to use their card locally and internationally at millions of locations.

FBL introduced the Mobile Banking service providing safe and easy access to banking services from anywhere and anytime. Faysal Bank continues to provide its customers with transaction updates via SMS alert service. As part of a growth strategy different campaigns and promotions were put together that resulted in new SMS Alert signups in thousands.

41 new ATMs were added to the network during the year. FBL now has 258 ATMs across Pakistan.

#### **Wealth Management: Retail banking**

The Solitaire Wealth Management proposition was further strengthened and developed this year with the launch of the Solitaire Platinum Debit Card. This product has been designed specifically for our premium segment keeping in mind their exclusive lifestyle and financial requirements. The Solitaire Platinum Card offers enhanced transactional limits along with international Visa benefits and global acceptability. The proposition also introduced a wide array of alliances on the card, giving our clients access to leading merchants and retail outlets across the country.

The Solitaire footprint saw an addition this year with the launch of a new Solitaire centre at Tufail Road, Lahore. The centre is located at a prime location with excellent parking facilities for clients and has served to significantly enhance Solitaire visibility and presence in the area.

#### **Bancassurance: Retail banking**

In terms of revenue, growth and development, this year proved to be yet another successful year for bancassurance. Carrying forward the vision of Bancassurance to provide one-stop solution to our customers, a total launched of four products were, My Child's Future Plan — A complete financial planning package for children's future requirements. Protection & Growth Plan — gives an opportunity to provide financially secure future to the loved ones, Health Plan and Takaful Save and Protect Plan — an Islamic Shariah compliant product for low tier customers.

#### **Retail Lending: Consumer, SME, Agri and Commercial**

The strategy being followed is to offer all types of lending through increasing number of branches as we align capability to lend and the bank's risk appetite with the needs of the geography in which we operate. This year after aggressively growing in Agri and consumer lending, the plan is to expand volumes in diverse locations. The SME and Commercial lending will also be ramped up through newer branches to meet customer demands.

### Islamic Banking

Barkat Islamic Banking continued on its growth strategy by increasing its foot print across Pakistan from 46 branches in 20 cities to 52 branches in 23 cities. The overall deposit grew from Rs. 10.98 bln to Rs. 19.54 bln which showed a remarkable growth of 78% YoY. This was achieved with significant cost of funds reduction to be one of the lowest in Islamic Banking industry.

To complement distribution growth, innovative Islamic products and services were added to product menu. Barkat Call Deposit Receipt, Barkat Auto Fleet Financing, Barkat FCY Saving Deposit and Barkat Promise to Sell FCY have been launched. Also Barkat Islamic Banking team has done Shariah structuring of syndicated amount of PKR 1.1 bln for a corporate client.

Islamic Banking human resource base expanded exponentially during the last 3 years. Adequate training campaign was launched country wide internally as well as along with external training to ensure fit and proper Islamic Bankers. Also new initiative Train the Trainer and Computer Based Training has been taken to provide across the board training effectively and efficiently.

Barkat Islamic Banking plans to consolidate the existing potential of Islamic network by strengthening sales team during the year 2013 and aims to grow the Islamic balance sheet and profitability to provide sound footing for future expansion and growth. Further Shariah compliant products are to be added during 2013 that will further assist distribution network to achieve the desired scale through cross sell.

### Treasury

2012 was a landmark year for FBL Treasury in which we truly reaped the rewards of the considerable investment we made in the previous years on expanding business lines and upgrading our infrastructure with a view to diversify our revenue streams and provide balance sheet solution to our customers.

Having successfully become the only mid-tier bank with a PD status in 2011 we went on to attain a top 3 rating as a Primary Dealer in 2012. This market positioning gave us the unique advantage and credence and brought us at par with the best Treasuries in Pakistan — both in terms of product suit and income streams. Our ADD (Authorized Derivative Dealer) desk provides on and off balance sheet solutions to our ever growing and sophisticated customer base whereas our Fixed Income Desk is a dominant price maker in the interbank market with a diversified client base including; Insurance companies, Pension funds, Provident funds, Asset Management companies, Corporates as well as high net worth individuals.

During 2012 the Treasury Marketing Unit embarked on an initiative to start sharing their research findings with internal and external customers in a structured format. This came in the shape of a fortnightly news letter which shares developments in different markets and gives views on interest rates and currencies. This initiative has received overwhelming response, especially from our customers who follow our third currency technical analysis with great interest.

Going forward we are in the process of implementing a comprehensive Transfer Pricing System on a pan balance sheet basis wherein the entire interest rate and currency risk will be passed on by different BUs to the Asset and Liability Management Desk in Treasury in the form of system generated contracts. This structure will put FBL at par with international best practices wherein treasury shall actively seek to manage the banking spread as well as interest rate sensitivity.

### Special Assets Management

Overall, on account of the sluggish economic environment, there has been an increase in toxic assets within the banking sector. Special Assets Management Group (SAMG), as a specialized independent business function, maintained its full thrust and contributed around Rs. 2.43 bln to the profitability of the bank.

### People

In addition to BAU activities, HR took various initiatives to enhance both professional and personal development not only supporting but increasing and creating efficiencies across all functions.

To ensure that all jobs across the Bank are thoroughly scrutinized and systematically evaluated for the value they add to the organization, the Job Evaluation Project was successfully concluded in consultation with Hay Group Consultants. The consultants evaluated 120 jobs and trained cross-functional teams nominated from all segments of the Bank.

To recognize and appreciate the contribution of the top performers of the Bank for year 2011, the 2nd CEO s Club was arranged in Islamabad, Lahore and Karachi. 54 participants were awarded the membership of the Club out of which, 7 were awarded Gold membership.

Training Need Analysis was conducted to ensure relevant and need-based learning opportunities are provided to staff at all levels. This resulted in developing and rolling out 12 new in-house workshops focusing on personal, professional and technical development. Learning and Development arranged these workshops in collaboration with FBL's in-house team of trainers. These 48 trainers were professionally coached and trained in South, Central & North regions through Train the Trainer program conducted by a renowned trainer. L&D further used technology by developing E-based learning methodologies. Three computer-based classes on Compliance Essentials, ATM Operations & Guidelines and Liability Products were introduced in FBL for the first time, thereby cutting down costs at both infrastructure and personnel level.

In total, 484 sessions (100,000 training hours approximately) were arranged by L&D across the Bank in 2012.

Inaugurated by the Chairman, Top Team Grid Problem Solving (GPS) workshop was held in Karachi. A behavioral science-based leadership intervention for the Senior Management Team of FBL, the workshop concentrated on enhancing the leadership skills of top cadre of the Bank by collectively shaping their attitudes, beliefs and values.

As part of HR's contribution to rationalize cost, initiatives were taken in related areas to ensure restructuring through vertical integration, redeployment and some process re-engineering.

### **Risk Management**

Pakistan's economy continued to suffer from acute energy shortages, political uncertainty, deteriorating law & order, and depleting FX reserves. Our economic woes are compounded by a continuation of recessionary pressures in most developed markets and persistent high international commodity prices. While major rate cuts over the last 18 months have provided some respite to the borrowers, the negative impact of these macro economic factors has led to a further surge in production costs for manufacturing and service sectors alike. As these economic issues continued to take their toll on the asset portfolios in the banking sector, the financial institutions had to strengthen the risk management processes and early warning systems to better respond to these challenges. This situation demanded further strengthening of our Bank's risk management controls on credit underwriting and portfolio management and enhancing the risk culture within the Bank. A number of new initiatives were taken in all risk areas to achieve this core objective.

In Credit Risk Management, an advanced Loan Origination System (LOS) was successfully introduced, which entails electronic movement of credit proposals and requests. This aims to further improve the Bank's response time to clients while cutting down processing costs in a paper-free environment. In the start off phase, we have implemented the system in Corporate and Commercial Banking business units, and plan to gradually roll it out in the rest of the business segments during the year. The internal risk rating models, at obligor and facility levels, were also further refined for all business segments based on enhanced statistical data and comprehensive empirical studies.

Despite stiff economic challenges, Consumer Finance losses reduced significantly for the second year in a row. Retail Risk Management steered the business growth in the right direction through rigorous portfolio monitoring, strict controls and comprehensive risk acceptance criteria. Simultaneously, to enhance the customer's on-boarding experience, the product approval processes were made efficient. The continuous re-engineering and training resulted in significant improvement in application turn-around-time and reduction of direct cost. In addition to product and policy trainings to Business/front office staff, in-house risk management courses were conducted for Retail Risk Staff to give an insight on the overall Risk Management Framework. To keep track of the risk indicators and to have a complete portfolio insight, robust MI structure, including key portfolio reports, has been put in place for all CF products.

The Market Risk Management has been strengthened through implementation of advanced monitoring and measurement tools such as Early Warning Indicators and Value-at-Risk models. A well defined limit structure, in line with the overall risk appetite of the Bank, is in place seeking to reduce volatility in operating performance under adverse market conditions. Furthermore, in line with the State Bank of Pakistan's new guidelines in relation to Stress Testing, the Bank has implemented the revised framework by enhancing the scope of the stress tests at portfolio level across various business lines. The stress tests capture the increasing complexity of financial system and systematic risk such as parallel / non-parallel shifts in yield curve, etc.

On the Operational Risk Management (ORM) front, in-house trainings were conducted Bank-wide for ORM coordinators. Purpose of the training was to create operational risk awareness culture and to apprise the designated coordinators on operational risk management concepts and reporting requirements. The Key Risk Indicators (KRIs) framework was also revised based on industry best practices and KRIs across major operational risk categories have been implemented to strengthen operational risk monitoring and control. The Bank has also conducted operational risk scenario analysis in order to evaluate the impact of catastrophic or so called tail events.

### **Support Services**

During the year the bank's IT team successfully completed network rationalization and data centers consolidation projects which will not only lead to operational efficiency but will also result in significant cost savings for the bank. During the year Islamic Smart Treasury Solutions (iSTS) was launched which is an in-house developed integrated front, middle and back office system, covering the entire deal life cycle for a wide range of FX and Money products.

On the Operations side, the bank has undertaken a comprehensive exercise for consolidation of various units under one umbrella for rationalization and improving service quality and controls.

### **Financial Perspective**

The Financial Control Unit continued to play its pivotal role in the Business Performance Management. To further strengthen the effectiveness of MIS, QlikView BI implementation has been the highlight for the FY 2012. Its dashboards have been successfully implemented and are being viewed by various user hierarchies to monitor their day to day business. The major areas covered include deposits mobilization, lending, documentary credit and CRM. Going forward, the areas of operational efficiencies related to Risk (Credit Administration, Credit Risk, Consumer Risk and ERM), Branch Operations, Documentary Credit, ADCs will be covered.

The APRs (Account wise Performance Report), along with the Branch Wise MPR were also rolled out during 2012. Businesses have been provided with their customer wise profitability to evaluate their relationships and to explore the opportunities for Cross Sell.

### **Cost efficiency**

The bank has a sharp focus on reducing its costs to improve return to shareholders. A number of initiatives were in 2011 and 2012 which included a detailed analysis of cost structure of the bank and taking initiatives on each and every cost line to reduce it. Due to this sharp focus the cost of the bank, despite opening 32 branches in 2011 and 8 branches in 2012 and an inflation of approx. 10% during this period, actually decreased by PKR 3.7 million.



### Future Outlook

Going forward the bank's strategy will be to focus on growing stable individual deposits at low cost and further improve CASA concentration. The bank will focus on leveraging the network strength through an effective engagement of branch distribution and creation of synergies and partnerships between CBSME and Branch Banking. The bank also intends to open Islamic Banking Window in conventional branches which will augment the deposit mobilization efforts and lead to operational efficiencies.

Keeping in view the current economic and political environment the demand for credit from the private sector is likely to remain subdued. Alternatively the bank will be concentrating its efforts on growth in consumer finance and agriculture lendings leading to improvement in margins as well as non markup income.

The bank has taken various initiatives aimed at cost reduction which will continue going forward and will have a positive impact on profitability.

### Corporate Social Responsibility (CSR)

Faysal Bank's CSR endeavours are based on a three-pronged strategy focusing on education, health and poverty alleviation. During the year an aggregate amount of Rs. 12.6 Mln was donated to various non-profit organisations through Waqf Faisal. Some significant contributions made from this account are:

- To Lahore University of Management Sciences for sponsoring the studies of one engineering and one non-engineering student selected under the National Outreach Programme.
- To Human Development Foundation to sponsor a labour room with ultrasound machine in Mardan along with a contribution to fund the annual operational expenses of a school in Mardan.
- To Community Advisory and Welfare Services towards setting up of 2 safe water centres in designated areas of Karachi.
- To Karigar Training Institute in order to subsidise vocational training of one batch of approximately 40 trainees during 2012.
- To Karawan e Hayat to fund the operational expenses of their psychiatric hospital in Keamari.
- To Marie Adelaide Leprosy Centre towards procurement of medicines for tuberculosis treatment.

During the year Faysal Bank donated to the Institute of Business Administration for funding development work. This contribution is part of the ongoing commitment to support development work at the IBA to the tune of Rs. 75 mln over a 6 year period. As a gesture of appreciation, the main academic block at the IBA City Campus has been named Faysal Bank Academic Centre.

### Brand Promotion

At the outset of the year Faysal Bank announced its corporate brand promise and official tagline 'Bank on Ambition' through a 360 degree communication campaign. The launch addressed not only the external audiences through television, radio, print and outdoor media, but also involved the internal stakeholders through month-long Employee Engagement activities on the theme of pursuing one's ambitions.

Following the corporate brand campaign, the focus shifted to building business and product brands. Barkat Islamic Banking Campaign was launched across all major television and radio channels in February 2012. The campaign was run to establish the distinct identity of the brand, build brand equity, and to support Barkat Islamic Banking business growth, across all markets.

Next a nationwide 360 degree marketing campaign for Faysal Business First — Business Current Account proposition - was launched in June 2012. All relevant communications media, including television, newspapers, outdoor, radio, online / social media, branch branding and product collateral, were utilised to ensure a holistic campaign to reach the target audiences. Another successful marketing launch has been that of China Union Pay Debit Card in August 2012. Faysal Bank is the first bank, not only in Pakistan, but also in the South Asia, Middle East and North Africa region to issue Union Pay Cards. The campaign launch was kicked off with an elegant press event where the cards were unveiled in a unique fashion, followed by advertising through newspapers, radio, product collateral and branch branding.

In continuation of the three year contract for Domestic Cricket Sponsorship with PCB, two major T20 tournaments took place in 2012. The first Faysal Bank T20 Cup 2011-12 Super 8 tournament was held in Rawalpindi in March-April, at the Rawalpindi Cricket Stadium, and the second Faysal Bank T20 Cup 2012-13 took place in Lahore in December at Gaddafi Stadium and two other venues. Both the tournaments were hugely successful in terms of spectator turnout and television viewership, and nearly a hundred thousand fans followed these games on social media.

The publicity generated through the promotion of these cricketing events on mass and outdoor media, and the public goodwill created by offering wholesome entertainment to the masses, have gone a long way in contributing towards Faysal Bank brand equity.

**Financial Highlights**

	2012	2011
	Rs. in million	
Operating profit	<b>3,241</b>	2,173
Provision for non performing advances - net	<b>(946)</b>	(286)
Provision for diminution in value of investments	<b>(415)</b>	(409)
Provision against off balance sheet obligations	<b>(40)</b>	-
	<b>(1,401)*</b>	(695)
Profit before tax	<b>1,840</b>	1,478
Provision for taxation	<b>(417)</b>	(198)
Profit after tax	<b>1,423</b>	1,280
Un-appropriated profit brought forward	<b>2,959</b>	1,951
	<b>4,382</b>	3,231
<b>Appropriations / Transfers:</b>		
Issue of bonus shares – September '12 @ 12.5% ('11 @ 12.5%)	<b>(1,030)</b>	(916)
Transfer to statutory reserve	<b>(285)</b>	(256)
Transfer from surplus on revaluation of fixed assets – net of tax	<b>79</b>	-
	<b>(1,236)</b>	(1,172)
Transfer from statutory reserve to un-appropriated profit	<b>-</b>	900
Un-appropriated Profit carried forward	<b>3,146</b>	2,959
	<b>1.53</b>	1.38

\* Excluding provisions reflected in equity.

Operating profit at PKR 3,241 mln was higher than last year by 49%. This performance is commendable in the back drop of a 400 basis points cut in mark-up rates since July 2011 which had a negative impact on the net markup income. Due to the growth strategy followed by the bank to offset the impact of declining rates in the economy net mark-up income for the year at Rs. 8,963 mln showed a marginal decline of Rs. 243 mln. It is pertinent to note that net mark-up income as a percentage of gross mark-up income has shown a decline of only 82 basis points over the previous year despite 400 bps rate cut as mentioned above.

Non mark-up income for the year was around 30% higher than last year primarily on account gain realized on sale of government securities.

Adverse economic environment, poor law and order and acute energy shortage have led to an increase in provision against advances and investments from Rs. 695 Mln to Rs. 1,361 Mln during 2012.

Rigorous efforts on cost reduction enabled the bank to maintain administrative expenses at previous year's level. This is indeed commendable considering opening / relocation of branches, prevailing inflation and ever increasing energy prices.

As a result of all the above factors, profit after tax at Rs. 1,423 Mln registered an impressive growth of 11% over last year. This translates into an EPS of Rs. 1.53 as against EPS of PKR 1.38 last year.

On the balance sheet side, gross advances grew by Rs. 25.4 bln to stand at Rs. 190.85 bln at the end of December 12 as against Rs. 165.5 bln previous year. Deposits also showed an impressive growth of 12% over last year. The CASA concentration also improved from 54.5% to 60.9%. As a result of this growth total assets of your bank crossed PKR 300 bln landmark and were at PKR 313 bln at the end of 2012.

**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, 2012:

Long-Term	AA
Short-Term	A1+

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

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

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

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

Definitions of PACRA for the assigned rating are reproduced below:

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

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

#### **Corporate Governance:**

- i. The Bank has implemented the requirements of the Code of Corporate Governance (the Code) relevant to the year ended December 31, 2012. A prescribed statement by the management along with the auditor's review report thereon forms part of this Annual Report.
- ii. Statement under clause xix of the code:
  - a. The financial 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 accounts 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 judgment;
  - d. Approved accounting standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
  - e. The system of internal control is sound in design and has been 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. Summarized key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report;
  - i. The value of investment of provident and gratuity funds are Rs. 626 mln and Rs. 278 mln 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. As at December 31, 2012 four directors have completed director's training as per the criteria specified by SECP.
- l. The prescribed pattern of shareholding is given as part of this Annual Report. The movement in the directors' shareholding, if any, is disclosed in the pattern of shareholding.

#### **Statement of Internal Control**

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 have been developed and circulated 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 compliance with these policies and procedures and regularly apprises the management and the Board on the same through Board's Audit Committee. Similarly, financial performance is also regularly reviewed by the Board.

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. The Design and Implementation Review conducted by the bank's statutory auditors for the bank's ICFR program has also been submitted to SBP.

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

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

#### **Risk Management Framework**

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

The salient features of the Risk Management Framework include:

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

The Risk Management framework is built on the following elements:

#### **Comprehensive risk governance**

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

#### **Risk Processes**

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

- Develop & update policies and limits for approval by senior management / Board.
- Monitor policy compliance.

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

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

#### **Holding Company**

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

#### **Subsidiary Company**

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

In 2012 FMSL earned profit before tax of Rs. 4.92 Mln (2011: Rs. 20.15 Mln), whereas profit after tax amounted to Rs.4.82 Mln (2011: Rs. 19.99 Mln). During 2010 the board of directors of FMSL decided to voluntary wind up the company. The winding up proceedings are at advance stage and are expected to complete during 2013.

#### **Auditors**

The present auditors, A F Ferguson & Co. Chartered Accountants will retire on the date of next Annual General Meeting. As per Code of Corporate Governance they are eligible for reappointment. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of A. F. Ferguson & Co. Chartered Accountants, as the auditors of the bank for the financial year 2013.

### Acknowledgement

I would like to take this opportunity to thank on behalf of the Board and Management of the bank, the shareholders for the trust they have reposed in the Bank, I am also grateful to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance and the customers for their patronage. I would also like to express sincere appreciation for the employees of the Bank for their dedication and hard work.

On behalf of the Board of Directors




President & CEO  
Karachi  
Dated: February 28, 2013

We have audited the annexed statement of financial position of Faysal Bank Limited (the bank) as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches, except for thirty branches, which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of 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 the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2012, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

  
Chartered Accountants  
Engagement Partner: **Noman Abbas Sheikh**  
Dated: March 6, 2013  
Karachi.

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

	Note	2012 Rupees '000	2011
<b>ASSETS</b>			
Cash and balances with treasury banks	8	24,508,852	18,445,108
Balances with other banks	9	1,209,313	4,685,718
Lendings to financial institutions		-	-
Investments	10	87,995,224	93,409,187
Advances	11	172,299,205	148,161,995
Operating fixed assets	12	10,859,963	10,849,607
Deferred tax assets - net	13	4,419,111	5,188,126
Other assets	14	11,772,664	11,828,085
		<b>313,064,332</b>	292,567,826
<b>LIABILITIES</b>			
Bills payable	15	4,244,494	3,075,642
Borrowings	16	35,568,109	39,696,986
Deposits and other accounts	17	240,712,826	214,614,731
Sub-ordinated loans	18	4,195,001	4,395,197
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	19	7,365,998	11,572,111
		<b>292,086,428</b>	273,354,667
<b>NET ASSETS</b>			
		<b>20,977,904</b>	19,213,159
<b>REPRESENTED BY</b>			
Share capital	20	9,273,508	8,243,118
Reserves	21	6,309,083	6,591,131
Unappropriated profit		3,146,300	2,959,178
		<b>18,728,891</b>	17,793,427
Surplus on revaluation of assets - net of tax	22	2,249,013	1,419,732
		<b>20,977,904</b>	19,213,159
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

The annexed notes 1 to 48 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, 2012

	Note	2012 Rupees '000	2011
Mark-up / return / interest earned	25	28,802,150	28,825,449
Mark-up / return / interest expensed	26	19,838,745	19,619,095
Net mark-up / interest income		<b>8,963,405</b>	9,206,354
Provision against non-performing loans and advances - net	11.4 & 21.2	963,901	330,088
Provision / (reversal of provision) for consumer loans - general	11.4 & 11.5	24,607	(77,361)
Provision against off balance sheet obligations		39,798	-
Provision for diminution in the value of investments - net	10.3	414,702	409,483
(Recoveries against written-off debts) / bad debts written-off directly	11.7	(42,188)	33,035
		<b>1,400,820</b>	695,245
Net mark-up / interest income after provisions		<b>7,562,585</b>	8,511,109
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,857,688	1,773,198
Dividend income		431,656	618,764
Income from dealing in foreign currencies		769,394	850,833
Gain / (loss) on sale of securities	27	1,214,560	(255,978)
Unrealised gain / (loss) on revaluation of investments classified as held for trading		42,887	(57,534)
Other income	28	965,534	1,141,086
Total non mark-up / interest income		<b>5,281,719</b>	4,070,369
		<b>12,844,304</b>	12,581,478
<b>Non mark-up / interest expenses</b>			
Administrative expenses	29	10,810,261	10,813,919
Other provisions - net	14.3	91,117	224,999
Other charges	30	102,825	64,469
Total non mark-up / interest expenses		<b>11,004,203</b>	11,103,387
		<b>1,840,101</b>	1,478,091
Extraordinary / unusual items		-	-
<b>Profit before taxation</b>		<b>1,840,101</b>	1,478,091
Taxation - Current	31	267,960	392,522
Taxation - Prior years	31	(227,147)	289,016
Taxation - Deferred	31	376,406	(483,743)
		<b>417,219</b>	197,795
<b>Profit after taxation</b>		<b>1,422,882</b>	1,280,296
			<b>Rupees</b>
<b>Basic earnings per share</b>	32	<b>1.53</b>	1.38

The annexed notes 1 to 48 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, 2012

### Profit for the year

### Components of comprehensive income not reflected in equity

- Surplus / (deficit) on revaluation of available for sale securities
- Deferred tax (liability) / asset on revaluation of available for sale securities

### Total comprehensive income for the year

The annexed notes 1 to 48 and Annexures I to IV form an integral part of these financial statements.

  
PRESIDENT & CEO

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR

2012  
Rupees '000

1,422,882

2011  
1,280,296

1,368,332  
(459,845)  
908,487

(512,501)  
139,209  
(373,292)

2,331,369

907,004

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

### Balance as at January 1, 2011

Shares issued upon amalgamation  
Transfer to reserve for issue of bonus shares  
Bonus shares issued  
Amortisation of intangible assets -  
customer relationship - net of deferred tax (note 21.2)  
Profit after tax for the year ended December 31, 2011  
Transfer to statutory reserve  
Transfer from statutory reserve to unappropriated profit

### Balance as at December 31, 2011

Transfer to reserve for issue of bonus shares  
Bonus shares issued  
Amortisation of intangible assets - customer relationship - net of  
deferred tax (note 21.2)  
Profit after tax for the year ended December 31, 2012  
Transfer to statutory reserve (note 21.1)  
Transfer from surplus on revaluation of fixed assets - net of tax  
Provision identified by the Banking Inspection Department of the SBP  
in respect of acquired portfolio of RBS Pakistan (note 21.2)

### Balance as at December 31, 2012

The annexed notes 1 to 48 and Annexures I to IV form an integral part of these financial statements.

  
PRESIDENT & CEO

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR

Share capital	Proposed shares to be issued on amalgamation	Reserves					Statutory reserve	Total	Unappropriated profit	Total
		Capital				Reserve arising on amalgamation				
		Reserve for issue of bonus shares	Share premium	Non-distributable Capital Reserve (NCR) - gain on bargain purchase (note 21.2)	Reserve arising on amalgamation					
----- Rupees '000 -----										
7,309,094	28,253	-	-	3,299,146	23,952	4,031,590	7,354,688	1,950,843	16,642,878	
18,122	(28,253)	-	10,131	-	-	-	10,131	-	-	
-	-	915,902	-	-	-	-	915,902	(915,902)	-	
915,902	-	(915,902)	-	-	-	-	(915,902)	-	-	
-	-	-	-	(129,747)	-	-	(129,747)	-	(129,747)	
-	-	-	-	-	-	-	-	1,280,296	1,280,296	
-	-	-	-	-	-	256,059	256,059	(256,059)	-	
-	-	-	-	-	-	(900,000)	(900,000)	900,000	-	
8,243,118	-	-	10,131	3,169,399	23,952	3,387,649	6,591,131	2,959,178	17,793,427	
-	-	1,030,390	-	-	-	-	1,030,390	(1,030,390)	-	
1,030,390	-	(1,030,390)	-	-	-	-	(1,030,390)	-	-	
-	-	-	-	(124,867)	-	-	(124,867)	-	(124,867)	
-	-	-	-	-	-	-	-	1,422,882	1,422,882	
-	-	-	-	-	-	284,576	284,576	(284,576)	-	
-	-	-	-	-	-	-	-	79,206	79,206	
-	-	-	-	(441,757)	-	-	(441,757)	-	(441,757)	
9,273,508	-	-	10,131	2,602,775	23,952	3,672,225	6,309,083	3,146,300	18,728,891	

# CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

## CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	1,840,101	1,478,091
Less: dividend income	(431,656)	(618,764)
	<b>1,408,445</b>	<b>859,327</b>
<b>Adjustments for non-cash and other items:</b>		
Depreciation	914,790	1,047,250
Amortisation	123,378	131,932
Workers' Welfare Fund	42,990	38,433
Provision against non-performing loans and advances - net	963,901	330,088
Provision / (reversal of provision) for consumer loans - general	24,607	(77,361)
Provision for diminution in value of investments - net	414,702	409,483
Provision for other assets	91,117	224,999
Provision against off balance sheet obligations	39,798	-
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(42,887)	57,534
Net profit on disposal of property and equipment	(50,268)	(262,301)
Charge for defined benefit plan	72,225	120,953
Amortisation of prepaid employee benefits	208,531	311,248
(Recoveries against written-off debts) / bad debts written-off directly	(42,188)	33,035
	<b>2,760,696</b>	<b>2,365,293</b>
	<b>4,169,141</b>	<b>3,224,620</b>

## (Increase) / decrease in operating assets

Lendings to financial institutions	-	-
Held for trading securities	(2,001,070)	(2,319,354)
Advances	(25,525,287)	(14,740,988)
Other assets	81,391	(2,096,494)
	<b>(27,444,966)</b>	<b>(19,156,836)</b>

## Increase / (decrease) in operating liabilities

Bills payable	1,168,852	(143,217)
Borrowings	(4,032,798)	4,947,226
Deposits and other accounts	26,098,095	19,299,527
Other liabilities	(4,242,023)	(967,080)
	<b>18,992,126</b>	<b>23,136,456</b>
	<b>(4,283,699)</b>	<b>7,204,240</b>
	<b>(373,616)</b>	<b>(1,171,638)</b>
	<b>(109,615)</b>	<b>(120,956)</b>
	<b>(4,766,930)</b>	<b>5,911,646</b>

Income tax paid  
Contribution to gratuity fund  
**Net cash (used in) / generated from operating activities**

## CASH FLOWS FROM INVESTING ACTIVITIES

Net investment in available for sale securities	7,355,252	(10,217,797)
Net investment in held to maturity securities	1,056,298	4,566,995
Dividend income received	433,241	608,029
Investment in operating fixed assets	(1,264,702)	(1,153,162)
Proceeds realised on disposal of operating fixed assets	74,343	353,493
<b>Net cash generated from / (used in) investing activities</b>	<b>7,654,432</b>	<b>(5,842,442)</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

Payments of sub-ordinated loan	(200,196)	(200,198)
Dividends paid	(3,888)	(8,869)
<b>Net cash used in financing activities</b>	<b>(204,084)</b>	<b>(209,067)</b>

## Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the year

**Cash and cash equivalents at end of the year**

The annexed notes 1 to 48 and Annexures I to IV form an integral part of these financial statements.

  
PRESIDENT & CEO

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR

Note	2012	2011
	Rupees '000	
	1,840,101	1,478,091
	(431,656)	(618,764)
	<b>1,408,445</b>	<b>859,327</b>
	914,790	1,047,250
	123,378	131,932
	42,990	38,433
	963,901	330,088
	24,607	(77,361)
	414,702	409,483
	91,117	224,999
	39,798	-
	(42,887)	57,534
	(50,268)	(262,301)
	72,225	120,953
	208,531	311,248
	(42,188)	33,035
	<b>2,760,696</b>	<b>2,365,293</b>
	<b>4,169,141</b>	<b>3,224,620</b>
	-	-
	(2,001,070)	(2,319,354)
	(25,525,287)	(14,740,988)
	81,391	(2,096,494)
	<b>(27,444,966)</b>	<b>(19,156,836)</b>
	1,168,852	(143,217)
	(4,032,798)	4,947,226
	26,098,095	19,299,527
	(4,242,023)	(967,080)
	<b>18,992,126</b>	<b>23,136,456</b>
	<b>(4,283,699)</b>	<b>7,204,240</b>
	<b>(373,616)</b>	<b>(1,171,638)</b>
	<b>(109,615)</b>	<b>(120,956)</b>
	<b>(4,766,930)</b>	<b>5,911,646</b>
	7,355,252	(10,217,797)
	1,056,298	4,566,995
	433,241	608,029
	(1,264,702)	(1,153,162)
	74,343	353,493
	<b>7,654,432</b>	<b>(5,842,442)</b>
	(200,196)	(200,198)
	(3,888)	(8,869)
	<b>(204,084)</b>	<b>(209,067)</b>
	2,683,418	(139,863)
	<b>23,010,563</b>	<b>23,150,426</b>
	<b>25,693,981</b>	<b>23,010,563</b>

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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

## 1 STATUS AND NATURE OF BUSINESS

**1.1** Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is mainly engaged in Corporate, Commercial and Consumer banking activities. The Bank has a network of 265 branches (2011: 257); including 52 Islamic banking branches (2011: 45).

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

Ithmaar Bank B.S.C., a Bahrain based retail bank, is the parent company of the Bank, holding, directly and indirectly through subsidiaries 66.78% (2011: 66.94%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMI), (ultimate parent of the Bank) is the holding company of Ithmaar Bank B.S.C. The DMI group owns and operates an international network of Islamic Banks, Investment Banks and Insurance Companies.

**1.2** Based on the financial statements of the Bank for the year ended December 31, 2011, the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' and the short term rating as 'A1+'.

**1.3** The Securities and Exchange Commission of Pakistan (SECP) vide letter EMD/233/12/2002-55 dated July 15, 2011 had granted exemption to the Bank from the preparation of the consolidated financial statements of the Bank and its subsidiary company namely Faysal Management Services (Private) Limited with effect from June 30, 2011, subject to the disclosure of Statement of Financial Position, Profit and Loss account of the subsidiary, nature of auditor's opinion and certain other matters. The disclosures required by the SECP are given in note 10.6 to these financial statements.

## 2 BASIS OF PRESENTATION

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

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

## 3 STATEMENT OF COMPLIANCE

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



**3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has also deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

**3.3** IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP'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 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** The SBP vide BSD Circular Letter No. 03 of 2013 dated January 22, 2013 has made certain changes to the 'Revised Forms of Annual Financial Statements' as applicable to the Islamic branches of the Bank, which have been made effective for the financial statements as on December 31, 2012 and onwards. As required under the directives issued by the SBP, the Bank has changed the presentation and disclosure of financing and related assets for Islamic Banking Business as under:

**a)** The head 'Financing and receivables' in the Islamic Banking Business in Annexure III to these financial statements has been renamed as 'Islamic financing and related assets'.

**b)** All financings, advances (against murabaha etc), inventories and related assets for Islamic Banking Business previously being reported under 'other assets' have been made part of 'Islamic financing and related assets' in the Islamic Banking Business in Annexure III to these financial statements.

Disclosure relating to Islamic banking branches (as given in Annexure III) has been amended to conform to the revised presentation specified by the SBP. The effect of this change on the financial statements of the Islamic banking branches is disclosed in Annexure III to these financial statements.

There is no impact of this change on the profit after taxation and earnings per share for the current or prior years. The above change has only been made in the disclosure relating to Islamic branches as given in Annexure III to these financial statements and this change has had no impact on the Statement of Financial Position of the Bank which has been presented in a manner consistent with the previous year.

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

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. It stipulates that the measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on the financial statements of the Bank.

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

The following amendments to existing standards have been published and is mandatory for the Bank's accounting period beginning on or after January 1, 2013.

**(a)** Presentation of Items of other comprehensive income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendment requires that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment does not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment has no impact on the financial statements of the Bank.

**(b)** IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments will impact the financial statements of the Bank and the management is in the process of assessing the full impact of the change.

**(c)** 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 in the determination of control where this is difficult to assess. The amendments may impact the financial statements of the Bank and the management is in the process of assessing the full impact of the change.

**(d)** IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendments may impact the financial statements of the Bank and the management is in the process of assessing the full impact of the change.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

**4 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except that certain fixed assets are carried at revalued amounts and certain investments and derivative contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefit is carried at present value.

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgments in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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 accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are disclosed in note 39 to these financial statements.

**6 FUNCTIONAL AND PRESENTATION CURRENCY**

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

**7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**7.1 Business Combination**

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Bank's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account. However, as more fully described in note 21.2 to these financial statements, the gain on bargain purchase arising on acquisition made in 2010 has been recognised directly in equity as per the directives of the SBP.

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

**7.2 Cash and cash equivalents**

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

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

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

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

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

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

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

**7.4 Investments**

The Bank classifies its investments as follows:

**(a) Held for trading**

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

**(b) Held to maturity**

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

**(c) Available for sale**

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

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

Investments other than those recognised as held for trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs associated with the transactions are expensed in the profit and loss account.

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

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

Impairment loss in respect of investments classified as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in the fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of term finance certificates is made as per the 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 there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

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

**7.5 Advances**

**(a) Loans and advances**

Advances are stated net of specific and general provisions. Specific and general provisions for advances are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account.

**(b) Net investment in finance lease**

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on 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.

**(c) Ijara Assets (IFAS 2)**

Ijara assets are stated at cost less depreciation. The rentals received / receivable on Ijara under IFAS 2 are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijara of respective assets. Ijara assets are depreciated over the period of Ijara using the straight line method. Impairment of Ijara assets is determined on the same basis as that of operating fixed assets. Impairment of Ijara rentals are determined in accordance with the requirements of the Prudential Regulations issued by the SBP.

**(d) Murabaha**

Murabaha transactions are accounted for at gross receivable net of specific and general provisions. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account.

**(e) Diminishing Musharakah**

In Diminishing Musharakah based financing, the Bank enters into Musharakah 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 period profit payments agreement for the utilization of the Bank's Musharakah share by the customer.

**(f) Write-off**

Non-performing: (a) loans and advances; (b) net investment in finance lease; (c) murabaha; and (d) other financing are written off only when possible courses of action to achieve recovery have proved unsuccessful.

**7.6 Fixed assets and depreciation**

**(a) Tangible assets - owned**

Fixed assets other than for freehold land and buildings on freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and buildings on freehold land are carried at revalued amount less any accumulated depreciation and 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 12.2 to these financial statements after taking into account residual value, if significant. The asset's residual values and useful lives are reviewed and adjusted, if required, at each balance sheet date. Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying 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 leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments, if any, under operating leases are charged to income on a straight line basis over the lease term.

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any. 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 assets which are owned by the Bank.

**(c) Capital work in progress**

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

**(d) Intangibles**

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation except for customer relationship is charged as disclosed in note 12.3 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 12.3 to these financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed off. The residual 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 such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

An impairment loss is reversed 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.

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

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

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 recognized 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 are remote.

**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. Cumulative net unrecognized actuarial gains and losses at the end of the last reporting year are recognised over the expected average remaining working lives of the employees.

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

**7.12 Borrowings / deposits and their cost**

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

**7.13 Proposed dividend and transfer between reserves**

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

**7.14 Revenue recognition and other items**

- Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis except that mark-up income / interest / returns 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 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.
- 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 is recognised as income when they are realised.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.
- Fee commission on letters of credit / guarantee, brokerage and others is recognised on time proportion basis.
- Financial advisory fee is recognised when the right to receive the fee is established.
- Rent and other income is recognised on accrual basis.

#### 7.15 Pool management

The Bank's Islamic Banking Division (FBL IBD) has maintained the following pools during 2012:

- i. 'General Pool' for local and foreign currency depositors
- ii. 'Islamic Export Refinance Pool'
- iii. 'Special Financial Institutions and Mutual Fund Pool'

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business like 'Production & Transmission of Energy', 'Food & Allied', 'Distribution & Trade' and 'Investment in Government of Pakistan Ijara Sukuks'.

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

#### 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 Special Financial Institutions Pool and Mutual Fund Pool can invite funds from high net-worth Individuals / companies / interbank customers under the separate (special) Modaraba arrangements. The special pool can be created under the following Islamic modes:
  - i. Modaraba
  - ii. Musharaka
  - iii. Wakalah
- The risk characteristic of each pool mainly depends on the asset and liability profile of each pool.

#### 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 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.

#### 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, other assets, bills payable, borrowings, deposits, liabilities against assets subject to finance lease and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

**Derivative financial instruments**

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

**Offsetting**

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

**(a) Business Segments**

**(i) Corporate finance**

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

**(ii) Trading and Sales**

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

**(iii) Retail banking**

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

**(iv) Corporate and commercial banking**

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

**(b) Geographical segment**

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees '000	2011
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		<b>4,736,518</b>	3,416,920
- foreign currencies		<b>1,192,541</b>	1,012,656
With the State Bank of Pakistan in			
- local currency current accounts	8.1	<b>10,925,398</b>	8,414,064
- foreign currency current accounts	8.2	<b>1,194,941</b>	956,985
- foreign currency deposit accounts	8.3	<b>3,648,435</b>	2,886,350
With the National Bank of Pakistan in			
- local currency current accounts		<b>2,802,684</b>	1,739,504
National prize bonds		<b>8,335</b>	18,629
		<b>24,508,852</b>	18,445,108

**8.1** This represents 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.

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees '000	2011
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- Current accounts		<b>677,630</b>	1,872,679
Outside Pakistan			
- Current accounts		<b>366,529</b>	424,981
- Deposit account	9.1	<b>165,154</b>	2,388,058
		<b>1,209,313</b>	4,685,718

**9.1** This represents deposit of USD 1.7 million (2011: USD 26.6 million) placed with The Royal Bank of Scotland, UK (RBS PLC) as margin against interest rate and cross currency derivative contracts entered with RBS PLC. It carries mark-up at the rate of 0.09% (2011: 0.10%) per annum. The deposit balance varies according to the outstanding balance of the derivative contracts and will be released completely on maturity of last derivative contract in September 2014.

### 10 INVESTMENTS

Investments by type and segments, details of strategic investments and particulars of provisions are given below. The full break down of these 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, 2012

10.1	Investments by type	Note	2012			2011		
			Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
			Rupees '000					
	<b>Held for trading securities</b>							
	Market Treasury Bills	10.2.1	7,290,934	-	7,290,934	2,645,477	-	2,645,477
	Pakistan Investment Bonds	10.2.2	546,307	-	546,307	16,058	-	16,058
	Fully paid up ordinary shares / certificates of closed end mutual funds		-	-	-	921,136	-	921,136
	Ijara Sukuk Bonds	10.2.3	-	-	-	2,253,500	-	2,253,500
			<b>7,837,241</b>	<b>-</b>	<b>7,837,241</b>	<b>5,836,171</b>	<b>-</b>	<b>5,836,171</b>
	<b>Available for sale securities</b>							
	Market Treasury Bills	10.2.1	16,403,998	16,451,346	32,855,344	29,611,270	21,834,936	51,446,206
	Pakistan Investment Bonds	10.2.2	19,579,271	-	19,579,271	13,355,470	-	13,355,470
	Ijara Sukuk Bonds	10.2.3	17,112,183	-	17,112,183	7,039,259	-	7,039,259
	Units of open end mutual funds							
	- National Investment (Unit) Trust		-	-	-	2,200,000	-	2,200,000
	- NIT Income Fund		-	-	-	50,000	-	50,000
	- Faysal Balanced Growth Fund		80,374	-	80,374	80,374	-	80,374
	- Faysal Income Growth Fund		200,000	-	200,000	200,000	-	200,000
	- Faysal Savings Growth Fund		407,411	-	407,411	208,228	-	208,228
	- Faysal Islamic Savings Growth Fund		100,000	-	100,000	425,000	-	425,000
	- Faysal Money Market Fund		1,100,000	-	1,100,000	1,100,000	-	1,100,000
	- Faysal Asset Allocation Fund		300,000	-	300,000	-	-	-
	- JS Large Capital Fund		-	-	-	27,888	-	27,888
	- JS KSE 30 Index Fund		-	-	-	3,702	-	3,702
	- Al-Meezan Mutual Fund		-	-	-	35,263	-	35,263
	Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds	10.3.5	3,968,636	-	3,968,636	6,250,378	-	6,250,378
	Fully paid up preference shares		122,652	-	122,652	414,368	-	414,368
	Term finance certificates	10.3.2 & 10.3.3	1,019,120	-	1,019,120	1,364,107	-	1,364,107
			<b>60,393,645</b>	<b>16,451,346</b>	<b>76,844,991</b>	<b>62,365,307</b>	<b>21,834,936</b>	<b>84,200,243</b>
	<b>Held to maturity securities</b>							
	Term finance certificates	10.3.4	2,637,030	-	2,637,030	3,545,546	-	3,545,546
	Sukuk Bonds	10.3.4	2,213,048	-	2,213,048	2,360,830	-	2,360,830
			<b>4,850,078</b>	<b>-</b>	<b>4,850,078</b>	<b>5,906,376</b>	<b>-</b>	<b>5,906,376</b>
	<b>Associate</b>							
	Fully paid up ordinary shares of Faysal Asset Management Limited		45,000	-	45,000	45,000	-	45,000
	<b>Subsidiary</b>							
	Fully paid up ordinary shares of Faysal Management Services (Private) Limited	10.6	108,000	-	108,000	108,000	-	108,000
	<b>Investments at cost</b>		<b>73,233,964</b>	<b>16,451,346</b>	<b>89,685,310</b>	<b>74,260,854</b>	<b>21,834,936</b>	<b>96,095,790</b>
	Less: Provision for diminution in the value of investments	10.3	(2,319,786)	-	(2,319,786)	(1,905,084)	-	(1,905,084)
	<b>Investments (net of provisions)</b>		<b>70,914,178</b>	<b>16,451,346</b>	<b>87,365,524</b>	<b>72,355,770</b>	<b>21,834,936</b>	<b>94,190,706</b>
	Surplus / (deficit) on revaluation of held for trading securities - net	10.5	4,236	-	4,236	(38,651)	-	(38,651)
	Surplus / (deficit) on revaluation of available for sale securities - net	22.2	432,643	192,821	625,464	(798,937)	56,069	(742,868)
	<b>Total investments at market value</b>		<b>71,351,057</b>	<b>16,644,167</b>	<b>87,995,224</b>	<b>71,518,182</b>	<b>21,891,005</b>	<b>93,409,187</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

10.1.1	Strategic Investments	2012	2011
		Rupees '000	
	<b>Available for sale securities - Listed</b>		
	Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	1,369,550	1,558,140
	Units of open ended mutual funds	80,374	143,526
	<b>Available for sale securities - Unlisted</b>		
	Fully paid up ordinary shares	730,750	784,250
	<b>Associate</b>	45,000	45,000
	<b>Subsidiary</b>	108,000	108,000
		<b>2,333,674</b>	<b>2,638,916</b>
	Provision for diminution in the value of investments	(839,646)	(731,418)
		<b>1,494,028</b>	<b>1,907,498</b>
	Surplus / (deficit) on revaluation of available for sale securities	14,141	(62,142)
		<b>1,508,169</b>	<b>1,845,356</b>

Strategic investments are those which the Bank makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the 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 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, 2012

	Note	2012	2011
		Rupees '000	
<b>10.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills	10.2.1	40,146,278	54,091,683
- Pakistan Investment Bonds	10.2.2	20,125,578	13,371,528
- Ijara Sukuk Bonds	10.2.3	17,112,183	9,292,759
		<b>77,384,039</b>	76,755,970
<b>Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units</b>			
- Listed companies / modarabas / mutual funds	10.3.5	3,160,395	6,340,151
- Unlisted companies		961,241	984,363
		<b>4,121,636</b>	7,324,514
<b>Fully Paid up Preference Shares</b>			
- Listed companies		22,652	314,368
- Unlisted companies		100,000	100,000
		<b>122,652</b>	414,368
		<b>4,244,288</b>	7,738,882
<b>Term Finance Certificates</b>			
- Listed	10.3.3	369,013	801,215
- Unlisted	10.3.2 & 10.3.4	3,287,137	4,108,438
		<b>3,656,150</b>	4,909,653
<b>Units of Open ended Mutual Funds</b>		<b>2,187,785</b>	4,330,455
<b>Sukuk Bonds</b>	10.3.4	<b>2,213,048</b>	2,360,830
<b>Total investments at cost</b>		<b>89,685,310</b>	96,095,790
Less: Provision for diminution in the value of investments	10.3	(2,319,786)	(1,905,084)
<b>Investments (net of provisions)</b>		<b>87,365,524</b>	94,190,706
Surplus / (deficit) on revaluation of investments classified as held for trading	10.5	4,236	(38,651)
Surplus / (deficit) on revaluation of investments classified as available for sale	22.2	625,464	(742,868)
<b>Total investments</b>		<b>87,995,224</b>	93,409,187

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

- 10.2.1** Market Treasury Bills have tenures of three months to one year. The Bank's return on these instruments ranges from 9.10% to 11.96% per annum (2011: 11.6% to 13.9% per annum) with maturities up to December 2013.
- 10.2.2** Pakistan Investment Bonds have tenures of 3 to 10 years. The Bank's return on these investments ranges from 4.58% to 14.30% per annum (2011: 4.6% to 14.3% per annum) with maturities from June 2013 to July 2022.
- 10.2.3** These represent GoP Ijara sukuk bonds having tenures of three years with maturities upto September 2015. The Bank's return on these investments ranges from 9.79% to 13.68% per annum (2011: 11.79% to 14.05% per annum).

	2012	2011
	Rupees '000	
<b>10.3 Particulars of provision for diminution in the value of investments</b>		
Opening balance	1,905,084	1,495,601
Charge for the year	921,683	695,824
Reversals	(506,981)	(286,341)
	<b>414,702</b>	409,483
Closing balance	<b>2,319,786</b>	1,905,084
<b>10.3.1 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	717,636	471,179
- Unlisted companies	627,089	548,392
<b>Fully Paid up Preference Shares</b>		
- Listed companies	22,490	227,459
<b>Units of Open ended Mutual Funds</b>	4,722	38,353
<b>Term Finance Certificates</b>		
- Listed	72,613	32,263
- Unlisted	460,347	461,052
<b>Held to maturity securities</b>		
<b>Term Finance Certificates</b>		
- Unlisted	288,833	126,386
<b>Sukuk Bonds</b>	126,056	-
	<b>2,319,786</b>	1,905,084

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

**10.3.2** This includes Pre IPO investment of Rs 500 million made in the unlisted term finance certificates (TFCs) of Dewan Cement Limited. The SBP through its letter BPRD/BLRD-3/DMG/2011-1035 dated January 26, 2011 had advised banks to maintain provision at least at the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. The Bank, as per the above directive, has availed the relaxation and maintained a provision of Rs 450 million against this investment. Had the provision been made as per the time based criteria specified in the Prudential Regulations issued by the SBP, the provision for diminution in the value of investments for the year ended December 31, 2012 would have been higher by Rs 50 million (2011: Rs 50 million) and the profit before taxation for the year ended December 31, 2012 would have been lower by Rs 50 million (2011: Rs 50 million).

**10.3.3** This includes term finance certificates of Rs 51.48 million (2011: Rs 118.48 million) in respect of Azgard Nine Limited. The impact of relaxation availed by the Bank for maintaining provision against this investment is disclosed in note 11.4.1 to these financial statements.

**10.3.4** This includes the term finance certificates and Sukuk Bonds of Rs 999.172 million (2011: Rs 999.172 million) and Rs 500 million (2011: Rs 500 million) respectively issued by Agritech Limited. The impact of relaxation availed by the Bank for maintaining the provision against these investments is disclosed in note 11.4.1 to these financial statements.

**10.3.5** This includes 8,868,843 equity shares of Agritech Limited acquired at the rate of Rs. 35 each as part of debt share swap agreement with Azgard Nine Limited. The impact of relaxation availed by the Bank for impairment against these shares is disclosed in note 11.4.1 to these financial statements.

### 10.4 Quality of available for sale securities

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

	2012	2011
	Rupees '000	
<b>10.5 Surplus / (deficit) on revaluation of investments classified as held for trading</b>		
Market Treasury Bills	1,843	(1,423)
Pakistan Investment Bonds	1,786	(163)
Fully paid up ordinary shares / certificates of closed end mutual fund	607	(37,065)
	<u>4,236</u>	<u>(38,651)</u>

**10.6** On October 1, 2010, the Board of Directors of Faysal Management Services (Private) Limited (FMSL) [a subsidiary of the Bank in which the Bank has 60% shareholding] decided to voluntarily wind up the company and accordingly, resolved to initiate proceedings of winding up by the members of FMSL under the Companies Ordinance, 1984. An Official Assignee was appointed by the Court in 2012 to distribute the net assets of the Company. The Official Assignee of FMSL has realised assets (held in the form of cash equivalents) of the Company after obtaining permission from the High Court to distribute the cash balances in his custody to shareholders of FMSL and has distributed cash to respective shareholders in February 2013.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

**10.6.1** An extract of the statement of financial position as at December 31, 2012 and the profit and loss account for the year ended December 31, 2012 of FMSL is as follows:

### STATEMENT OF FINANCIAL POSITION

#### ASSETS

##### Current assets

Investments available for sale - at fair value  
Advance income tax - net  
Bank balances  
Balance with official assignee

	2012	2011
	Rupees '000	
Investments available for sale - at fair value	-	180,220
Advance income tax - net	-	456
Bank balances	-	20,618
Balance with official assignee	206,815	-
	<u>206,815</u>	<u>201,294</u>

#### EQUITY AND LIABILITIES

##### Share capital and reserves

Authorised Capital  
3,000,000 (2011: 3,000,000) ordinary shares of Rs. 100 each

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

1,800,000 (2011: 1,800,000) ordinary shares of Rs. 100 each fully paid in cash

Unappropriated profit  
Unrealised gain on revaluation of investments

Authorised Capital	300,000	300,000
Issued, subscribed and paid-up capital	180,000	180,000
Unappropriated profit	26,815	20,794
Unrealised gain on revaluation of investments	-	220
	<u>206,815</u>	<u>201,014</u>

##### Current liabilities

Accrued and other liabilities

Accrued and other liabilities	-	280
	<u>206,815</u>	<u>201,294</u>

#### PROFIT AND LOSS ACCOUNT

Operating expenses  
Other income

##### Profit before taxation

Taxation

##### Profit after taxation

Operating expenses	78	777
Other income	6,195	20,931
Profit before taxation	6,117	20,154
Taxation	96	167
Profit after taxation	<u>6,021</u>	<u>19,987</u>

##### Earnings per share - basic and diluted

Earnings per share - basic and diluted	<u>3.34</u>	<u>11.10</u>
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**10.6.2** The last annual audited financial statements of the subsidiary company are available for inspection at the registered office of the Bank and would be available to the members on request without any cost.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

11 ADVANCES	Note	2012		2011	
		Rupees '000			
Loans, cash credits, running finances, etc. – in Pakistan	11.4.1 & 11.4.2	178,073,391		156,045,856	
Net investment in finance lease – in Pakistan	11.2	7,050,189		6,684,270	
		<b>185,123,580</b>		162,730,126	
Bills discounted and purchased (excluding government treasury bills)					
- Payable in Pakistan		3,455,602		1,563,551	
- Payable outside Pakistan		2,149,893		1,061,453	
		<b>5,605,495</b>		2,625,004	
Margin financing / reverse repo transactions		122,200		128,200	
Gross advances		<b>190,851,275</b>		165,483,330	
Provision against non-performing advances	11.4 & 11.4.4	(18,268,251)		(17,062,123)	
Provision against consumer loans - general	11.4 & 11.5	(283,819)		(259,212)	
		<b>(18,552,070)</b>		(17,321,335)	
Advances - net of provision		<b>172,299,205</b>		148,161,995	
<b>11.1 Particulars of advances (Gross)</b>					
11.1.1 In local currency		187,624,216		163,076,639	
In foreign currencies		3,227,059		2,406,691	
		<b>190,851,275</b>		165,483,330	
11.1.2 Short term (upto one year)		113,052,717		94,979,847	
Long term (over one year)		77,798,558		70,503,483	
		<b>190,851,275</b>		165,483,330	

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

11.2 Net investment in finance lease	2012				2011			
	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	1,888,345	3,602,980	-	5,491,325	2,268,455	2,535,801	-	4,804,256
Residual value	624,573	1,825,949	-	2,450,522	884,895	1,484,408	-	2,369,303
Minimum lease payment	2,512,918	5,428,929	-	7,941,847	3,153,350	4,020,209	-	7,173,559
Finance charge for future periods	(239,681)	(651,977)	-	(891,658)	(380,971)	(108,318)	-	(489,289)
Present value of minimum lease payment	2,273,237	4,776,952	-	7,050,189	2,772,379	3,911,891	-	6,684,270

11.3 Advances includes Rs. 27,549 million (2011: Rs. 26,044 million) which have been placed under non-performing status as detailed below:

Category of classification	2012								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees '000 -----								
Other Assets Especially									
Mentioned (Agri financing)	190,656	-	190,656	-	-	-	-	-	-
Substandard	2,038,178	-	2,038,178	369,360	-	369,360	369,360	-	369,360
Doubtful	2,552,484	-	2,552,484	796,566	-	796,566	796,566	-	796,566
Loss	22,768,411	-	22,768,411	17,102,325	-	17,102,325	17,102,325	-	17,102,325
	<b>27,549,729</b>	<b>-</b>	<b>27,549,729</b>	<b>18,268,251</b>	<b>-</b>	<b>18,268,251</b>	<b>18,268,251</b>	<b>-</b>	<b>18,268,251</b>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 11.4 Particulars of provision against non-performing advances

	2012			2011		
	Specific	General Note 11.5	Total	Specific	General Note 11.5	Total
----- Rupees '000 -----						
Opening balance	17,062,123	259,212	17,321,335	17,163,067	336,573	17,499,640
Charge for the year included in the profit and loss account	3,064,747	24,607	3,089,354	2,750,540	-	2,750,540
Reversals during the year	(2,100,846)	-	(2,100,846)	(2,420,452)	(77,361)	(2,497,813)
	963,901	24,607	988,508	330,088	(77,361)	252,727
Provision for the year adjusted against NCR - note 21.2	441,757	-	441,757	-	-	-
Net charge / (reversals)	1,405,658	24,607	1,430,265	330,088	(77,361)	252,727
Amounts written off - note 11.7.1	(199,530)	-	(199,530)	(431,032)	-	(431,032)
Closing balance	18,268,251	283,819	18,552,070	17,062,123	259,212	17,321,335

**11.4.1** This includes classified advances of Rs 409.172 million and Rs 166.455 million disbursed to Agritech Limited (AGL) and Azgard Nine Limited (ANL) respectively. In addition, as disclosed in note 10.3.3 to 10.3.5 the Bank has also made investments in term finance certificates and Sukuk of Rs 1,050.648 million and Rs 500 million respectively issued by AGL and ANL. During 2012 the existing lenders (including the Bank) had restructured the outstanding facilities of ANL loans under a debt to asset swap arrangement. Under the arrangement the ANL's existing debt was partially swapped with the company's entire shareholding in AGL. As per the arrangement the Bank acquired 8,868,843 shares of AGL representing 2.26% shares of AGL's paid-up capital from ANL for the total sale consideration of Rs 310.410 million at an agreed price of Rs 35 per share (market value as at the date of acquisition was Rs 12.56 per share). Subsequent to this arrangement, the Bank has incurred impairment loss of Rs 206.91 million representing the difference between the acquisition cost and market value of shares as at December 31, 2012.

In accordance with the requirements of approved accounting standards as applicable in Pakistan the Bank was required to maintain a provision of Rs. 1,900.49 million as at December 31, 2012 against the non-performing outstanding facilities of AGL and ANL and impairment loss on acquired shares of AGL. The SBP through its letter no. BPRD/BRD-(Policy) / 2013-1857 dated February 15, 2013 has provided relaxation to Banks under which they can make provisioning against their outstanding exposure (including impairment loss on shares acquired) in a phased manner and maintain at least 10%, 25%, 50%, 75% and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 respectively. Following the relaxation provided by the SBP, the Bank has recorded total provision of Rs 423.394 million in respect of outstanding exposure of AGL and ANL and recorded impairment loss of Rs 20.69 million.

Had the SBP not provided this exemption, the profit before taxation for the current year would have been lower by Rs 1,456.40 million and the provision against advances and investments would have been higher by Rs 351.847 million and Rs 1,104.553 million respectively.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

**11.4.2** This includes classified advances of Rs 150 million disbursed to Gulistan Textile Mills Limited as at December 31, 2012. In accordance with the requirements of the Prudential Regulations issued by the SBP, the Bank was required to maintain a provision of Rs 41.784 million against this customer. The SBP through its letter no. BPRD/BRD-04/FAYSAL/2013/1695 dated February 13, 2013 has provided relaxation to Banks to create provision against classified exposure of Gulistan Group companies (including Gulistan Textile Mills Limited) in a phased manner and maintain at least 25%, 50%, 75% and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013 respectively. In view of this relaxation, the Bank has recorded provision amounting to Rs 26.1 million after taking the impact of the aforementioned relaxation. Had the SBP not provided this relaxation, profit before taxation would have been lower and provision against advances would have been higher by Rs 15.7 million.

**11.4.3** As allowed by the SBP the Bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs. 3,876.80 million [Rs 3,775.7million (2011: Rs 3,696.4 million) relating to advances and Rs. 101.1 million (2011: Rs.288.9 million) relating to investments] while determining the provisioning requirement against non-performing financing (including investments) as at December 31, 2012. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2012 which is not available for distribution as either cash or stock dividend to shareholders amounted to approximately Rs 2,519.9 million (2011: Rs 2,590.464 million).

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

	2012			2011		
	Specific	General	Total	Specific	General	Total
----- Rupees '000 -----						
In local currency	18,268,251	283,819	18,552,070	17,062,123	259,212	17,321,335
In foreign currencies	-	-	-	-	-	-
Total	18,268,251	283,819	18,552,070	17,062,123	259,212	17,321,335

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees '000	
<b>11.7 Particulars of write-offs</b>		
<b>11.7.1</b> Against provisions (Recoveries against written-off debts) / bad debts directly charged to profit and loss account	<b>199,530</b> <b>(42,188)</b> <b>157,342</b>	431,032 33,035 464,067
<b>11.7.2</b> Write-offs of Rs. 500,000 and above Write-offs below Rs. 500,000	<b>158,421</b> <b>(1,079)</b> <b>157,342</b>	94,132 369,935 464,067
<b>11.8 Details of loan write-offs of Rs 500,000 and above</b>		
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, 2012 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.		
<b>11.9 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	<b>2,787,379</b>	3,339,495
Loans granted during the year	<b>215,444</b>	492,435
Repayments during the year	<b>(501,984)</b>	(1,044,551)
Balance at end of the year	<b>2,500,839</b>	2,787,379
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	<b>2,052,847</b>	2,014,168
Loans granted during the year	<b>4,261,088</b>	1,132,279
Repayments during the year	<b>(2,674,549)</b>	(1,093,600)
Balance at end of year	<b>3,639,386</b>	2,052,847
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of the year	<b>801,708</b>	802,195
Loans granted during the year	-	-
Repayments during the year	<b>(973)</b>	(487)
Balance at end of the year	<b>800,735</b>	801,708

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees '000	
<b>11.9.1 Maximum total amount of advances (including temporary advances) outstanding at the end of any month during the year</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		<b>2,500,867</b>	3,339,495
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		<b>5,529,386</b>	2,052,847
Debts due by subsidiaries, controlled firms, managed modarabas and other related parties		<b>1,762,029</b>	802,195
<b>12 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	12.1	<b>1,032,030</b>	575,735
Tangible fixed assets	12.2	<b>7,528,378</b>	7,793,705
Intangible assets	12.3	<b>2,299,555</b>	2,480,167
		<b>10,859,963</b>	10,849,607
<b>12.1 Capital work-in-progress</b>			
Civil works		<b>169,483</b>	156,300
Equipment		<b>407,299</b>	134,215
Advances to suppliers and contractors		<b>455,248</b>	285,220
		<b>1,032,030</b>	575,735

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

12.2 Tangible fixed assets

	2012								Book value at December 31, 2012	Rate of depreciation (%)
	COST				ACCUMULATED DEPRECIATION					
	As at January 1, 2012	Additions	Deletions	As at December 31, 2012	As at January 1, 2012	Additions	On deletions	As at December 31, 2012		
------(Rupees '000)-----										
<b>Owned</b>										
Freehold land	1,260,795	-	-	1,260,795	-	-	-	-	1,260,795	-
Leasehold land	2,253,080	-	-	2,253,080	-	-	-	-	2,253,080	-
Building on freehold	234,796	-	-	234,796	79,341	26,567	-	105,908	128,888	5
Building on leasehold land (note 12.2.2)	3,236,587	70,604	-	3,307,191	267,096	256,898	-	523,994	2,783,197	5
Leasehold property and improvement	1,355,169	237,936	(33,668)	1,559,437	1,062,970	159,349	(33,668)	1,188,651	370,786	5 to 20
Office furniture, fixtures, equipment and computers	4,436,111	255,353	(663)	4,690,801	3,645,995	447,382	(306)	4,093,071	597,730	20 to 33.33
Vehicles	213,057	109,645	(94,186)	228,516	140,488	24,594	(70,468)	94,614	133,902	20
<b>Total Owned</b>	<b>12,989,595</b>	<b>673,538</b>	<b>(128,517)</b>	<b>13,534,616</b>	<b>5,195,890</b>	<b>914,790</b>	<b>(104,442)</b>	<b>6,006,238</b>	<b>7,528,378</b>	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs 4,363.238 million (2011: Rs 3,140.432 million).

12.2.2 On one of these properties there is a partial claim by an individual.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

**12.2.3** Freehold and leasehold land and building on freehold and leasehold land were last revalued on December 31, 2011 on the basis of market values determined by valuation and engineering consultant. Had there been no revaluation, the net book value of these assets would have been lower by Rs 2,318.167 million i.e. Rs 4,107.793 million (2011: Rs 4,198.798 million).

### 12.3 Intangible assets

	2012				Book value at December 31, 2012	Rate of amortisation % per annum				
	COST		ACCUMULATED AMORTISATION							
	As at January 1, 2012	Additions	Deletions	As at December 31, 2012	As at January 1, 2012	Charge/ transferred to equity	Charge on deletions	As at December 31, 2012		
------(Rupees '000)-----										
Computer software	840,949	134,869	-	975,818	677,821	123,378	-	801,199	174,619	20 to 33.33
Customer Relationship	2,557,167	-	-	2,557,167	240,128	-	-	432,231	2,124,936	Note 12.3.2
						192,103				
	<b>3,398,116</b>	<b>134,869</b>	<b>-</b>	<b>3,532,985</b>	<b>917,949</b>	<b>123,378</b>	<b>-</b>	<b>1,233,430</b>	<b>2,299,555</b>	
						<b>192,103</b>				

	2011				Book value at December 31, 2012	Rate of amortisation % per annum				
	COST		ACCUMULATED AMORTISATION							
	As at January 1, 2012	Additions	Deletions	As at December 31, 2012	As at January 1, 2012	Charge/ transferred to equity	Charge on deletions	As at December 31, 2012		
------(Rupees '000)-----										
Computer software	700,968	139,981	-	840,949	545,889	131,932	-	677,821	163,128	20 to 33.33
Customer Relationship	2,557,167	-	-	2,557,167	40,518	-	-	240,128	2,317,039	Note 12.3.2
						199,610				
	<b>3,258,135</b>	<b>139,981</b>	<b>-</b>	<b>3,398,116</b>	<b>586,407</b>	<b>131,932</b>	<b>-</b>	<b>917,949</b>	<b>2,480,167</b>	
						<b>199,610</b>				

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

**12.3.1** Intangible assets include fully amortised items still in use having cost of Rs 685.570 million (2011: Rs 436.195 million).

**12.3.2** The intangible asset comprises of core deposits which were recognised at the time of acquisition of 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 assumptions, this intangible asset has been valued using certain valuation techniques and is being amortised over the life expectancy of these deposits.

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

### 13 DEFERRED TAX ASSETS - NET

#### Deferred credits arising due to:

	Note	2012 Rupees '000	2011
- Accelerated tax depreciation		(95,115)	(82,956)
- Surplus on revaluation of securities	22.2	(215,377)	-
- Fair value adjustments relating to net assets acquired upon amalgamation		(744,965)	(797,159)
- Surplus on revaluation of fixed assets	22.1	(479,241)	(521,891)

#### Deferred debits arising due to:

- Net investment in finance leases		-	11,659
- Provision against non-performing advances		5,010,472	5,016,746
- Provision for diminution in the value of investments		810,442	680,308
- Provision against other assets		132,895	99,637
- Minimum tax		-	524,068
- Unused tax losses (including unabsorbed depreciation)		-	13,246
- Deficit on revaluation of securities	22.2	-	244,468
		<b>4,419,111</b>	<b>5,188,126</b>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

14 OTHER ASSETS	Note	2012 Rupees '000	2011
Income / mark-up accrued in local currency		5,159,697	5,280,826
Income / mark-up accrued in foreign currencies		30,967	16,887
Advances, deposits, advance rent and other prepayments		712,103	666,531
Taxation (payments less provisions)		1,553,986	1,264,173
Branch adjustment account		-	29,862
Non-banking assets acquired in satisfaction of claims	14.1, 14.4 & 14.5	2,511,052	1,879,327
Credit cards and other products fee receivable		193,790	241,340
Suspense account		-	5,138
Unrealised gain on revaluation of forward foreign exchange contracts		22,605	230,732
Fair value of derivative contracts	24.3 & 24.4	396,680	-
Dividend receivable		96,029	97,614
Receivable from brokers against sale of shares		2,490	640,473
Prepaid employee benefits	14.2	672,796	881,327
Advance against islamic financing		507,781	332,713
Others		450,731	708,068
		<u>12,310,707</u>	<u>12,275,011</u>
Less: Provision held against other assets	14.3	(538,043)	(446,926)
Other assets (net of provisions)		<u>11,772,664</u>	<u>11,828,085</u>
<b>14.1</b> Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuer		<u>2,895,184</u>	<u>2,337,601</u>
<b>14.2</b> The movement of prepaid employee benefits is as follows:			
Prepaid employee benefits acquired / at beginning of the year		881,327	1,192,575
Employee benefits expensed during the year		(208,531)	(311,248)
Prepaid employee benefits at the end of the year		<u>672,796</u>	<u>881,327</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

14.3 Provision against other assets	2012 Rupees '000	2011
Opening balance	446,926	221,927
Charge for the year	185,325	282,941
Reversals	(94,208)	(57,942)
	<u>91,117</u>	<u>224,999</u>
Closing balance	<u>538,043</u>	<u>446,926</u>
<b>14.4</b> Non- current assets held for sale		
This includes properties having carrying value of Rs 2,240.298 million which have been classified as 'Non-current assets held for sale' as at December 31, 2012. 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.		
<b>14.5</b> On one of these properties is a claim by an individual to the extent of Rs 35 million.		
15 BILLS PAYABLE	2012 Rupees '000	2011
In Pakistan	4,228,181	3,060,015
Outside Pakistan	16,313	15,627
	<u>4,244,494</u>	<u>3,075,642</u>
16 BORROWINGS		
In Pakistan	35,544,985	39,578,109
Outside Pakistan	23,124	118,877
	<u>35,568,109</u>	<u>39,696,986</u>
<b>16.1</b> Particulars of borrowings with respect to currencies		
In local currency	35,544,985	39,578,109
In foreign currencies	23,124	118,877
	<u>35,568,109</u>	<u>39,696,986</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees '000	2011
<b>16.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
- Under export refinance scheme - Part I and II	16.3	14,514,026	12,640,578
- Under scheme for long term financing for export oriented projects	16.4	652,307	1,093,443
- Under long term financing facility	16.5	3,052,719	2,528,769
- Agri Finance (flood affected)	16.6	5,200	20,270
- Under scheme of financing facility for storage of agricultural produce	16.7	434,693	118,639
- Islamic export refinance scheme	16.8	165,000	-
Repurchase agreement borrowings	16.9	16,619,980	21,875,024
		<b>35,443,925</b>	<b>38,276,723</b>
<b>Unsecured</b>			
Call borrowings	16.10	100,000	1,300,000
Overdrawn nostro accounts		24,184	120,263
		<b>124,184</b>	<b>1,420,263</b>
		<b>35,568,109</b>	<b>39,696,986</b>
<b>16.3</b>	In accordance with the ERF scheme, the Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. 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 rates on this facility was 8.5% and 10% per annum (2011: 10% per annum) payable on quarterly basis with maturities upto 180 days from the date of grant.		
<b>16.4</b>	These represent borrowings from the SBP under scheme for long term financing for export oriented projects. The mark-up rate on these facilities is 5% per annum (2011: 5% per annum) payable on quarterly basis with maturities upto December 2016. As per the terms of the agreement, the Bank has granted the SBP a right to recover the outstanding amount from the Bank at the maturity dates of finances by directly debiting the current account of the Bank maintained with the SBP.		
<b>16.5</b>	These represent borrowings from the SBP under scheme for long term financing facility. The markup rates on these facilities are ranging from 6.5% to 10.10% per annum (2011: 6.5% to 11% per annum) payable on quarterly basis, with maturities upto December 2019. As per the terms of the agreement, the Bank has granted the SBP a right to recover the outstanding amount from the Bank at the respective date of maturity of finances by directly debiting the current account of the Bank maintained with the SBP.		

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

<b>16.6</b>	These represent borrowings from the SBP under scheme for Revival of SME and Agricultural Activities in Flood Affected Areas. The mark-up rates on these facilities is 5% per annum (2011: 5% per annum) payable on half yearly basis with maturities upto September 2013. As per the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP.
<b>16.7</b>	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 5.5% to 6.5% per annum (2011: 5.5% to 6.5%) payable on quarterly basis with maturities upto Oct 2019. As per the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP.
<b>16.8</b>	In accordance with the IERS 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 the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The mark-up rate on this facility is 7.81% per annum (2011: Nil) payable on quarterly basis with maturities upto 180 days from the date of grant.
<b>16.9</b>	These represent collateralized borrowings against market treasury bills at rates ranging from 6.60% to 8.85% per annum (2011: 11.57% to 11.75% per annum) payable on maturity with maturities upto January 2013.
<b>16.10</b>	These borrowings are from financial institutions. The mark-up rate on these borrowings is 8.70% per annum (2011: 10.75% to 11.90% per annum) payable on maturity with maturities up to January 2013.

	2012 Rupees '000	2011
<b>17 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	92,187,537	96,237,516
Saving deposits	73,676,936	57,364,512
Current accounts – Remunerative	1,659,044	727,714
Current accounts – Non-remunerative	60,912,771	47,204,322
Margin accounts	2,298,894	2,143,056
	<b>230,735,182</b>	<b>203,677,120</b>
<b>Financial Institutions</b>		
Remunerative deposits	9,759,282	10,710,579
Non-remunerative deposits	218,362	227,032
	<b>9,977,644</b>	<b>10,937,611</b>
	<b>240,712,826</b>	<b>214,614,731</b>
<b>17.1 Particulars of deposits</b>		
In local currency	216,618,283	195,472,637
In foreign currencies	24,094,543	19,142,094
	<b>240,712,826</b>	<b>214,614,731</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 18 SUB-ORDINATED LOANS

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

	2012	2011
	Rupees '000	
Outstanding amount	<u>4,195,001</u>	<u>4,395,197</u>
Total issue amount	<u>4,800,000</u>	<u>4,800,000</u>

Particulars	TFC (issue date: 12-11-2007)	TFC (issue date: 27-12-2010)	TFC (issue date: 10-02-2005)
<b>Outstanding amount</b>	Rs. 998 million (2011: Rs. 998.4 million)	Rs. 2,997.6 million (2011: Rs. 2,998.8 million)	Rs. 199.5 million (carrying value Rs. 199.4 million) (2011: Rs. 399.2 million (carrying value Rs. 398 million))
<b>Issue amount</b>	Rs. 1,000 million	Rs. 3,000 million	Rs. 800 million
<b>Rating</b>	"AA-" (Double A Minus) by JCR-VIS	"AA-" (Double A Minus) by JCR-VIS	"Rated A" (Single A) by PACRA
<b>Listing</b>	Listed	Unlisted	Listed
<b>Rate</b>	Base Rate Plus 1.40%	Base Rate Plus 2.25%	Base Rate Plus 1.90%.
	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.
<b>Subordination</b>	The TFCs are subordinated to all other indebtedness of the Bank including deposits.	The TFCs are subordinated to all other indebtedness of the Bank including deposits.	The TFCs are subordinated to all other indebtedness of the Bank including deposits.
<b>Date of issue</b>	November 2007	October 2010	February 2005
<b>Tenure and maturity</b>	7 years from the date of issue.	7 years from the date of issue.	8 years from the date of issue.
<b>Principal Repayment</b>	Semi annually as follows: 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month	Semi annually as follows: 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month	In 4 equal annual installments starting from 60th month from the date of issue.
<b>Profit Payment</b>	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 19 OTHER LIABILITIES

	Note	2012	2011
		Rupees '000	
Mark-up / return / interest payable in local currency		<b>2,923,421</b>	3,330,768
Mark-up / return / interest payable in foreign currencies		<b>11,369</b>	6,756
Unearned commission / income		<b>26,122</b>	64,180
Accrued expenses		<b>962,322</b>	868,000
Unclaimed dividends		<b>35,372</b>	39,260
Fair value of derivative contracts	24.3	-	2,405,123
Withholding tax payable		<b>665</b>	105,475
Federal excise duty payable		<b>38,600</b>	32,139
Security deposits against finance leases	19.1	<b>2,450,522</b>	2,382,733
Payable to brokers against purchase of shares		<b>3,181</b>	253,847
Others		<b>914,424</b>	2,083,830
		<u><b>7,365,998</b></u>	<u>11,572,111</u>

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

### 20 SHARE CAPITAL

#### 20.1 Authorised Share capital

	2012	2011
	Number of Shares	
	<u>1,200,000,000</u>	<u>1,200,000,000</u>
Ordinary shares of Rs. 10 each	<u>12,000,000</u>	<u>12,000,000</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

2012	2011	Ordinary shares	2012	2011
Number of Shares			Rupees '000	
201,451,420	201,451,420	Fully paid in cash	2,014,514	2,014,514
708,427,129	605,388,154	Issued as bonus shares	7,084,272	6,053,882
17,472,226	17,472,226	Issued on amalgamation	174,722	174,722
<b>927,350,775</b>	<b>824,311,800</b>		<b>9,273,508</b>	<b>8,243,118</b>

20.3 As at December 31, 2012, Ithmaar Bank B.S.C. (the ultimate holding company of the Bank) through its subsidiaries and nominees held 619,258,842 ordinary shares of Rs. 10 each (2011: 550,452,306 ordinary shares).

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

2012	2011	Note	2012	2011
Number of Shares			Rupees '000	
824,311,800	730,909,372		8,243,118	7,309,094
103,038,975	91,590,202		1,030,390	915,902
-	1,812,226		-	18,122
<b>927,350,775</b>	<b>824,311,800</b>		<b>9,273,508</b>	<b>8,243,118</b>

### 21 RESERVES

#### Statutory reserve

21.1 3,672,225 3,387,649

#### Capital reserve

Reserve arising on amalgamation

23,952 23,952

Share premium

10,131 10,131

Non-Distributable Capital Reserve - gain on bargain purchase

21.2 2,602,775 3,169,399

**6,309,083** **6,591,131**

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

21.2 As per the directive of the SBP vide 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 (RBS Pakistan) was credited directly into equity as "Non-Distributable Capital Reserve". The SBP allowed the Bank the option to adjust amortisation of intangible asset against the portion of reserve which arose on account of such assets. The directive of the SBP further specified that any subsequent provision / deficit identified by the Banking Inspection Department (BID) of the SBP in the acquired portfolio of RBS Pakistan will be adjusted against this reserve. The balance amount of reserve after incorporation of the above adjustment as identified by BID and amortisation of intangible asset will be available for distribution only as stock dividend after the prior approval of the SBP.

During the current year the Bank has adjusted Rs 441.757 million against this reserve which represents provision relating to acquired portfolio of RBS Pakistan identified in the recent inspection carried out by the SBP. In addition, amortisation (net of tax) of intangible assets during the current year amounting to Rs 124.867 million (2011: Rs 129.747 million) has also been adjusted against this reserve.

### 22 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

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

Note	2012	2011
	Rupees '000	
22.1	1,838,926	1,918,132
22.2	410,087	(498,400)
	<b>2,249,013</b>	<b>1,419,732</b>

### 22.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets at January 1

2,440,023 -

Surplus on revaluation of fixed assets

- 2,440,023

Transferred to un-appropriated profit in respect of incremental depreciation charged during the year

(79,206) -

Related deferred tax liability in respect of incremental depreciation charged during the year

(42,650) -

**(121,856)** 2,440,023

**2,318,167** 2,440,023

Related deferred tax liability on surplus as at January 1

(521,891) -

Deferred tax on surplus on revaluation of fixed assets

- (521,891)

Related deferred tax liability in respect of incremental depreciation charged during the year

42,650 -

**42,650** (521,891)

**(479,241)** (521,891)

**1,838,926** 1,918,132

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees '000	
<b>22.2 Surplus / (deficit) on available for sale securities</b>		
<b>Federal Government Securities</b>		
- Market Treasury Bills	315,246	156,007
- Pakistan Investment Bonds	298,282	(35,752)
- Ijara Sukuk Bonds	118,314	28,495
<b>Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds</b>		
- Listed companies / modarabas / mutual funds	(166,845)	(547,402)
<b>Fully Paid up Preference Shares</b>		
- Listed companies	2,292	39,114
<b>Term Finance Certificates</b>		
- Listed	(1,812)	(23,790)
- Unlisted	9,325	800
<b>Units of Open end Mutual Funds</b>	50,662	(360,340)
	625,464	(742,868)
<b>Related deferred tax (liability) / asset</b>	(215,377)	244,468
	410,087	(498,400)
<b>23 CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
<b>Contingent liability in respect of guarantees favouring:</b>		
- Banking companies and other financial institutions	966,911	3,275
<b>Acceptances</b>		
- Others	11,513,312	9,875,957

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees '000	
<b>23.2 Transaction-related contingent liabilities</b>		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
- Government	8,150,674	10,391,648
- Banking companies and other financial institutions	60,332	2,810,032
- Others	2,670,724	1,431,547
	10,881,730	14,633,227
<b>23.3 Trade-related contingent liabilities</b>		
Letters of credit		
- Government	4,841,029	3,968,244
- Others	15,760,764	14,650,767
	20,601,793	18,619,011
<b>23.4 Other contingencies</b>		
(i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case	2,500,000	2,500,000
(ii) Indemnity issued favouring the High Court in the above case	457,543	457,543
(iii) Claims against the Bank not acknowledged as debt	33,362,656	32,976,476
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.		
iv) Income tax assessments of the Bank have been finalised upto the tax year 2011 (Accounting year 2010). The return of income for tax year 2012 has been e-filed within due date.		

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

The department and the Bank have disagreements on various matters for tax years from 1994 to 2011. These include disallowance on initial depreciation of leases, provision for bad debts, bad debts written off, taxability of dividend, excess perquisites and certain other allocation of expenses. The additional tax liability on these matters is Rs. 1,343.382 million.

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

### 23.5 Commitments to extend credits

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

### 23.6 Commitments in respect of forward exchange contracts

#### Purchase

- Customers
- Banks

#### Sale

- Customers
- Banks

### 23.7 Commitments for the acquisition of operating fixed assets

### 23.8 Commitments in respect of repo transactions

- Repurchase
- Resale

## 24 DERIVATIVE INSTRUMENTS

Interest rate swaps and cross currency swaps (notional principal)

	2012	2011
	Rupees '000	
	<b>1,215,250</b>	1,898,402
	<b>20,816,450</b>	24,112,367
	<b>22,031,700</b>	26,010,769
	<b>686,361</b>	289,437
	<b>7,310,088</b>	6,503,424
	<b>7,996,449</b>	6,792,861
	<b>234,680</b>	147,586
	<b>16,646,373</b>	21,948,460
	<b>289,265</b>	271,781
	<b>26,013,457</b>	39,741,708

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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 Derivatives Business Regulations (FDBR) issued by the State Bank of Pakistan (SBP).

### 24.1 Derivative Risk Management

The Bank's derivatives risk management is performed under Market Risk Management which is an independent unit reporting into 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 a transaction or area of activity and assigns limits within which the transaction / area of activity can be carried out. Adherence to these limits is ensured through independent monitoring and control functions.

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

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

Major risks associated with derivative instruments are market risk and credit risk. The Bank uses 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 rests 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 derivative transactions; 1) settlement, and 2) pre-settlement risk. Pre-Settlement risk is monitored on daily basis. Risk Management sets the policies and limits for counterparty risk based on a pre-defined criteria linked with the internal risk rating of the customer.

#### Liquidity risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

24.2 Product Analysis

	2012		2011	
	Interest Rate and Cross Currency Swaps		Interest Rate and Cross Currency Swaps	
Counterparties	No. of Contracts	Notional Principal Rupees '000	No. of Contracts	Notional Principal Rupees '000
<b>With Banks for</b>				
Hedging	15	11,931,368	21	15,193,850
Market Making	-	-	-	-
<b>With other entities for</b>				
Hedging	-	-	-	-
Market Making	39	14,082,089	65	24,547,857
<b>Total</b>				
Hedging	15	11,931,368	21	15,193,850
Market Making	39	14,082,089	65	24,547,858
	54	26,013,457	86	39,741,708

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

24.3 Maturity Analysis

Interest Rate Swaps and Cross Currency Swaps

Remaining Maturity

Upto 1 month  
1 to 3 months  
3 to 6 months  
6 months to 1 Year  
1 to 2 Years  
2 to 3 Years  
3 to 5 Years  
5 to 10 years

	No. of Contracts	Notional Principal	2012		
			Mark to Market		Net
----- Rupees '000 -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	19	1,075,671	-	722	722
6 months to 1 Year	20	1,856,547	(289,080)	41,072	(248,008)
1 to 2 Years	13	22,589,284	(294,076)	934,109	640,033
2 to 3 Years	1	205,282	-	1,265	1,265
3 to 5 Years	1	286,673	-	2,668	2,668
5 to 10 years	-	-	-	-	-
	54	26,013,457	(583,156)	979,836	396,680

Remaining Maturity

Upto 1 month  
1 to 3 months  
3 to 6 months  
6 months to 1 Year  
1 to 2 Years  
2 to 3 Years  
3 to 5 Years  
5 to 10 years

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**24.4** As at December 31, 2012 the fair value of derivative financial instruments has been determined using valuation techniques with significant inputs such as forecasted market interest rate and foreign exchange rate. The determination of the fair value of these instruments is most sensitive to these key assumptions. Any significant change in these key assumptions may have an effect on the fair value of these derivative financial instruments.

	2012	2011
	Rupees '000	
<b>25 MARK-UP / RETURN / INTEREST EARNED</b>		
a) On financing to:		
i) customers	20,866,894	20,291,499
ii) financial institutions	22,363	110,232
b) On investments in:		
i) held for trading securities	401,029	261,930
ii) available for sale securities	6,781,993	6,955,822
iii) held to maturity securities	647,249	1,069,805
c) On deposits with treasury bank and financial institutions	27,354	54,908
d) On securities purchased under resale agreements	55,268	81,253
	<u>28,802,150</u>	<u>28,825,449</u>
<b>26 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	14,510,879	14,426,061
Securities sold under repurchase agreements	1,471,421	1,380,028
Other short term borrowings	1,719,568	1,708,024
SBP borrowings	1,547,437	1,414,731
Sub-ordinated loans	589,440	690,251
	<u>19,838,745</u>	<u>19,619,095</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees '000	
<b>27 GAIN / (LOSS) ON SALE OF SECURITIES</b>		
Federal Government Securities		
- Market Treasury Bills	398,342	215,093
- Pakistan Investment Bonds	666,947	8,764
- Ijara Sukuk Bonds	37,652	50,971
Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds	162,114	(699,477)
Units of Open end Mutual Funds	(50,495)	168,671
	<u>1,214,560</u>	<u>(255,978)</u>
<b>28 OTHER INCOME</b>		
Rent on property	102,577	103,905
Net profit on disposal of property and equipment	50,268	262,301
Income on derivative contracts	773,117	641,577
Recovery against written off balances	26,743	13,683
Liabilities no longer required written back	-	106,151
Income from disposal of scrap	4,207	4,655
Notice pay recovered from outgoing employees	4,525	3,658
Commission received	2,334	-
Miscellaneous charges recovered	1,763	5,156
	<u>965,534</u>	<u>1,141,086</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees '000	2011
<b>29 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other employee benefits	29.1	4,818,550	4,880,477
Charge for defined benefit plan		72,225	120,953
Contribution to defined contribution plan		133,913	139,311
Non-executive directors' fees		24,966	22,264
Rent, taxes, insurance, electricity, etc.		1,814,069	1,638,281
Legal and professional charges		122,864	128,718
Communications		360,974	425,748
Repairs and maintenance		590,799	728,710
Stationery and printing		197,774	211,584
Advertisement and publicity		295,548	176,781
Donations	29.3	44,606	75,106
Auditors' remuneration	29.4	20,634	16,302
Depreciation	12.2	914,790	1,047,250
Amortisation	12.3	123,378	131,932
License and technical fee		198,029	244,815
Travelling, conveyance and entertainment		136,179	112,049
Vehicle running expenses		300,309	253,493
Books, periodicals and subscription		111,059	75,458
Brokerage and commission		62,044	62,632
Bank fees and charges		37,392	38,256
Security expenses		248,007	246,548
Others		182,152	37,251
		<b>10,810,261</b>	<b>10,813,919</b>

**29.1** This includes charge amounting to Rs 208.531 million (2011: Rs 311.248 million) in respect of amortisation of prepaid employee benefits as disclosed in note 14.2 to these financial statements.

**29.2** The Bank operates a short term employee benefit scheme which includes special bonus for all employees. 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' evaluation and the Bank's performance during the year. The aggregate amount determined for eligible employees in respect of the above scheme relating to all Executives and for the President of the Bank amounted to Rs. 229.2 million (2011: Rs. 227.9 million) and Rs. 53.797 million (2011: Rs. 112.25 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Rupees '000	2011
<b>29.3</b> Donations made during the year were as follows:		
<b>Donee</b>		
The Citizens Foundation	-	30,000
Flood Relief affectees supply of hampers	-	9,116
Flood Relief affectees supply of blankets	836	-
Prime Minister's Flood Relief Fund	-	1,617
Institute of Business Administration (IBA)	19,000	10,000
Waqf Faisal (Trust) - This is a charitable public welfare project	24,770	24,373
	<b>44,606</b>	<b>75,106</b>

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

	2012 Rupees '000	2011
<b>29.4</b> <b>Auditors' remuneration</b>		
Statutory audit fee	2,520	2,250
Fee for quarterly and annual group reporting	5,544	4,950
Fee for the review of the half yearly financial statements	672	600
Tax services	5,500	7,340
Special certifications and sundry advisory services	5,898	762
Out-of-pocket expenses	500	400
	<b>20,634</b>	<b>16,302</b>

**30 OTHER CHARGES**

Penalties imposed by the State Bank of Pakistan	59,835	1,858
Workers' Welfare Fund	42,990	38,433
Others	-	24,178
	<b>102,825</b>	<b>64,469</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees '000	
<b>31 TAXATION</b>		
For the year		
Current	267,960	392,522
Deferred	376,406	(135,460)
	644,366	257,062
For prior years		
Current	(227,147)	289,016
Deferred	-	(348,283)
	(227,147)	(59,267)
	417,219	197,795
<b>31.1 Relationship between tax expense and accounting profit</b>		
Profit before tax	1,840,101	1,478,091
Tax calculated at the rate of 35% (2011: 35%)	644,035	517,332
Effect of:		
- permanent differences	20,781	(83,479)
- income chargeable to tax at reduced rate	(83,076)	(153,003)
- prior year reversal	(227,147)	(59,267)
- others	62,626	(23,788)
Tax charge for the year	417,219	197,795
<b>32 EARNINGS PER SHARE</b>		
Profit after tax for the year	1,422,882	1,280,296
	<b>Number of shares in thousands</b>	
Weighted average number of ordinary shares outstanding during the year	927,351	927,351
	<b>Rupees</b>	
Earnings per share - basic	1.53	1.38
<b>32.1</b>	Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2012 and December 31, 2011 which would have any effect on the earnings per share if the option to convert is exercised.	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees '000	
<b>33 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	8	24,508,852	18,445,108
Balances with other banks	9	1,209,313	4,685,718
Overdrawn nostros	16.2	(24,184)	(120,263)
		25,693,981	23,010,563
<b>34 STAFF STRENGTH</b>			
Permanent		3,457	3,416
Temporary / on contractual basis		8	19
Bank's own staff strength at the end of the year		3,465	3,435
Outsourced	34.1	2,997	3,007
Total staff strength		6,462	6,442
<b>34.1</b>	Outsourced staff are employees hired by an outside contractor / agency and posted in the Bank to perform various tasks / activities of the Bank.		
<b>35 DEFINED BENEFIT PLAN</b>			
<b>35.1 General description</b>			
The Bank operates an approved funded gratuity scheme for all its permanent employees and employees who are on contractual service in non-management cadre. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof. The minimum qualifying eligible service for gratuity is 1 year for employees who became members of the Fund before November 12, 2002. In the case of other members of the Fund the minimum qualifying eligible service is 5 years. The minimum qualifying eligible service for contractual employees not employed under the management cadre is 6 months. The latest actuarial valuation of the Bank's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out as at December 31, 2012.			
<b>35.2 Principal actuarial assumptions</b>		2012	2011
Discount factor used (% per annum)		12.00	13.00
Expected long term rate of return on plan assets (% per annum)		12.00	13.00
Expected rate of salary increase (% per annum)		12.00	13.00
Normal retirement age (years)		60	60

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees '000	2011
<b>35.3 Reconciliation of receivable from defined benefit plan</b>			
Present value of defined benefit obligations	35.4	430,334	374,945
Fair value of plan assets	35.5	(534,886)	(368,641)
		<u>(104,552)</u>	<u>6,304</u>
Net actuarial loss not recognized		66,810	(6,657)
		<u>(37,742)</u>	<u>(353)</u>
<b>35.4 Movement in present value of defined benefit obligation</b>			
Opening balance		374,945	277,157
Current service cost		88,367	111,236
Interest cost		48,914	46,830
Gain on defined benefit obligation		(53,177)	(38,924)
Actual benefits paid during the year		(28,715)	(21,354)
Closing balance		<u>430,334</u>	<u>374,945</u>
<b>35.5 Movement in fair value of plan assets</b>			
Opening balance		368,641	245,286
Expected return on plan assets		65,568	39,261
Contribution made		109,615	120,956
Benefits paid by the fund		(28,715)	(21,354)
Gain / (loss) on plan assets		19,777	(15,508)
Closing balance		<u>534,886</u>	<u>368,641</u>
<b>35.5.1 Plan assets consist of the following:</b>			
Balances with banks and financial institutions		25,977	3,002
Term finance certificates		1,264	3,971
Government securities		507,645	361,668
		<u>534,886</u>	<u>368,641</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees '000	2011			
<b>35.6 Movement in amount receivable from defined benefit plan</b>						
Opening balance		(353)	(350)			
Charge for the year	35.7	72,225	120,953			
Contribution to fund made during the year		(109,615)	(120,956)			
Closing balance		<u>(37,743)</u>	<u>(353)</u>			
<b>35.7 Charge for defined benefit plan</b>						
Current service cost		88,367	111,236			
Interest cost		48,914	46,830			
Expected return on plan assets		(65,568)	(39,261)			
Amortization of loss		512	2,148			
		<u>72,225</u>	<u>120,953</u>			
<b>35.8 Actual return on plan assets</b>		<u>84,711</u>	<u>37,380</u>			
<b>35.9 Historical information</b>		2012	2011	2010	2009	2008
		----- Rupees '000 -----				
Defined benefit obligation		(430,334)	(374,945)	(277,157)	(229,961)	(167,125)
Fair value of plan assets		534,886	368,641	245,286	168,135	107,351
Surplus / (deficit)		<u>104,552</u>	<u>(6,304)</u>	<u>(31,871)</u>	<u>(61,826)</u>	<u>(59,774)</u>
Experience adjustments on plan liabilities		<u>53,177</u>	<u>38,924</u>	<u>24,523</u>	<u>(6,124)</u>	<u>(30,928)</u>
Experience adjustments on plan assets		<u>19,777</u>	<u>(15,508)</u>	<u>1,277</u>	<u>64</u>	<u>(5,477)</u>
<b>35.10</b>		Expected gratuity expense for the year ending December 31, 2013 works out to Rs. 94.142 million.				
<b>35.11</b>		The disclosure made in notes 35.2 to 35.10 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2012.				

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 36 DEFINED CONTRIBUTION PLAN

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

### 37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- Rupees '000 -----					
Managerial remuneration	56,351	61,632	-	-	796,704	746,345
Fees	-	-	24,966	22,264	-	-
Charge for defined benefit plan	-	-	-	-	57,099	66,068
Contribution to defined contribution plan	3,388	3,297	-	-	68,519	71,911
Rent and house maintenance	9,901	9,556	-	-	308,618	363,041
Utilities	309	255	-	-	70,371	75,653
Medical	784	201	-	-	51,376	53,556
Leave fare assistance	-	-	-	-	105,913	112,969
Others	843	1,120	-	-	527,725	593,183
	<u>71,576</u>	<u>76,061</u>	<u>24,966</u>	<u>22,264</u>	<u>1,986,325</u>	<u>2,082,726</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>741</u>	<u>770</u>

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

37.2 In addition to the above, the Chief Executive and certain Senior Executives are provided Bank maintained cars.

37.3 In addition to above, all executives, including the Chief Executive Officer and President of the Bank are also entitled to bonus which is disclosed in note 29.2 to these financial statements. Previously, this was shown as part of amounts disclosed in compensation of directors and executives.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 38 FAIR VALUE OF FINANCIAL INSTRUMENTS

	Book value		Fair value	
	2012	2011	2012	2011
	----- Rupees '000 -----			
<b>On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash balances with treasury banks	24,508,852	18,445,108	24,508,852	18,445,108
Balances with other banks	1,209,313	4,685,718	1,209,313	4,685,718
Investments	87,995,224	93,409,187	87,993,294	93,253,818
Advances	172,299,205	148,161,995	172,299,205	148,161,995
Other assets	5,813,402	7,053,666	5,813,402	7,053,666
	<u>291,825,996</u>	<u>271,755,674</u>	<u>291,824,066</u>	<u>271,600,305</u>
<b>Liabilities</b>				
Bills payable	4,244,494	3,075,642	4,244,494	3,075,642
Borrowings	35,568,109	39,696,986	35,568,109	39,696,986
Deposits and other accounts	240,712,826	214,614,731	240,712,826	214,614,731
Sub-ordinated loans	4,195,001	4,395,197	4,195,001	4,395,197
Other liabilities	7,300,611	8,965,194	7,300,611	8,965,194
	<u>292,021,041</u>	<u>270,747,750</u>	<u>292,021,041</u>	<u>270,747,750</u>
<b>Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	22,031,700	26,010,769	22,096,981	26,365,736
Commitments in respect of repurchase transactions	16,646,373	21,948,460	16,646,373	21,948,460
Forward sale of foreign exchange	7,996,449	6,792,861	8,039,125	6,917,096
Commitments in respect of resale transactions	289,265	271,781	289,265	271,781

The notional amounts and fair value of derivative financial instruments are disclosed in note 24.3 of these financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

Fair value of fixed term advances, other assets, other liabilities, fixed term deposits and sub-ordinated loans cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision against investments and advances has been calculated in accordance with the Bank's accounting policy as stated in note 7.4 and 7.5 to these financial statements.

The repricing profile and effective rates and maturity are stated in note 43.6 and 43.7.1 respectively.

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

### 39 ACCOUNTING ESTIMATES AND JUDGMENTS

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

- i) classification and provisioning against investments (notes 7.4 and 10).
- ii) income taxes (notes 7.8, 13 and 31).
- iii) classification and provisioning against advances (notes 7.5 and 11).
- iv) depreciation / amortisation of operating fixed assets (notes 7.6 and 12).
- v) accounting for defined benefit plan (notes 7.11 and 35).
- vi) fair value of derivative financial instruments (notes 7.19 and 24).
- vii) impairment of intangible assets (notes 7.7 and 12.3).

### 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 and
- Corporate & Commercial Banking

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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
<b>December 31, 2012</b>					
----- Rupees '000 -----					
Total income - net	108,563	2,556,457	8,177,684	3,402,420	14,245,124
Total expenses	(59,478)	(788,440)	(8,634,230)	(2,922,875)	(12,405,023)
Net income / (loss)	49,085	1,768,017	(456,546)	479,545	1,840,101
Segment assets (Gross)	-	82,193,118	76,932,125	175,348,988	334,474,231
Segment non performing loans	-	-	4,167,698	23,382,031	27,549,729
Segment provision required against loans **	-	-	(1,859,770)	(16,692,300)	(18,552,070)
Segment liabilities	-	(21,278,382)	(219,863,393)	(50,944,653)	(292,086,428)
Segment return on assets (ROA) (%) *	-	2.66%	1.33%	1.37%	
Segment cost of funds (%) *	-	8.09%	7.21%	10.24%	
<b>December 31, 2011</b>					
Total income - net	178,771	995,891	8,525,748	3,576,313	13,276,723
Total expenses	(102,002)	(863,370)	(8,708,501)	(2,124,759)	(11,798,632)
Net income / (loss)	76,769	132,521	(182,753)	1,451,554	1,478,091
Segment assets (Gross)	-	93,137,280	61,603,043	157,500,848	312,241,171
Segment non performing loans	-	-	5,507,984	20,536,135	26,044,119
Segment provision required against loans **	-	-	(2,286,174)	(15,035,161)	(17,321,335)
Segment liabilities	(13,994)	(35,461,389)	(191,942,987)	(45,936,297)	(273,354,667)
Segment return on assets (ROA) (%)	-	0.66%	4.85%	1.70%	
Segment cost of funds (%)	-	13.03%	7.20%	11.45%	

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

\*\* includes general provision

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 41 RELATED PARTY TRANSACTIONS

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

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

	2012				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings
	----- Rupees '000 -----				
<b>Deposits</b>					
Balance at the beginning of the year	105,537	12,500	480	3,140	29,871
Placements during the year	2,187,008	1,262,147	-	815,186	48,506,510
Withdrawals during the year	(2,165,865)	(1,218,847)	(480)	(816,273)	(48,450,147)
Balance at end of the year	<u>126,680</u>	<u>55,800</u>	<u>-</u>	<u>2,053</u>	<u>86,234</u>
<b>Advances</b>					
Balance at the beginning of the year	40,266	-	-	-	2,854,555
Disbursements during the year	35,370	-	-	-	4,261,088
Repayments during the year	(36,202)	-	-	-	(2,675,522)
Balance at end of the year	<u>39,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,440,121</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

**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 10.1 and 29.3 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 11.9 to these financial statements. Contributions to and accruals in respect of retirement benefit plans are made in accordance with the actuarial valuations / terms of contribution plan (refer notes 35 and 36 to these financial statements for the details of the plans). Remuneration to executives of the Bank is disclosed in note 37 and 29.2 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Particulars	2012				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings
	----- Rupees '000 -----				
Shares / units purchased during the year	-	-	-	-	602,650
Shares / units sold during the year	-	-	-	-	704,164
Government securities purchased during the year	601,236	146,436	-	-	-
Government securities sold during the year	704,440	664,521	-	-	-
Profit paid / accrued	2,916	2,790	-	249	8,503
Profit return / earned	4,017	-	-	-	612,815
Dividend income from subsidiary / associate	-	-	-	-	-
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	321,275	-	-	-	-
- Post-employment benefits	14,018	-	-	-	-
Contribution to staff retirement benefits	-	206,138	-	-	-
Guarantees issued favouring related parties or on their behalf	-	-	-	-	29,397 *
Advisory fee	-	-	-	16,853	-
Facilitation fee received	-	-	-	2,334	-

\* represents outstanding guarantee

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Particulars	2011				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings
	----- Rupees '000 -----				
Shares / units purchased during the year	-	-	-	-	1,038,444
Shares / units sold during the year	-	-	-	-	940,111
Government securities purchased during the year	110,367	456,369	-	-	-
Government securities sold during the year	369,948	1,788,430	-	-	-
Profit paid / accrued	2,749	52,258	-	813	67,137
Profit return / earned	2,370	-	-	-	179,439
Dividend income from subsidiary / associate	-	-	999	16,875	-
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	386,601	-	-	-	-
- Post-employment benefits	21,854	-	-	-	-
Contribution to staff retirement benefits	-	260,264	-	-	-
Guarantees issued favouring related parties or on their behalf	-	-	-	-	29,397

**42 CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC**

**42.1 Capital Management**

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

The Bank ensures that it:

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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 quarterly basis.

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

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

- Tier 1 Capital: share capital, un-appropriated profit, share premiums and reserves.
- Tier 2 Capital: qualifying; (i) subordinated debt; (ii) general provision; (iii) unrealized gains arising on the fair valuation of instruments classified as available for sale; and (iv) surplus on revaluation of fixed assets; and
- Tier 3 Capital: the Bank has no eligible Tier 3 capital.

Book value of goodwill and other intangible assets including software are deducted from Tier 1 capital whereas investments in associates and subsidiary as disclosed in Note 10.1 are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

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

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs. The SBP through BSD Circular No. 07 of 2009 has prescribed a minimum paid-up capital requirement (net of losses) of Rs. 9 billion for 2012. The required minimum Capital Adequacy Ratio (CAR) is 10%.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees '000	
<b>42.2 Capital Structure</b>			
<b>Tier I Capital</b>			
Share capital		9,273,508	8,243,118
Balance in share premium account		10,131	10,131
Reserves		6,298,952	6,581,000
Unappropriated profit		3,146,300	2,959,178
		<b>18,728,891</b>	17,793,427
Less: Net book value of intangible assets	42.4	1,932,466	1,669,204
Shortfall / relaxation in provision	42.5 & 42.6	15,670	77,368
Other deductions (represent 50% of the majority or significant minority interest in subsidiary and associate)		76,500	76,500
		<b>2,024,636</b>	1,823,072
Total Tier I Capital		<b>16,704,255</b>	15,970,355
<b>Tier II Capital</b>			
Subordinated debt (eligible upto 50% of total Tier 1 Capital)		2,597,680	3,477,759
General provisions subject to 1.25% of total Risk Weighted Assets		283,819	259,212
Revaluation reserve (eligible upto 45%)		1,324,634	763,720
		<b>4,206,133</b>	4,500,691
Less: other deductions (represent 50% of the majority or significant minority interest in subsidiary and associate)		76,500	76,500
Total Tier II Capital		<b>4,129,633</b>	4,424,191
<b>Eligible Tier III Capital</b>		-	-
<b>Total Regulatory Capital Base</b>		<b>20,833,888</b>	20,394,546



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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42.3 Capital Adequacy

	Note	Capital Requirements		Risk Weighted Assets	
		2012	2011	2012	2011
----- Rupees in '000 -----					
<b>Credit Risk</b>					
- Public sector enterprise		222,791	280,688	2,227,908	2,806,877
- Financial institution		163,520	309,864	1,635,203	3,098,636
- Corporate		9,854,644	8,919,471	98,546,443	89,194,710
- Retail		1,842,143	1,819,662	18,421,430	18,196,620
- Past due loans		1,157,673	1,363,782	11,576,734	13,637,820
- Other		2,306,436	2,550,042	23,064,356	25,500,421
Total Credit Risk	42.4	15,547,207	15,243,509	155,472,074	152,435,084
<b>Market Risk - Capital requirement for portfolios subject to standardised approach</b>					
- Interest rate risk		1,142,223	814,669	11,422,230	8,146,687
- Equity position risk		143,955	528,555	1,439,549	5,285,545
- Foreign exchange risk		16,900	5,549	169,003	55,485
Total Market Risk		1,303,078	1,348,773	13,030,782	13,487,717
<b>Operational Risk - Capital requirement for operational risks</b>					
Total Operational Risk		2,524,435	2,564,936	25,244,345	25,649,360
		19,374,720	19,157,218	193,747,201	191,572,161
<b>Capital Adequacy Ratio</b>					
Total eligible regulatory capital held	42.2	20,833,888	20,394,546		
Total risk weighted assets		193,747,201	191,572,161		
Capital adequacy ratio		10.75%	10.65%		

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

42.5 In accordance with the Revised Regulatory Capital Framework under Basel II issued by the SBP, Banks are required to deduct from Tier I Capital any shortfall in provisions required against classified assets irrespective of any relaxation allowed by the SBP. However, SBP has granted exemption to the Bank from making deductions on account of shortfall in provision against outstanding facilities extended to Dewan Group, Agritech Limited and Azgard Nine Limited from Tier-I Capital vide its letter No. BSD/BAI-3/615/5296/2011 dated April 26, 2011 and BPRD/BRD-(Policy) / 2013-1857 dated February 15, 2013.

42.6 As more fully disclosed in note 11.4.2 to these financial statements, the SBP has given a relaxation to the Bank in maintaining provision against outstanding facilities extended to Gulistan Textile Mills Limited. In accordance with the Revised Capital Framework under Basel II issued by the SBP, banks are required to deduct from Tier-I Capital any shortfall in provision required against classified assets irrespective of any relaxation allowed by the SBP. Accordingly an amount of Rs 15.670 million has been deducted from the Bank's Tier-I Capital. The comparative information represents relaxation in respect of facilities disbursed to Maple Leaf Cement Factory Limited.

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

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 II guidelines on Risk Management.

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

The risk management framework at the Bank encompasses:

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

The Bank has adopted an approach that gives an integrated view of the risks faced by the organization. This calls for aligning strategic vision, policy objectives and business processes / procedures with the Risk Management framework. The management of risk is integrated with 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 endeavors to be a comprehensive and evolving guideline to cater to changing business dynamics. The Risk Management framework includes:

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

The Risk Management framework is built on the following elements:

- Comprehensive risk governance; and
- Effective Risk processes.

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

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

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

The Board of Directors (BoD) monitoring and oversight is facilitated through the Board Risk Management Committee (BRMC); comprising of 5 Directors including the President & CEO, it is appointed and authorized by the BoD to assist in the design, regular evaluation and timely updating of the Risk Management framework. 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 scopes.

In order to have an effective and efficient risk assessment, and to closely align its functions with Business, RMG has separate Risk functions for Credit Risk Management (Corporate Risk Management, Commercial Banking and Small and Medium Enterprise (CBSME) Risk Management and Retail Risk Management.

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

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

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

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

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

#### 43.1 Credit Risk

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

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

### 43.1.1 Segment by class of business

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

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

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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

	2012					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceuticals	12,247,648	6.42	3,932,624	1.63	5,311,781	11.96
Agriculture	8,233,910	4.31	6,557,346	2.72	233,687	0.53
Textile	27,716,043	14.52	1,434,665	0.60	3,244,589	7.30
Cement	2,152,779	1.13	101,156	0.04	500,157	1.13
Sugar	4,458,614	2.34	43,202	0.02	10	0.00
Construction	3,145,274	1.65	930,460	0.39	846,526	1.91
Ready made garments	3,312,056	1.74	497,043	0.21	198,636	0.45
Footwear and leather garments	1,287,814	0.67	199,197	0.08	85,418	0.19
Automobile and transportation equipment	225,837	0.12	1,215,539	0.50	8,056	0.02
Financial	762,498	0.40	11,153,715	4.63	1,548,186	3.49
Oil refining / marketing	4,095,001	2.15	7,048,372	2.93	5,681,150	12.79
Distribution / trading	10,260,043	5.38	22,027,864	9.15	8,556,110	19.26
Electronics and electrical appliances	4,994,258	2.62	903,677	0.38	890,584	2.00
Production and transmission of energy	34,236,048	17.94	4,829,191	2.01	4,193,686	9.44
Iron and steel	6,406,487	3.36	1,023,538	0.43	2,115,894	4.76
Food and allied	7,224,715	3.79	892,072	0.37	1,274,692	2.87
Synthetic and rayon	1,672,155	0.88	16,490	0.01	2,051,660	4.62
Paper and board	1,433,102	0.75	484,335	0.20	720,846	1.62
Individuals	15,123,181	7.92	116,666,545	48.47	9,275	0.02
Telecommunication	5,042,690	2.64	633,271	0.26	1,080,608	2.43
Transportation, road and air	6,338,847	3.32	1,807,196	0.75	284,334	0.64
Mining and quarrying	57,518	0.03	42,197	0.02	13,236	0.03
Others	30,424,757	15.92	58,273,131	24.20	5,572,168	12.54
	<b>190,851,275</b>	<b>100.00</b>	<b>240,712,826</b>	<b>100.00</b>	<b>44,421,289</b>	<b>100.00</b>

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

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	2011					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceuticals	10,525,198	6.36	3,420,186	1.59	1,864,103	4.28
Agriculture	6,303,311	3.81	5,444,990	2.54	586,073	1.34
Textile	28,438,576	17.19	1,312,801	0.61	2,276,683	5.22
Cement	3,734,227	2.26	71,759	0.03	643,422	1.48
Sugar	2,639,362	1.59	63,319	0.03	251,599	0.58
Construction	2,508,614	1.52	1,762,851	0.82	1,846,575	4.24
Ready made garments	1,255,099	0.76	519,438	0.24	413,048	0.95
Footwear and leather garments	1,254,954	0.76	223,457	0.10	60,583	0.14
Automobile and transportation equipment	366,048	0.22	804,110	0.37	444,966	1.02
Financial	436,299	0.26	12,021,758	5.60	3,926,221	9.01
Oil refining / marketing	1,646,115	0.99	4,419,835	2.06	9,337,720	21.42
Distribution / trading	8,455,715	5.11	13,176,164	6.14	5,897,302	13.53
Electronics and electrical appliances	2,792,618	1.69	876,795	0.41	2,947,994	6.76
Production and transmission of energy	24,399,438	14.74	4,427,996	2.06	1,133,416	2.60
Iron and steel	5,193,109	3.14	449,723	0.21	1,823,785	4.18
Food and allied	4,903,041	2.96	1,452,033	0.68	821,391	1.88
Synthetic and rayon	1,081,209	0.65	64,969	0.03	84,416	0.19
Paper and board	548,156	0.33	134,737	0.06	35,339	0.08
Individuals	14,654,934	8.86	100,551,282	46.85	494,132	1.13
Telecommunication	5,137,924	3.10	708,997	0.33	2,094,998	4.81
Transportation, road and air	6,196,786	3.74	2,861,234	1.33	371,326	0.85
Mining and quarrying	440,892	0.27	112,232	0.05	-	0.00
Others	32,571,705	19.69	59,734,065	27.86	6,233,921	14.31
	<u>165,483,330</u>	<u>100.00</u>	<u>214,614,731</u>	<u>100.00</u>	<u>43,589,013</u>	<u>100.00</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

43.1.2 Segment by sector

	2012					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	<b>34,073,397</b>	<b>17.85</b>	<b>14,562,814</b>	<b>6.05</b>	<b>6,458,442</b>	<b>14.54</b>
Private	<b>156,777,878</b>	<b>82.15</b>	<b>226,150,012</b>	<b>93.95</b>	<b>37,962,847</b>	<b>85.46</b>
	<u><b>190,851,275</b></u>	<u><b>100.00</b></u>	<u><b>240,712,826</b></u>	<u><b>100.00</b></u>	<u><b>44,421,289</b></u>	<u><b>100.00</b></u>
	2011					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	17,702,339	10.70	18,486,595	8.61	7,738,058	17.75
Private	147,780,991	89.30	196,128,136	91.39	35,850,955	82.25
	<u>165,483,330</u>	<u>100.00</u>	<u>214,614,731</u>	<u>100.00</u>	<u>43,589,013</u>	<u>100.00</u>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

	2012		2011	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees '000			
Chemical and Pharmaceuticals	1,473,578	903,604	1,477,648	891,790
Agriculture	1,078,511	548,315	1,024,546	426,656
Textile	6,135,415	4,425,778	5,819,163	3,900,135
Cement	538,722	338,441	594,600	321,653
Sugar	69,797	-	34,317	34,298
Construction	1,380,440	415,322	710,654	318,865
Ready Made Garments	1,246,976	668,157	399,731	227,365
Footwear and leather garments	84,610	16,400	24,345	8,166
Automobile and Transport Equipment	131,006	10,043	154,216	22,464
Financial	185,707	185,163	218,223	112,143
Oil Refining / Marketing	-	-	204,350	170,406
Distribution / Trading	2,674,618	1,944,875	2,008,335	1,368,759
Electronics and electrical appliances	1,255,490	891,333	383,512	36,166
Production and transmission of energy	2,968,902	2,935,693	3,070,832	3,000,713
Iron and Steel	790,549	689,676	770,853	663,779
Food and Allied	635,470	453,169	798,353	573,997
Synthetic and Rayon	487,189	448,739	498,423	492,806
Paper and Board	194,877	128,780	191,954	83,606
Transportation, Road and Air	220,949	132,165	243,024	182,786
Telecommunications	3,408	3,316	6,816	6,816
Individuals	2,018,381	862,845	2,458,845	1,158,518
Others (including manufacturing and real estate)	3,975,134	2,266,437	4,951,379	3,060,236
	<b>27,549,729</b>	<b>18,268,251</b>	<b>26,044,119</b>	<b>17,062,123</b>

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

Public / Government	1,498	263	-	-
Private	27,548,231	18,267,988	26,044,119	17,062,123
	<b>27,549,729</b>	<b>18,268,251</b>	<b>26,044,119</b>	<b>17,062,123</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 43.1.5 Geographical segment analysis

Pakistan  
Asia Pacific (including South Asia)  
Europe  
United States of America and Canada  
Middle East  
Others

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	Rupees '000			
	1,840,101	313,064,332	20,977,904	44,421,289
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	<b>1,840,101</b>	<b>313,064,332</b>	<b>20,977,904</b>	<b>44,421,289</b>
	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	Rupees '000			
	1,478,091	292,567,826	19,213,159	43,589,013
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	<b>1,478,091</b>	<b>292,567,826</b>	<b>19,213,159</b>	<b>43,589,013</b>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

The Bank has adopted the Standardised Approach under Basel II. According to the regulatory statement submitted under the Standardised Approach, the portfolio has been divided into claims on public sector entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 63.39% (2011: 54.66%) of the total exposure, 1.43% (2011: 1.78%) represents claims on PSEs and 11.85% (2011: 12.83%) exposure pertains to claims categorized as retail portfolio.

### 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. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Types of exposure for which each agency is used in the year ended December 31, 2012 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.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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		5,929,059	-	5,929,059
- Corporate	1	15,016,413	-	15,016,413
	2	24,225,262	59,722	24,165,540
	3,4	230,440	43,338	187,102
	5,6	822,802	1,795	821,007
	Unrated	66,484,172	807,634	65,676,538
- Public Sector Entities	1	7,418,263	-	7,418,263
	2,3	-	-	-
	Unrated	765,326	1,096	764,230
- Banks	1,2,3	3,538,464	28,390	3,510,074
	4,5	136,118	-	136,118
	Unrated	14,494	-	14,494
- Sovereigns etc.		118,986	-	118,986
- Government of Pakistan		55,888,688	-	55,888,688
- SBP		4,724,390	-	4,724,390
- Retail		24,229,838	3,100,641	21,129,197
- Residential Mortgage		4,855,954	3,275	4,852,679
- Past Dues Loans		9,541,110	1,020,466	8,520,644
- Past Dues against Residential Mortgage		1,123,737	-	1,123,737
- Unlisted Equity Investments		166,094	-	166,094
- Listed Equity Investments		1,870,247	-	1,870,247
- Operating Fixed Assets		8,183,768	-	8,183,768
- Other Assets		12,407,534	-	12,407,534
		247,691,159	5,066,357	242,624,802

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.

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

**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 acceptable tolerance levels.

**43.4.1 Currency Risk**

Pakistan rupee  
United States dollar  
Great Britain pound  
Japanese yen  
Euro  
Other currencies

2012			
Assets	Liabilities	Off-balance sheet items	Net currency exposure
----- Rupees '000 -----			
303,100,386	268,084,542	(13,873,731)	21,142,113
8,707,360	18,953,327	10,080,394	(165,573)
580,607	2,858,777	2,280,610	2,440
6,452	7,190	2,257	1,519
660,362	2,182,554	1,507,305	(14,887)
9,165	38	3,165	12,292
<b>313,064,332</b>	<b>292,086,428</b>	<b>-</b>	<b>20,977,904</b>

Pakistan rupee  
United States dollar  
Great Britain pound  
Japanese yen  
Euro  
Other currencies

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

**43.5 Equity position risk**

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

The Bank's equity position is governed by position limits imposed by State Bank of Pakistan for overall investment and per scrip exposure. Additionally, there are internal limits set to manage overall earnings in the form of stop loss limits and maintain a diverse portfolio through sector concentration limits.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

		2012										
		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 in '000 -----												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	24,508,852	-	-	-	-	-	-	-	-	-	24,508,852	
Balances with other banks	1,209,313	165,154	-	-	-	-	-	-	-	-	1,044,159	
Investments	87,995,224	2,602,437	8,699,693	23,198,156	29,096,455	3,348	1,034,257	9,094,589	9,171,042	-	5,095,247	
Advances	172,299,205	40,226,784	55,476,339	35,452,672	20,264,063	3,023,231	2,315,588	3,073,433	3,038,187	307,678	9,121,230	
Other assets	5,813,402	-	-	-	-	-	-	-	-	-	5,813,402	
	291,825,996	42,994,375	64,176,032	58,650,828	49,360,518	3,026,579	3,349,845	12,168,022	12,209,229	307,678	45,582,890	
<b>Liabilities</b>												
Bills payable	4,244,494	-	-	-	-	-	-	-	-	-	4,244,494	
Borrowings	35,568,109	17,004,492	1,139,725	13,552,861	379,374	921,765	907,621	1,135,116	504,031	-	23,124	
Deposits and other accounts	240,712,826	52,725,165	55,990,880	47,762,895	17,039,694	1,167,311	595,314	330,130	11,750	-	65,089,687	
Sub-ordinated loans	4,195,001	-	199,520	3,995,481	-	-	-	-	-	-	-	
Other liabilities	7,300,611	-	-	-	-	-	-	-	-	-	7,300,611	
	292,021,041	69,729,657	57,330,125	65,311,237	17,419,068	2,089,076	1,502,935	1,465,246	515,781	-	76,657,916	
<b>On-balance sheet gap</b>	(195,045)	(26,735,282)	6,845,907	(6,660,409)	31,941,450	937,503	1,846,910	10,702,776	11,693,448	307,678	(31,075,026)	
<b>Off-balance sheet financial instruments</b>												
<b>Forward Lending</b>												
Cross Currency and Interest Rate Swaps	13,251,658	205,283	11,620,035	1,426,340	-	-	-	-	-	-	-	
Forward Foreign Exchange Contracts	22,031,700	7,972,736	9,510,401	4,546,579	1,984	-	-	-	-	-	-	
	35,283,358	8,178,019	21,130,436	5,972,919	1,984	-	-	-	-	-	-	
<b>Forward Borrowing</b>												
Cross Currency and Interest Rate Swaps	12,761,799	-	12,350,754	411,045	-	-	-	-	-	-	-	
Forward Foreign Exchange Contracts	7,996,449	4,671,354	2,546,839	778,256	-	-	-	-	-	-	-	
	20,758,248	4,671,354	14,897,593	1,189,301	-	-	-	-	-	-	-	
<b>Off-balance sheet gap</b>	14,525,110	3,506,665	6,232,843	4,783,618	1,984	-	-	-	-	-	-	
<b>Total Yield / Interest Risk Sensitivity Gap</b>		(23,228,617)	13,078,750	(1,876,791)	31,943,434	937,503	1,846,910	10,702,776	11,693,448	307,678		
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		(23,228,617)	(10,149,867)	(12,026,658)	19,916,776	20,854,279	22,701,189	33,403,965	45,097,413	45,405,091		

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

		2011										
		Exposed to Yield / Interest risk										
Effective Yield / Interest rate	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	Non-interest bearing financial instruments	
----- Rupees in '000 -----												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	18,445,108	-	-	-	-	-	-	-	-	-	18,445,108	
Balances with other banks	4,685,718	2,388,058	-	-	-	-	-	-	-	-	2,297,660	
Investments	93,409,187	8,047,520	3,584,924	13,853,681	39,586,523	3,093,587	4,057,673	-	6,424,381	-	14,760,898	
Advances	148,161,995	35,372,617	55,160,091	32,634,163	6,721,766	2,015,950	1,961,833	2,353,527	1,829,501	1,170,551	8,941,996	
Other assets	7,053,666	-	-	-	-	-	-	-	-	-	7,053,666	
	271,755,674	45,808,195	58,745,015	46,487,844	46,308,289	5,109,537	6,019,506	2,353,527	8,253,882	1,170,551	51,499,328	
<b>Liabilities</b>												
Bills payable	3,075,642	-	-	-	-	-	-	-	-	-	3,075,642	
Borrowings	39,696,986	23,748,407	9,133,482	3,081,047	551,767	705,588	765,016	1,098,579	613,100	-	-	
Deposits and other accounts	214,614,731	37,799,744	17,904,570	22,785,866	25,774,500	12,036,094	9,478,399	14,581,712	22,668,929	2,217,905	49,367,012	
Sub-ordinated loans	4,395,197	-	399,200	3,995,997	-	-	-	-	-	-	-	
Other liabilities	8,965,194	-	-	-	-	-	-	-	-	-	8,965,194	
	270,747,750	61,548,151	27,437,252	29,862,910	26,326,267	12,741,682	10,243,415	15,680,291	23,282,029	2,217,905	61,407,848	
<b>On-balance sheet gap</b>	1,007,924	(15,739,956)	31,307,763	16,624,934	19,982,022	(7,632,145)	(4,223,909)	(13,326,764)	(15,028,147)	(1,047,354)	(9,908,520)	
<b>Off-balance sheet financial instruments</b>												
<b>Forward Lending</b>												
Cross Currency and Interest Rate Swaps	18,094,829	712,797	14,388,591	2,023,778	969,663	-	-	-	-	-	-	
Forward Foreign Exchange Contracts	26,010,769	11,109,747	6,949,627	7,818,908	132,487	-	-	-	-	-	-	
	44,105,598	11,822,544	21,338,218	9,842,686	1,102,150	-	-	-	-	-	-	
<b>Forward Borrowing</b>												
Cross Currency and Interest Rate Swaps	21,646,879	-	20,152,082	-	1,494,797	-	-	-	-	-	-	
Forward Foreign Exchange Contracts	6,792,861	3,650,627	2,489,624	652,610	-	-	-	-	-	-	-	
	28,439,740	3,650,627	22,641,706	652,610	1,494,797	-	-	-	-	-	-	
<b>Off-balance sheet gap</b>	15,665,858	8,171,917	(1,303,488)	9,190,076	(392,647)	-	-	-	-	-	-	
<b>Total Yield / Interest Risk Sensitivity Gap</b>		(7,568,039)	30,004,275	25,815,010	19,589,375	(7,632,145)	(4,223,909)	(13,326,764)	(15,028,147)	(1,047,354)		
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		(7,568,039)	22,436,236	48,251,246	67,840,621	60,208,476	55,984,567	42,657,803	27,629,656	26,582,302		



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

**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;**

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

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

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, 2012

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

	2012									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
<b>Assets</b>										
Cash and balances with treasury banks	24,508,852	24,508,852	-	-	-	-	-	-	-	-
Balances with other banks	1,209,313	1,209,313	-	-	-	-	-	-	-	-
Investments	87,995,224	7,625,564	3,480,145	6,800,166	29,418,143	7,729,033	10,884,686	10,194,902	11,862,585	-
Advances	172,299,205	35,682,101	24,472,769	26,238,184	21,595,072	14,903,050	16,340,501	16,931,443	11,984,875	4,151,210
Operating fixed assets	10,859,963	17,071	44,586	12,847	100,488	221,178	227,298	1,776,106	1,196,182	7,264,207
Deferred tax assets - net	4,419,111	-	-	-	-	-	-	4,419,111	-	-
Other assets	11,772,664	934,272	743,711	7,477,451	282,478	-	-	1,770,065	564,687	-
	<b>313,064,332</b>	<b>69,977,173</b>	<b>28,741,211</b>	<b>40,528,648</b>	<b>51,396,181</b>	<b>22,853,261</b>	<b>27,452,485</b>	<b>35,091,627</b>	<b>25,608,329</b>	<b>11,415,417</b>
<b>Liabilities</b>										
Bills payable	4,244,494	4,244,494	-	-	-	-	-	-	-	-
Borrowings	35,568,109	17,027,616	1,139,725	13,552,861	379,374	921,765	907,621	1,135,116	504,031	-
Deposits and other accounts	240,712,826	180,626,330	19,911,339	21,030,960	17,039,692	1,167,310	595,315	330,130	11,750	-
Sub-ordinated loans	4,195,001	-	199,520	250,100	250,100	500,200	1,200	2,993,881	-	-
Other liabilities	7,365,998	809,265	41,830	2,301,662	2,303,476	672,904	650,831	583,680	2,350	-
	<b>292,086,428</b>	<b>202,707,705</b>	<b>21,292,414</b>	<b>37,135,583</b>	<b>19,972,642</b>	<b>3,262,179</b>	<b>2,154,967</b>	<b>5,042,807</b>	<b>518,131</b>	<b>-</b>
<b>Net assets</b>	<b>20,977,904</b>	<b>(132,730,532)</b>	<b>7,448,797</b>	<b>3,393,065</b>	<b>31,423,539</b>	<b>19,591,082</b>	<b>25,297,518</b>	<b>30,048,820</b>	<b>25,090,198</b>	<b>11,415,417</b>
Share capital	9,273,508									
Reserves	6,309,083									
Unappropriated profit	3,146,300									
	<b>18,728,891</b>									
Surplus on revaluation of assets	2,249,013									
	<b>20,977,904</b>									

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

	2011									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
<b>Assets</b>										
Cash and balances with treasury banks	18,445,108	18,445,108	-	-	-	-	-	-	-	-
Balances with other banks	4,685,718	4,685,718	-	-	-	-	-	-	-	-
Investments	93,409,187	8,050,370	3,488,003	18,309,537	44,301,092	2,833,966	3,034,321	3,904,068	9,487,830	-
Advances	148,161,995	15,474,215	27,997,860	24,736,694	21,978,203	11,704,274	9,742,869	15,831,378	16,211,181	4,485,321
Operating fixed assets	10,849,607	15,134	13,482	54,167	135,136	320,562	277,220	1,155,975	1,373,525	7,504,406
Deferred tax assets - net	5,188,126	-	-	-	-	-	-	5,188,126	-	-
Other assets	11,828,085	6,446,277	359,024	1,479,286	280,285	22,376	-	2,482,562	758,275	-
	292,567,826	53,116,822	31,858,369	44,579,684	66,694,716	14,881,178	13,054,410	28,562,109	27,830,811	11,989,727
<b>Liabilities</b>										
Bills payable	3,075,642	3,075,642	-	-	-	-	-	-	-	-
Borrowings	39,696,986	23,748,407	9,133,482	3,081,047	551,767	705,588	765,016	1,098,579	613,100	-
Deposits and other accounts	214,614,731	152,853,927	16,842,101	21,032,791	21,298,848	1,969,196	361,083	231,735	25,050	-
Sub-ordinated loans	4,395,197	-	199,680	1,882	200,320	497,915	500,200	1,498,200	1,497,000	-
Other liabilities	11,572,111	788,966	5,324,189	2,410,141	2,295,646	225,137	293,131	215,225	19,676	-
	273,354,667	180,466,942	31,499,452	26,525,861	24,346,581	3,397,836	1,919,430	3,043,739	2,154,826	-
<b>Net assets</b>	19,213,159	(127,350,120)	358,917	18,053,823	42,348,135	11,483,342	11,134,980	25,518,370	25,675,985	11,989,727
Share capital	8,243,118									
Reserves	6,591,131									
Unappropriated profit	2,959,178									
	17,793,427									
Surplus on revaluation of assets	1,419,732									
	19,213,159									

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

In line with SBP BSD Circular Letter No. 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 regressed so as to capture the deposit withdrawal behavior 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.

	2012									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
<b>Assets</b>										
Cash and balances with treasury banks	24,508,852	286,754	257,343	794,087	1,908,014	4,914,025	4,281,696	6,765,669	4,657,907	643,357
Balances with other banks	1,209,313	1,209,313	-	-	-	-	-	-	-	-
Investments	87,995,224	7,625,564	3,480,145	6,800,166	29,418,143	7,729,033	10,884,686	10,194,902	11,862,585	-
Advances	172,299,205	19,147,211	27,286,734	30,459,131	30,036,968	15,432,091	16,869,542	16,931,443	11,984,875	4,151,210
Operating fixed assets	10,859,963	17,071	44,586	12,847	100,488	221,178	227,298	1,776,106	1,196,182	7,264,207
Deferred tax assets - net	4,419,111	-	-	-	-	-	-	4,419,111	-	-
Other assets	11,772,664	934,272	743,711	7,477,451	282,478	-	-	1,770,065	564,687	-
	313,064,332	29,220,185	31,812,519	45,543,682	61,746,091	28,296,327	32,263,222	41,857,296	30,266,236	12,058,774
<b>Liabilities</b>										
Bills payable	4,244,494	4,244,494	-	-	-	-	-	-	-	-
Borrowings	35,568,109	17,027,616	1,139,725	13,552,861	379,374	921,765	907,621	1,135,116	504,031	-
Deposits and other accounts	240,712,826	35,537,654	21,455,076	25,709,911	27,818,762	28,726,076	25,651,612	40,494,077	31,034,718	4,284,940
Sub-ordinated loans	4,195,001	-	199,520	250,100	250,100	500,200	1,200	2,993,881	-	-
Other liabilities	7,365,998	809,265	41,830	2,301,662	2,303,476	672,904	650,831	583,680	2,350	-
	292,086,428	57,619,029	22,836,151	41,814,534	30,751,712	30,820,945	27,211,264	45,206,754	31,541,099	4,284,940
<b>Net assets</b>	20,977,904	(28,398,844)	8,976,368	3,729,148	30,994,379	(2,524,618)	5,051,958	(3,349,458)	(1,274,863)	7,773,834
Share capital	9,273,508									
Reserves	6,309,083									
Unappropriated profit	3,146,300									
	18,728,891									
Surplus on revaluation of assets	2,249,013									
	20,977,904									

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 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 compromised, regulatory non-compliance, loss of key staff and social and environmental impacts.

The operational risk management policy of the Bank is approved by the Board of Directors. Regular updates on operational risk status is presented to Enterprise Risk Management Committee (ERMC) and the Board of Directors through Board Risk Management Committee (BRMC).

The Bank has implemented an effective operational risk management framework for managing operational risk. Each department has processes and systems in place to address operational risks within their area. These include controls and the provision of business continuity plans to protect against major disruptions. The Bank's operational risk management framework consists of tools such as risk and controls self assessment, loss database and key risk indicators.

### 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	2012			
		Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuks	Total
----- Rupees '000 -----					
Corporate	8	1,939,600	-	-	1,939,600
Insurance Companies	1	-	20,700,000	-	20,700,000
Asset Management Companies	21	8,497,195	756,000	500	9,253,695
Employees Funds	76	2,191,100	3,974,250	14,075	6,179,425
Charitable Institution/NGO'S	7	1,106,100	29,650	-	1,135,750
Individuals	74	269,885	417,410	21,000	708,295
Others	4	2,320,860	77,970	-	2,398,830
	191	16,324,740	25,955,280	35,575	42,315,595

Category	No. of IPS Accounts	2011			
		Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuks	Total
----- Rupees '000 -----					
Corporate	12	2,532,600	-	-	2,532,600
Insurance Companies	1	-	22,200,000	-	22,200,000
Asset Management Companies	14	4,363,450	175,000	-	4,538,450
Employees Funds	90	2,697,390	4,455,450	25,000	7,177,840
Charitable Institution/NGO'S	4	441,700	78,500	-	520,200
Individuals	70	510,935	140,170	5,300	656,405
Others	4	230,000	78,750	-	308,750
	195	10,776,075	27,127,870	30,300	37,934,245

**45 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 the Bank and investors / depositors in the ratio of the Bank's equity commingled in a pool on pro rata basis, and then amongst the Bank and the depositors as per agreed mudarib fee and weightages declared before start of a month, respectively.

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 the Bank 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; while 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 purchase of securities / commodities, impairment / losses due to physical damages to specific assets in pools etc. Provisions against any non-performing asset of the pool is 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	Rupees '000	Percent
- Mudarib share amount and percentage of distributable income	1,175,647	57.4
- Amount and percentage of mudarib share transferred to depositors through Hiba	550,309	46.81
- Profit rate earned (annualised)	-	12.64
- Profit rate distributed (annualised)	-	8.36

**46 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on February 28, 2013 by the Board of Directors of the Bank.

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

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

**48 GENERAL**

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

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

**48.3** 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

# DO

Words fall flat if not acted upon. Let's stand up, hold our ground and run to our dearest national ambitions.

ہاں تلخیِ ایام بھی اور بڑھے گی  
ہاں اہلِ ستم مشقِ ستم کرتے رہیں گے  
منظور یہ تلخی یہ ستم ہم کو گوارا  
دم ہے تو مددوائے اَلَم کرتے رہیں گے

# تو ملو گے کرتے رہیں گے

# ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

Statement showing details of investments in ordinary and preference shares / certificates of listed and unlisted companies / modarabas / mutual funds and Term Finance Certificates and bonds as referred to in note 10 to the financial statements.

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

2012	2011	Name of company / modaraba / mutual fund	Quality of Available for Sale Securities				
			2012	2011			
Ordinary shares / certificates of Rs 10 each			At Cost Rupees in '000	Market Values Rupees in '000	2012	2011	Medium to Long Term Rating Assigned (where available)
<b>493,950</b>	999,950	<b>Equity Investment Instruments</b>					
		NAMCO Balanced Fund	<b>4,940</b>	10,000	<b>2,346</b>	5,050	
		<b>Modarabas</b>					
-	2,990,000	First Habib Modaraba **	-	22,656	-	21,707	AA-
-	56,703	Unicap Modaraba ***	-	11	-	17	AA-
<b>60</b>	-	Standard Chartered Modaraba	-	-	<b>1</b>	-	
		<b>Banks / Financial Services</b>					
-	455,928	Summit Bank Limited (Formerly Atlas Bank Limited)	-	3,151	-	784	
<b>1,762,772</b>	1,762,772	Prudential Investment Bank Limited */***	<b>12,528</b>	12,528	-	-	
-	525,000	Arif Habib Corporation	-	15,825	-	13,603	
-	100,000	First Capital Securities Corporation Limited	-	175	-	186	
-	2,203,317	Askari Commercial Bank Limited	-	42,391	-	22,099	AA
<b>8,899,500</b>	11,899,899	Bank AL Habib Limited +	<b>275,522</b>	377,703	<b>282,381</b>	339,504	AA+
-	881,729	JS Bank Limited	-	1,587	-	1,455	A+
<b>21,618,423</b>	22,107,923	Habib Metropolitan Bank Limited +	<b>421,775</b>	431,326	<b>407,507</b>	373,403	AA+
-	64,366	First Credit & Investment Bank Limited	-	332	-	225	
<b>1,290,000</b>	-	National Bank of Pakistan Limited	<b>67,089</b>	-	<b>63,713</b>	-	AAA
-	43,187	MCB Bank Limited	-	6,256	-	5,813	AA+
		<b>Construction, Materials, Paints and Cements</b>					
-	5,162	Buxly Paints Limited	-	95	-	31	
<b>10,665</b>	10,665	Dadabhoy Construction Technology Limited ***	<b>16</b>	16	<b>1</b>	5	
-	122,791	EMCO Industries Limited	-	149	-	237	
-	62,979	FECTO Cement Limited	-	648	-	246	
-	110,411	Mustehkam Cement Limited	-	3,292	-	1,215	
-	975,189	Lucky Cement Limited	-	79,946	-	73,178	
<b>2,943,329</b>	-	Akzo Nobel Pakistan Limited	<b>429,003</b>	-	<b>254,628</b>	-	
		<b>Balance carried forward</b>	<b>1,210,873</b>	1,008,087	<b>1,010,577</b>	858,758	

\* The bank holds more than 10% of investees' capital in Prudential Investment Bank Limited – 17.10% (2011: 17.10%)

\*\* Shares / certificates of Rs 5 each

\*\*\* Delisted companies

+ 8,899,500 shares of Bank AL Habib Limited and 21,618,423 shares of Habib Metropolitan Bank Limited classified as strategic investment

# ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

2012	2011	Name of company / modaraba / mutual fund	Quality of Available for Sale Securities				
			2012	2011			
Ordinary shares / certificates of Rs 10 each			At Cost Rupees in '000	Market Values Rupees in '000	2012	2011	Medium to Long Term Rating Assigned (where available)
		<b>Balance brought forward</b>	<b>1,210,873</b>	1,008,087	<b>1,010,577</b>	858,758	
		<b>Oil and Gas</b>					
<b>12,000</b>	190,177	Pakistan State Oil Limited	<b>3,393</b>	49,653	<b>2,787</b>	43,211	AA+
-	553,664	Burshane LPG Pakistan Limited (Formerly Shell Gas LPG)	-	22,648	-	12,469	
-	244,311	Pakistan Refinery Limited	-	19,653	-	16,542	AA
-	189,674	Pakistan Oilfields Limited	-	67,983	-	65,713	
-	62,864	National Refinery Limited	-	15,187	-	15,256	AAA
-	14,720	Mari Gas Company Limited	-	1,497	-	1,192	
-	78,743	Oil & Gas Development Company Limited	-	12,035	-	11,939	AAA
<b>3,506,500</b>	-	Sui Northern Gas Pipelines Limited	<b>73,886</b>	-	<b>81,526</b>	-	AA
		<b>Fixed Line Telecommunication</b>					
-	4,317,350	Pakistan Telecommunication Company Limited	-	55,876	-	44,857	
		<b>Electricity and Energy</b>					
<b>891,476</b>	9,320,145	Hub Power Company Limited +	<b>30,004</b>	367,912	<b>40,330</b>	318,749	AA+
-	939,372	Ideal Energy Limited	-	28,161	-	8,454	
-	723,000	Kohinoor Energy Limited	-	23,174	-	11,402	
		<b>Personal Goods, Textile &amp; Spinning</b>					
<b>53,500</b>	53,500	(Colony) Sarhad Textile Limited ***	<b>27</b>	27	-	40	
<b>74,500</b>	74,500	Accord Textile Limited ***	<b>93</b>	93	-	14	
<b>1,547</b>	1,547	Al-Qaim Textile Mills Limited ***	<b>3</b>	3	-	1	
<b>3,911</b>	3,911	Amazai Textile Mills Limited ***	<b>2</b>	2	-	3	
-	141,000	Asim Textile Mills Limited ***	-	282	-	282	
-	347,662	Crescent Textile Mills Limited	-	11,662	-	2,861	
<b>178,648</b>	178,648	Crown Textile Mills Limited ***	<b>1,239</b>	1,239	-	-	
-	19,645	Dawood Lawrancepur Limited	-	1,230	-	618	
<b>3,700</b>	3,700	Fateh Industries Limited	<b>30</b>	30	-	20	
<b>7,300</b>	7,300	Fateh Sports Wear Limited ***	<b>69</b>	69	-	69	
<b>3,680</b>	3,782	Fateh Textile Mills Limited	<b>1,325</b>	1,362	<b>368</b>	384	
-	11,151	Fazal Textile Mills Ltd.	-	3,318	-	2,750	
-	10,500	Globe Textile Mills Limited ***	-	155	-	100	
		<b>Balance carried forward</b>	<b>1,320,944</b>	1,691,338	<b>1,135,588</b>	1,415,684	

\*\*\* Delisted companies

+ Includes 891,361 shares of Hub Power Company Limited classified as strategic investment

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

2012	2011	Name of company / modaraba / mutual fund	At Cost		Market Values		Quality of Available for Sale Securities	
			2012	2011	2012	2011	2012	2011
			Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
		<b>Balance brought forward</b>	<b>1,320,944</b>	1,691,338	<b>1,135,588</b>	1,415,684		
-	15,674	Gulistan Spinning Mills Limited	-	119	-	64		
<b>41,612</b>	41,612	Hakkim Textile Mills Limited ***	<b>10</b>	10	-	10		
<b>39,425</b>	60,473	Indus Dyeing Manufacturing Company Limited	<b>13,391</b>	19,718	<b>24,641</b>	22,999	<b>A</b>	A
-	18,360	International Knitwear Limited	-	255	-	75		
<b>26,059</b>	26,059	Itti Textile Mills Limited ***	<b>25</b>	25	-	23		
-	193,274	Kohinoor Textile Mills Limited	-	1,280	-	653		
-	250,000	Maqbool Textile Mills Limited	-	3,363	-	1,908		
-	168,053	Masood Textile Mills Limited	-	5,817	-	2,622		
<b>8,500</b>	8,500	Mehr Dastgir Textile Mills Limited ***	<b>2</b>	2	<b>13</b>	17		
<b>1,148,001</b>	1,157,986	Pakistan Synthetic Limited	<b>22,581</b>	22,765	<b>22,949</b>	20,809		
-	98,840	Premium Textile Mills Limited	-	2,174	-	2,250		
<b>12,000</b>	12,000	Qayyum Spinning Mills Limited ***	<b>4</b>	4	-	4		
-	128,500	Redco Textiles Limited ***	-	127	-	39		
-	99,316	Ruby Textile Mills Limited	-	1,067	-	645		
-	47,100	Rupali Polyester Limited	-	1,743	-	1,531		
-	8,700	Saif Textile Mills Limited	-	69	-	43		
<b>1,000</b>	27,000	Service (Textile) Industries Limited ***	<b>1</b>	19	<b>1</b>	14		
-	219,268	Service Fabrics Limited ***	-	88	-	53		
<b>337,590</b>	542,590	Service Industries	<b>77,516</b>	127,261	<b>56,378</b>	105,799		
-	35,148	Shams Textile Mills Limited	-	699	-	246		
<b>17,000</b>	17,000	Siftaq Internatioanal Limited ***	<b>30</b>	30	-	17		
<b>359</b>	12,859	Sind Fine Textile Mills Limited ***	<b>2</b>	77	<b>2</b>	102		
<b>2,376</b>	2,376	Sunrise Textile Limited ***	-	-	<b>78</b>	78		
<b>69,000</b>	69,000	Sunshine Cotton Mills Limited ***	<b>69</b>	69	-	23		
-	229,000	Taj Textile Mills Limited ***	-	82	-	57		
-	492	United Brands Limited	-	22	-	12		
<b>79,306</b>	79,306	Zahoor Cotton Mills Limited ***	<b>22</b>	22	-	5		
<b>2,567,046</b>	2,567,046	Zahoor Textile Mills Limited ***	<b>2,500</b>	2,500	-	-		
		<b>Balance carried forward</b>	<b>1,437,097</b>	1,880,745	<b>1,239,650</b>	1,575,782		

\*\*\* Delisted companies

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

2012	2011	Name of company / modaraba / mutual fund	At Cost		Market Values		Quality of Available for Sale Securities	
			2012	2011	2012	2011	2012	2011
			Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
		<b>Balance brought forward</b>	<b>1,437,097</b>	1,880,745	<b>1,239,650</b>	1,575,782		
		<b>Electronic and Electrical Equipment</b>						
-	86,544	Johnson and Phillips (Pakistan) Limited	-	1,320	-	606		
		<b>Non Life Insurance</b>						
-	948,712	Adamjee Insurance Company Limited	-	53,629	-	44,125		AA
<b>2,000,311</b>	2,834,309	TPL Direct Insurance Limited	<b>20,446</b>	28,647	19,963	28,570	<b>A-</b>	
		<b>Food Producers</b>						
-	232,077	Al- Abbas Sugar Mills Limited	-	21,579	-	20,838		A
-	46,000	Chashma Sugar Mills Limited	-	405	-	368		
-	20,000	Colony Sugar Mills	-	220	-	30		
<b>7,270</b>	7,270	Fazal Vegetable Ghee Mills Limited ***	<b>33</b>	33	-	33		
-	1,247,028	Habib Sugar Mills Limited ***	-	32,762	-	27,322		
-	85,700	Mirpurkhas Sugar Mills Limited	-	6,512	-	3,482		
<b>9,500</b>	9,500	Morafco Industries Limited ***	<b>126</b>	126	97	97		
<b>9,084</b>	9,084	Mubarak Dairies Limited ***	<b>9</b>	9	-	5		
-	19,511	Nestle Pakistan	-	85,464	-	70,183		
-	4,724,930	Engro Foods Limited	-	115,861	-	106,783		A
<b>10,000</b>	10,000	Pak Ghee Industries Limited ***	<b>5</b>	5	-	3		
-	126,839	Pangrio Sugar Mills Limited	-	901	-	351		
-	173,000	Sanghar Sugar Mills Limited	-	2,595	-	1,817		
-	9,000	Shahtaj Shugar Mills Limited	-	846	-	803		
<b>9,000</b>	9,000	Suraj Ghee Industries Limited ***	<b>117</b>	117	-	90		
-	1	Unilever Pakistan Limited	-	5	-	6		
		<b>Industrial Engineering</b>						
-	82,360	Al-Ghazi Tractors **	-	19,447	-	15,882		
-	43,152	Bela Engineering Limited ***	-	-	-	43		
-	4,716	Bolan Casting Limited	-	189	-	134		
-	119,455	Hinopak Motors Limited	-	21,918	-	8,367		
-	123,946	K.S.B. Pumps Company Limited	-	9,219	-	3,013		
		<b>Balance carried forward</b>	<b>1,457,833</b>	2,282,554	<b>1,259,710</b>	1,908,733		

\*\* Shares / certificates of Rs 5 each

\*\*\* Delisted companies

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

2012	2011	Name of company / modaraba / mutual fund	At Cost Rupees in '000		Market Values Rupees in '000		Quality of Available for Sale Securities	
			2012	2011	2012	2011	2012	2011
		<b>Balance brought forward</b>	<b>1,457,833</b>	2,282,554	<b>1,259,710</b>	1,908,733		
		<b>Automobiles and Parts</b>						
-	224,069	Balochistan Wheels Limited	-	7,171	-	5,853		
-	934,535	General Tyre and Rubber Company of Pakistan Limited	-	23,269	-	19,542		
		<b>Chemicals and Fertilizers</b>						
15,868,843	15,066,665	Agritech Limited	519,824	215,641	185,189	142,408	D	D
11,685,450	13,538,450	Dawood Hercules Chemicals Limited +	642,253	737,004	380,245	573,896		
-	76,000	Fauji Fertilizer Company Limited	-	11,488	-	11,365		
6,985,500	-	Lotte Pakistan Limited	67,458	-	51,343	-		
223	24,223	Sardar Chemical Industries Limited	-	46	2	29		
-	101,734	Sitara Chemical Industries Limited	-	18,200	-	7,345		A+
-	56,764	United Distributors Pakistan Limited	-	1,222	-	570		
500,141	7,365,942	ICI Pakistan Limited	73,286	1,094,032	86,970	885,902		
-	99,479	Wah-Nobel Chemicals Limited	-	5,258	-	3,482		
-	2,754,481	Fatima Fertilizer Company	-	65,599	-	63,133		
		<b>Industrial Metals and Mining</b>						
-	652,316	Crescent Steel & Allied Products Limited	-	19,246	-	11,840		
-	220,137	Huffaz Seamless Pipe Industries Limited	-	4,651	-	1,781		
883,854	3,571,354	International Industries Limited	41,696	166,518	29,088	135,747		
9,782,371	10,132,371	International Steels Limited	140,289	145,308	118,367	117,637		
1,000	1,000	Quality Steel Works Limited ***	13	13	-	11		
		<b>Industrial Transportation</b>						
-	184,555	Pakistan International Container Terminal Limited	-	15,121	-	12,179		A+
-	218,635	Pakistan National Shipping Corporation	-	9,417	-	2,778		AA-
		<b>Health Care Equipment and Services</b>						
48,000	48,000	Medi Glass Limited ***	38	38	-	22		
		<b>Balance carried forward</b>	<b>2,942,690</b>	4,821,796	<b>2,110,914</b>	3,904,253		

\*\*\* Delisted companies  
+ Classified as strategic investments

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

2012	2011	Name of company / modaraba / mutual fund	At Cost Rupees in '000		Market Values Rupees in '000		Quality of Available for Sale Securities	
			2012	2011	2012	2011	2012	2011
		<b>Balance brought forward</b>	<b>2,942,690</b>	4,821,796	<b>2,110,914</b>	3,904,253		
		<b>Pharma and Bio Tech</b>						
-	498,153	Abbot Laboratories (Pakistan) Limited	-	51,458	-	49,711		
-	270,910	Ferozsons Laboratories Limited	-	27,350	-	22,212		
744,776	2,236,247	Glaxosmithkline (Pakistan) Limited	60,330	175,528	54,615	150,007		
-	17,114	Otsuka Pakistan Limited	-	668	-	561		
35,227	46,781	Wyeth Pak Limited	35,252	46,137	33,642	38,358		
		<b>Forestry and Paper</b>						
-	100,000	Security Paper Limited	-	4,871	-	3,540		AAA
		<b>Beverages</b>						
-	52,197	Murree Brewery Company Limited	-	5,650	-	3,315		
		<b>Leisure Goods</b>						
-	40,000	Grays of Combridge (Pakistan) Limited	-	3,140	-	920		
		<b>Media</b>						
-	1,000	Media Times Limited	-	17	-	13		
49,000	49,000	Southern Network	-	-	147	-		
		<b>Household Goods</b>						
165,899	177,399	Al-Abid Silk Mills Limited	4,626	4,946	2,905	4,346		
-	835,506	Pak Elektron Limited	-	14,663	-	2,916		A
-	29,705	Tariq Glass Industries Limited	-	373	-	244		
		<b>Tobacco</b>						
400	400	Pakistan Tobacco Company	46	46	27	22		
		<b>General Industrials / Others</b>						
225	225	VISA Incorporation - Class C Shares	-	-	3,249	2,067		
-	127,000	Balochistan Particle Board Limited	-	127	-	89		
102,500	102,500	Fatima Enterprise ***	1,789	1,789	-	1,466		
26,000	26,000	Hashmi Can Company Limited ***	156	156	-	213		
90,896	183,396	Siemens Pakistan Engineering Company Limited	115,502	232,784	70,415	193,803		
223	2,223	Syed Match Company Limited ***	3	31	3	31		
-	162,411	Thall Limited **	-	16,319	-	13,285		
-	2	Pakistan Services Limited	-	-	-	-		
-	847,000	Noon Pakistan Limited	-	11,165	-	9,063		
		<b>Balance carried forward</b>	<b>3,160,394</b>	5,419,014	<b>2,275,917</b>	4,400,435		

\*\* Shares / certificates of Rs 5 each  
\*\*\* Delisted companies

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



## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

	2012		2011		Quality of Available for Sale Securities	
	At Cost Rupees in '000	Market Values Rupees in '000	2012	2011	2012	2011
<b>AI Hamra Avenue (Private) Limited ** / +</b> 28,812,500 (2011 : 28,812,500) ordinary shares of Rs 10 each The bank holds 17.99% (2011 : 17.99%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.21 (2011: Rs 9.27) Period of financial statements: June 30, 2012 (audited)	265,938	265,938		Not Applicable		
<b>AI Hamra Hills (Private) Limited * / +</b> 12,500,000 (2011 : 12,500,000) ordinary shares of Rs 10 each	125,000	125,000		Not Applicable		
<b>DHA Cogen Limited * / +</b> 32,500,000 (2011 : 32,500,000) ordinary shares of Rs 10 each	325,000	325,000		Not Applicable		
<b>First Capital Investment (Private) Limited *</b> 165,000 (2011 : 150,000) ordinary shares of Rs 10 each	750	750	AM4+	AM4+		
<b>Himont Chemical (Private) Limited *</b> 810,000 (2011 : 810,000) ordinary shares of Rs 10 each	1,037	1,037		Not Applicable		
<b>Sukhchayn Gardens (Private) Limited +</b> 89,383 (2011 : 218,627) ordinary shares of Rs 100 each The bank holds 2.03% (2011: 4.97%) of investee's capital. Chief Executive: Mr. Shujaat Azeem Break up value per share: Rs. 172.55 (2011: 172.23) Period of financial statements: June 30, 2012 (audited)	37,000	90,500		Not Applicable		
<b>Credit Rating Information Services Limited (Bangladesh) *</b> 260,000 (2011: 260,000) ordinary shares of Taka 10 each.	2,452	2,452		Not Applicable		
<b>Pace Barka Properties Limited</b> 5,200,000 (2011 : Nil) ordinary shares of Rs 10 each The bank holds 1.70% (2011: Nil%) of investee's capital. Chief Executive: Aamna Taseer Break up value per share: Rs. 17.82 Period of financial statements: June 30, 2011 (audited)	45,378	-		Not Applicable		
<b>Khushhali Bank Limited</b> Nil (2011: 1,500,000) ordinary shares of Rs 10 each The bank holds Nil (2011: 0.88%) of investee's capital. Chief Executive: Mr. Muhammad Ghalib Nishtar Break up value of share: Rs. 13.71 (2011: 13.00) Period of financial statements: December 31, 2011 (audited)	-	15,000		Not Applicable		
<b>Pakistan Export Finance Guarantee Agency Limited *</b> 568,044 (2011: 568,044) ordinary shares of Rs 10 each	5,687	5,687		Not Applicable		
	<b>808,242</b>	<b>831,364</b>				

\* Fully provided investments

+ Strategic investments

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

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 3. Preference shares – Listed companies

2012	2011	Shares of Rs 10 each	Name of Company	Rate	2012		2011		Quality of Available for Sale Securities	
					At Cost Rupees in '000	Market Values Rupees in '000	2012	2011	2012	2011
2,249,000	2,249,000		Azgard Nine Limited	8.95% Cumulative	22,490	22,490	-	-	D	D
36,066	24,463,533		Maple Leaf Cement Factory Limited	9.75% Cumulative Convertible	162	244,248	451	117,425	D	D
-	4,763,000		Chenab Limited	9.25% p.a.	-	47,630	-	8,097		
					<b>22,652</b>	<b>314,368</b>	<b>451</b>	<b>125,522</b>		

### 4. Preference shares – Unlisted companies

2012	2011	Shares of Rs 10 each	Name of Company	Rate	2012		2011		Quality of Available for Sale Securities	
					At Cost Rupees in '000	Market Values Rupees in '000	2012	2011	2012	2011
2,500,000	2,500,000		Fazal Cloth Mills (Private) Limited Chief Executive: Mr. Sheikh Naseem Ahmad The Bank holds 10% (2011 : 10.00%) of investee's capital.	2.5% plus 6 months KIBOR	25,000	25,000		Not Applicable	A-	A-
7,700,302	7,700,302		Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The Bank holds 17.13% (2011: 17.13%) of Class A preference shares in investee's capital.	9.50% Cumulative Convertible	75,000	75,000		Not Applicable		A
					<b>100,000</b>	<b>100,000</b>				

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

2012	2011	Name of Company	2012		2011		Quality of Available for Sale Securities	
			At Cost Rupees in '000	Market Values Rupees in '000	At Cost Rupees in '000	Market Values Rupees in '000	2012	2011
<b>Open ended Mutual funds</b>								
1,873,887	1,873,887	Faysal Income Growth Fund	200,000	200,000	200,637	195,278	A(f)	A(f)
4,052,906	2,107,892	Faysal Savings Growth Fund	407,411	208,228	418,260	218,314	AA-(f)	A+(f)
1,000,000	4,142,479	Faysal Islamic Savings Growth Fund	100,000	425,000	103,390	430,789	AA-(f)	A+(f)
10,908,996	10,876,409	Faysal Money Market Fund	1,100,000	1,100,000	1,122,754	1,110,699	AA+(f)	AA+(f)
4,405,746	-	Faysal Asset Allocation Fund	300,000	-	302,939	-		
-	143,757	JS KSE 30 Index Fund	-	3,702	-	3,939		AM2-
-	469,029	JS Large Capital Fund	-	27,888	-	21,932		
-	3,994,715	Al-Meezan Mutual Fund	-	35,263	-	40,826		AM2
1,310,292	1,310,292	Faysal Balanced Growth Fund ** / +	80,374	80,374	85,746	79,102		AM2-
-	68,609,203	National Investment (Unit) Trust	-	2,200,000	-	1,776,978		AM2-
-	5,000,000	NIT Income Fund	-	50,000	-	53,906		
			<b>2,187,785</b>	<b>4,330,455</b>	<b>2,233,726</b>	<b>3,931,763</b>		

+ Investment in Faysal Balanced Growth Fund represents Strategic investment

\*\* Units of Rs 50 each

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

#### Azgard Nine Limited

31,640 (2011: 31,640) certificates of Rs 5,000 each

Mark-up: Different spread over six months KIBOR rate in different years with no floor and cap

Redemption: 12 unequal semi annual installments, 2012-2015: 47% and 2016-2017: 53%

of the outstanding amount

Maturity: September 2017

Chief Executive Officer: Mr. Ahmad Shaikh

#### Bank Al-Habib Limited - Unsecured

Nil (2011: 20,000) certificates of Rs 5,000 each

#### Jahangir Siddiqui & Company Limited - Fourth Tranche

Nil (2011: 10,000) certificates of Rs 5,000 each

#### United Bank Limited - First Issue

Nil (2011: 50,000) certificates of Rs 5,000 each

#### United Bank Limited - Second Issue

20,000 (2011: 20,000) certificates of Rs 5,000 each

Mark-up: 9.49% per annum

Redemption: At maturity

Maturity: March 2013

Chief Executive Officer: Mr. Atif R. Bokhari

#### Financial Receivables Securitization Company Limited

20,000 (2011: 20,000) certificates of Rs 5,000 each

Mark-up: 2.00% above six months KIBOR rate, floor-8%, cap-16%

Redemption: Equal Semi annual installment with a grace period of 1 year

Maturity: January 2014

Chief Executive Officer: Mr. Suleman Kanjiyani

#### Telecard Limited

70,233 (2011: 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. Shams ul Afreen

2012	2011	2012	2011	Quality of Available for Sale Securities	
				2012	2011
<b>At Cost</b> Rupees in '000		<b>Market Values</b> Rupees in '000		<b>Medium to Long Term Rating Assigned (where available)</b>	
51,476	118,489	49,811	114,598	D	D
-	66,493	-	60,362	AA	AA
-	24,955	-	25,111	AA	AA
-	166,250	-	157,522	AA	AA
99,970	99,974	99,604	95,025	AA	AA
28,801	48,001	29,020	47,753	A+	A+
128,766	129,053	128,623	96,790		D
<b>309,013</b>	<b>653,215</b>	<b>307,058</b>	<b>597,161</b>		

## ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	2012		2011		Quality of Available for Sale Securities	
	At Cost Rupees in '000	Market Values Rupees in '000	2012	2011	2012	2011
<b>7. Term Finance Certificates - Unlisted</b>						
<b>Dewan Cement Limited (formerly Pakland Cement Limited)</b> 100,000 (2011: 100,000) certificates of Rs. 5,000 each Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui	500,000	500,000	Not applicable			D
<b>Bank Alfalah Limited - Fourth Issue</b> 40,000 (2011: 40,000) certificates of Rs. 5,000 each Mark-up: 2.50% above six months KIBOR rate with no floor and cap Redemption: 0.26% semi annually in first 78 months, balance of 33.25% each starting from 84th month. Maturity: December 2017 Chief Executive Officer: Mr. Atif Aslam Bajwa	199,760	199,840	209,085	200,640	AA-	AA-
<b>Dewan Sugar Mills Limited</b> 10,000 (2011: 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	10,347	11,052	Not applicable			
	<b>710,107</b>	<b>710,892</b>	<b>209,085</b>	<b>200,640</b>		
<b>8. Details of investment in an Associate:</b>						
<b>Faysal Asset Management Limited *</b> 4,500,000 (2011: 4,500,000) ordinary shares of Rs 10 each The bank holds 30% (2011: 30%) of investee's capital. Chief Executive: Mr. Enamullah Khan Break up value of share: Rs 15.37 (2011: Rs 16.67) Period of financial statements: December 31, 2012	45,000	45,000	Not Applicable			AM2-
	<b>45,000</b>	<b>45,000</b>	<b>-</b>	<b>-</b>		
<b>9. Details of investment in a Subsidiary:</b>						
<b>Faysal Management Services (Private) Limited *</b> 1,080,000 (2011: 1,080,000) ordinary shares of Rs 100 each The bank holds 60% (2011: 60%) of investee's capital. Chief Executive: N/A ** Break up value of share: Rs 114.90 (2011: Rs 111.67) Period of financial statements: December 31, 2012	108,000	108,000	Not Applicable			
	<b>108,000</b>	<b>108,000</b>	<b>-</b>	<b>-</b>		

\* Strategic investments

\*\* Liquidator has been appointed.

## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2012 as referred in note 11.8 to these financial statements.

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
1	Saudi Pak Leasing Company	6th Floor Lakson Square Building # 1 Sarwar Shaheed Road Saddar Karachi	Mohammad Rashid Zahir 61101-3839142-3 Ihsan Ul Haq Piracha 38401-9460845-1 Haroon Ahsan Paracha 61101-1470554-5 Farid Ul Khan 61101-7454042-3 Mohammad Tariq Masood 37405-4534377-9 Aasim Azim Siddiqui 42301-0886625-3 Farukh Shaukat Ansari 37405-5542031-5	Mohammad Siddique  Fazl Ul Haq  Ahsan Ul Haq  Abdullah Khan  Sharif Ahmed  Haleem Ahmed Siddiqui Shoukat Hussain	28,883	8,678	-	37,561	-	7,849	-	7,849
2	Nazeer Shah	35-1khy-e-badban, Phase-5 Dha Karachi	42301-1048963-1	Syed Daim Ali Shah	13,023	4,212	-	17,235	-	4,212	-	4,212
3	Faridi Corporation	Shop No.g/1,ground Floor Plot Survey No.69,daryalal Street,jodia Bazar,karachi.	Muhammad Javed 42201-2366657-5	Muhammad Iqbal	40,000	29,128	-	69,128	4,000	31,956	-	35,956
4	Cotton Trend (pvt) Ltd	D-9 10, Moria Khan Society, Star Gate (airport), Shahrah-e-faisal, Karachi	Syed Salman Hasan 42101-9517941-9  Seema Yasmeen 42101-8853264-4	Syed Sarfraz Hasan	22,537	12,386	-	34,923	-	1,660	-	1,660

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.

ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
5	Atta Muhammad Qureshi	34-b, Latif Abad No - 2, Hyderabad	42301-4694105-5	Dost Mohammad Qureshi	901	765	-	1,666	-	822	-	822
6	Nass Papers International	Room #.11, 1 St Floor Namco, Center Campbell Street, Karachi.	Syed Ashfaq Ahmed 42201-7195374-1	Syed Jilani	4,498	1,277	-	5,775	-	1,664	-	1,664
7	Malik Textile Industries (pvt) Ltd	L-30 Block 2 2 Industrial Estate, F B Area Karachi	Sohail Shahid Malik 42101-2309109-9 Amjad Majid Malik 42201-4267542-7 Rashid Malik 42101-7405478-7 Inayat Begum 42101-2993777-4	Shahid Mailk Late Allah Ditta Shahid Malik Late Allah Ditta Shahid Malik Late Allah Ditta Shahid Malik	145,391	38,230	-	183,621	39,191	38,230	-	77,421
8	Yasmeen Tariq	B/1, South Circular Avenue li, Dha Phase li, Karachi	42301-2499323-6	Tariq Amin Ahmed	19,405	14,040	-	33,445	2,405	16,386	-	18,791
9	Ajwa Textile Industries	Room#1106, Uni Tower, I I Chundrigar Road, Karachi	Mohammad Iqbal Attara 42201-0712281-9 Mrs Amina Iqbal Attara 42201-0543028-6	Haji Hamid Attara Mohammad Iqbal Attara	6,020	4,653	-	10,673	-	4,312	-	4,312
10	Asrar And Sons	706,7th Floor, Uni Plaza , I.i. Chundrigar Road, Karachi	Syed Mohammad Asrar-ul-haq 42201-0562651-5	Syed Zain-ul-abedeen	1,925	1,587	-	3,512	-	1,479	-	1,479

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.

ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
11	Neelam Corporation	19/26, Model Colony, Karachi	Rana Munir Ahmed Khan 42201-0650698-5	Haji Ali Mohammad Khan	22,184	13,326	-	35,510	-	8,073	-	8,073
12	T.M Fashion	B-1,nadir Shah Appartements,block-g Hyderi, North Nazimabad Karachi	Tariq Mehmood 42101-1922467-7	Mohammad Khan	2,300	1,842	-	4,142	-	1,906	-	1,906
13	Muhammad Iqbal Lodhi	Shop 9-10 Pa K Handicraft Market Abdullah Haroon Road Sadder Karachi	42201-7737982-9	Khair-ul-din Khan Lodhi	29,927	16,010	-	45,937	-	16,780	-	16,780
14	Aqua-tech Infra Structure	11 & 12, Shaheen Towers, 23-a, Block-6 P.e.c.h.s. Shahrah-e-fiasal,karachi	Khurram Irshad 42201-9248456-5	Raees Mohammad Irshad	16,495	5,898	-	22,393	-	708	-	708
15	Shifang Chinese Resturant	Buland Markaz, Blue Area, Jinnah Avenue, Islamabad	Muqem Ahmed Khan 61101-6848667-1	Bashir Ahmed Khan	15,000	2,809	-	17,809	-	4,220	-	4,220
16	Fortress Manufacturing & Technology	17-km, Gt Road, Bagh Wali Pulli, Bata Pur, Lahore.	Muhammad Javed Khan 35202-7896910-5 Glyn John Bryson Passport # 740045620 Muhammad Abdul Sami 35202-3020993-7 Abdul Quadir Khan 35202-2961992-3	Muhammad Zahir Khan John Bryson Hafiz Sheikh Muhammad Rafiq Muhammad Zahir Khan	99,108	2,326	-	101,434	-	2,008	-	2,008

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.

ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
17	Mian Textile Industries Ltd.	29-B /7, Model Town, Lahore.	Mian Muhammad Jehangir 35202-8650281-1 Mian Khurshid Ahmad 35202-5249783-5 Mian Muhammad Nawaz 35202-2987001-1 Mian Waqar Ahmad 35202-3351966-9 Mian Khurram Jehangir 35202-2887796-1 Mrs. Nargis Jehangir 35202-3186675-6 Mr. Muhammad Arshad - NIT Nominee	Ch. Din Muhammad  Ch. Din Muhammad  Ch. Din Muhammad  Ch. Din Muhammad  Mian Muhammad Jehangir Mian Muhammad Jehangir	18,046	14,217	-	32,263	4,185	15,265	-	19,450
18	Raw International	71-a New Muslim Town Lahore	Amjad Waheed 90406-0174013-7	Muhammad Saddique	2,415	4,001	-	6,416	-	4,379	-	4,379
19	Faiza Faiz Khan	H.no. 16, Askari Villas Shami Road, Lahore	35201-9982929-6	Mr. Faiz Rahim Khan	39,957	15,581	-	55,538	18,457	15,581	-	34,038
20	Chaudhry Cycle Parts Industries	Mehar Pura, Bara Dar I Road, Shahdara, Lahore	Muhammad Mansha 35202-2145635-9	M. Anwar	2,000	1,847	-	3,847	-	1,747	-	1,747
21	M/s New National Traders	H # 90, Block-t, D.H.A., Lahore	Muhammad Akmal 35200-9790959-9	Muhammad Akbar	6,980	3,415	-	10,395	-	4,353	-	4,353

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.

ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
-----Rupees '000-----												
22	Arden Engineering & Automation (pvt)ltd.	30-km, Multan Road, Lahore	Nauman Siddiqui 35201-1377657-1 Sajid Aziz 35201-1321670-7	Mashkooor Siddiqui  Aziz Ur Rehman Khan	9,996	2,573	-	12,569	-	2,142	-	2,142
23	Home Page Enterprises	Mohallah Nasir Road, Near Comet Sports , Sialkot	Ch. Nasir Ashraf 34603-217155-5	Ch. Muhammad Ashraf	611	576	-	1,187	-	626	-	626
24	Khalid Gulrez Mir	Badian Road, Thithar Tehsil Lahore Cantt, District Lahore	35201-1490896-3	Noor Muhammad Mir	9,992	4,065	-	14,057	-	3,457	-	3,457
25	S.B.N Abrasives (pvt) Ltd.	Mohallah Nabi Bukh Colony, G.t Road, Gujrat	Shiekh Bashrat Nabi 34201-4867796-3 Sheikh Fasiat Nabi 34201-6287858-5	Sheikh Wazir Nabi  Sheikh Bashrat Nabi	17,968	3,083	-	21,051	-	1,415	-	1,415
26	Sadaat Enterprises	Head Office; 3rd Floor, Hotel Holiday Crown Palace, 232-iftikhar Janjua Road, Rawalpindi Cantt	Tahmal Abbas Hamdani 37405-0521349-1	Shoukat Abbas Hamdani	14,420	6,573	-	20,993	-	4,793	-	4,793
27	Aamir Fayyaz Sheikh	82-Arif Jan Road, Cantt Lahore	35201-8176773-1	Muhammad Fayyaz Sheikh	15,450	14,839	-	30,289	-	16,086	-	16,086
28	Ali Fayyaz Sheikh	82-Arif Jan Road, Cantt Lahore	35201-2652212-9	Muhammad Fayyaz Sheikh	15,450	14,839	-	30,289	-	16,086	-	16,086
29	Asad F. Sheikh	82-Arif Jan Road, Cantt Lahore	35201-5994314-7	Muhammad Fayyaz Sheikh	15,450	14,839	-	30,289	-	16,086	-	16,086
30	Sohail Sarfaraz	House # 26, Block L, Gulberg II, Lahore	35201-2518098-3	Sarfaraz Ahmad	6,661	97	-	6,758	-	942	-	942

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
31	M.Ramzan/uzma Ramzan	House No. 3, Al-hamd Park, Allama Iqbal Town, Lahore	Muhammad Ramzan 35202-0278401-7 Uzma Ramzan 35202-4587583-4	Noor Ahmed Muhammad Ramzan	1,364	777	-	2,141	-	970	-	970
32	Textile Mart Inc	21 Commercial Zone Karim Block Allama Iqbal Town Lahore	Amir Masud 35201-6619454-7	Jamil Hassan	3,499	2,759	-	6,258	-	2,064	-	2,064
33	Al Hadid Mechanical Eng.	Azmat Wasti Road, Multan	Muhammad Zafar Iqbal 36302-8464536-3	Ghulam Nabi	5,996	1,518	-	7,514	-	890	-	890
34	Sardar Iftikhar Ahmed Khan	House 14-f, Askari-i, Chaklala Scheme -iii, Rawalpindi	37405-3090138-5	Sardar Muhammad Safdar	6,000	6,143	-	12,143	-	4,153	-	4,153
35	U2	231- Y Block, Dha Lahore	Umar Jahanzaib 35201-4281931-1	Jahanzaib	25,000	15,994	-	40,994	-	18,562	-	18,562
36	Paramount Trading	217- Raza Block Allama Iqbal Town Lahore	Malik Kaiser Nawaz 35202-2611609-7	Malik Muhammad Nawaz Awan	765	501	-	1,266	-	529	-	529
37	Chaudhry Nisar & Co.	Nai Abadi Sarkar Wali, Ferozewala, Gujranwala	Nisar Iqbal 34101-2558389-5	Muhammad Iqbal	2,532	2,884	-	5,416	-	2,908	-	2,908
38	Aziz & Company	Rasul Nagar Road, Adda Gunnianwala, Wazirabad District Gujranwala	Azizi Ahmed Cheema 34104-1821064-3	Ghulam Ahmed Cheema	10,000	5,885	-	15,885	-	7,057	-	7,057
39	Kashif Traders	H.no 17, Model Cooperative Housing Society Okara.	Munir Ahmed 35302-1872581-7	Muhammad Yaqoob	3,500	1,147	-	4,647	-	1,719	-	1,719

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
40	Acro Textile Mills Ltd	54- Bridge Colony Lahore Cantt	Sheikh Rehman Anwar 31303-8433565-1 Sheikh Muhammad Anwar 31303-2386968-1 Naseem Mahmood 31304-6440696-1 Zafar Ali Zafar 31301-4437666-7	Sheikh Muhammad Anwar Sheikh Muhammad Aslam Mr. Abdul Qadir Ch. Barkat Ali	186,126	11,185	-	197,311	-	3,555	-	3,555
41	Iman Chemicals	P-277, Zeeshan Road, Khayaban Colony # 02 Faisalabad.	Muhammad Awais 33100-8174477-3	Muhammad Younas	7,993	5,126	-	13,119	-	4,866	-	4,866
42	Maher Brothers	Maher Brothers ,Nishat Park, Sialkot	Muhammad Taseer 34603-7061739-1	Muhammad Rafique (late)	2,000	801	-	2,801	-	910	-	910
43	F.D. Spall & Co	Kareem,pura St, Sialkot	Nadeem Iqbal 34603 -2309477 -9 Raana Nadeem 34603-2219856-6	Muhammad Iqbal W/o Nadeem Iqbal	638	500	-	1,138	-	565	-	565
44	Muhammad Riaz	H.no 39, Block G, Gulberg III, Lahore	35202-2322725-3	Nawab Din	7,410	4,811	-	12,221	-	4,723	-	4,723

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
45	Noor Pak Industries	Capital Road Sialkot	Ch. Rizwan Ahmed 34603-9618638-9 Faisal Cheema 34603-6575423-7 Mubashir Cheema 34603-1790247-7 Imran Mehmood Cheema 34603-9644735-7 Khalid Mehmood Cheema 34603-3554432-9 Irfan Mehmood Cheema 34603-5108868-5	Ch Noor Hussain Cheema Ch. Noor Hussain Ch. Noor Hussain Chaudhry Noor Hussain Ch Noor Hussain Cheema Ch. Noor Hussain	11,500	2,319	-	13,819	-	1,020	-	1,020
46	Pipex Industries (pvt) Ltd.	G.T. Road Gujrat	Nida Nawaz 34201-0346122-8 Sajida Akhter 35302-0345981-8	Muhammad Khalid Azeem Muhammad Akhtar	7,833	1,877	-	9,710	-	1,643	-	1,643
47	Abid Siddique	43 A 1 Valen Cia Society Lahore	35202-0803204-1	Hassam-ud-din Siddique	9,983	6,126	-	16,109	-	6,357	-	6,357
48	Muhammad Naeem	House # 18, Street # 19, X-block Peoples Colony Gujranwala	34101-2672710-5	Abdul Latif	2,500	475	-	2,975	-	543	-	543

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
49	Usman & Sons	Kohistan Bus Service, general Bus Stand, Faisalabad	Usman Khan 33100-8967257-3	Muhammad Khan	6,567	2,240	-	8,807	-	1,945	-	1,945
50	Bokhari Maternity Hospital	House # 71, Sultan Colony, College Road, Sargodha	Ali Akber 38403-7757220-9	Muneer Ahmed	3,908	2,026	-	5,934	-	2,153	-	2,153
51	Azeem Homeopathic Store	Shop # 411-c, Bohar Bazar, Rawalpindi	Adil Ali 37405-2508059-3	Munif Ullah	1,487	668	-	2,155	-	717	-	717
52	Zahid Tanveer Bottlers Store	House# 119 S Block 21 New Multan	Zahid Tanveer 36303-3990020-5	Naseer Ud Din	3,108	963	-	4,071	-	571	-	571
53	Khawaja Muhammad Sufyan Farooq	House # 1/248, Mistran Qutb-ud-din, Rawalpindi	37405-9582782-3	Khawaja Muhammad Farooq	1,979	606	-	2,585	-	539	-	539
54	Sakina Textiles	67-b, Gulistan Colony# 02, Near Ayesha Park, faisalabad	Tariq Nadeem 33100-3692680-1	Faiz Muhammad	3,893	900	-	4,793	-	916	-	916
55	Muhammad Arif	House # 679-block-g-4, M-A Johar Town Lahore	35202-2389687-3	Saeed Ahmed	579	543	-	1,122	-	549	-	549
56	Rehan Fasi Uddin / Shakeel Ahmad	House No:136-a-i Shadman-ii Lahore	35202-2364590-9	Fasihuddin	16,423	10,706	-	27,129	-	13,421	-	13,421
57	Abdul Samad	503 Babe Usmani Building Sharfabad Bahadurabad, Karachi	42201-0371566-3	M. Siddique	19,490	10,257	-	29,747	-	11,155	-	11,155

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total
					Principal	Interest / Markup	Others	Total (6+7+8)				(10+11+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
58	Syed Ahmed Obaid	1st Floor 50 Q Near Model School P.e.c.h.s. Karachi	42201-4509479-1	Mir Makhdoom Ali	18,282	9,742	-	28,024	-	10,267	-	10,267
59	Muhammad Khursheed	Allama Iqbal Colonyh # C-18 Lahore	33100-1011969-1	Muhammad Sharif	2,431	839	-	3,270	-	8,074	-	8,074
60	Ismail Ebrahim	79-m Attia Court Block 2 Pechs Near Norani Kabab & Society Office Karachi	42201-0557177-9	Ibrahim M Attia	13,697	6,725	-	20,422	-	7,799	-	7,799
61	Zulfiqar Hussain & Waqar Hussain	2nd Street House No 192, 42 Beach View - 3, Phase 6, Dha Lahore	42101-9746544-3	Intizar Hussain	12,875	4,600	-	17,475	-	6,672	-	6,672
62	Bilal Aurangzeb Noor	H# A-9 St # 19 F-8/2 Islamabad	61101-4328314-9	Aurangzeb Noor	19,533	10,195	-	29,728	-	6,433	-	6,433
63	Atif Nazar	H# 250 Street # 55 I-8 3 Islamabad	61101-3948589-7	Ch. Nazar Hussain	29,734	6,250	-	35,984	-	5,876	-	5,876
64	Liaqat Ali	H #f-4 Muslim Block A.i Town Lahore	35202-4986390-7	Ch. Muhammad Ali	7,548	5,242	-	12,790	-	5,777	-	5,777
65	Syed Fahim Ahmed Gillani	C-319 3rd Floor Lakhani Pride Gulistan-e-johar Karachi	42201-3234682-3	Syed Aziz Ahmed Gill	9,781	4,906	-	14,687	281	5,030	-	5,311
66	Faizan Azam	H. No. Pd-1433 Gulshan Irfan Satellite Town Rawalpindi	37405-0663719-9	Muhammad Azam	12,395	4,455	-	16,850	-	4,764	-	4,764
67	Saqib Hayat Khan	H # 16; St # 4; Safari Villas; Behria Town Islamabad	61101-1974815-1	Nawazish Ali Khan	4,246	1,070	-	5,316	3,666	1,070	-	4,736
68	Akeel Mukhtar	79-c;lahore	91108-0100778-1	Mukhtar Ahmed	8,439	4,717	-	13,156	-	4,500	-	4,500

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total
					Principal	Interest / Markup	Others	Total (6+7+8)				(10+11+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
69	Shaikh Fazal E Bari	Opp: Old Sabzi Mandih. No.4-d,near Nauman Masjid,lahore	42201-2183900-9	Sheikh Mohammad Shaf	9,781	5,159	-	14,940	-	4,479	-	4,479
70	Shaikh Muhammad Tariq Kamal	Phase-ii 116-1, Block-u Dha Lahore	35201-4360574-5	Sheikh Fazal-ur-rehm	6,526	3,354	-	9,880	-	3,676	-	3,676
71	Muhammad Azad	Office No 1 Ist Floor Gulshan Plaza6th Road Murree Road Rawalpindi	37405-0528524-1	Abdul Aziz	1,257	2,047	-	3,304	1,257	2,202	-	3,459
72	Muhammad Azad	Office No 1 Ist Floor Gulshan Plaza6th Road Murree Road Rawalpindi	37405-0528524-1	Abdul Aziz	1,386	1,898	-	3,284	1,386	2,063	-	3,449
73	Farhan Qamar	H#2-g-6 5 Nazimabad#2 Near Inquiry Office Karachi	42101-9306836-1	Qamar Jameel Siddique	5,216	3,219	-	8,435	-	3,434	-	3,434
74	Amir Nafees	32/a Pakistani Chowk Ichra Lahore	35202-2588364-5	Muhammad Siddique	3,947	2,438	-	6,385	-	3,056	-	3,056
75	Irfan Haider	House # 59/a Mohsin Loudgekacha Ferozp Ur Road Lahore	35202-2966590-3	Ghulam Husain	1,063	1,839	-	2,902	1,063	1,978	-	3,041
76	Hammad Sadiq	Golf Cour Road No.3 Phase-iv, Dha Lahore	42301-0243970-1	Zia Sadiq	9,616	1,926	-	11,542	-	2,926	-	2,926
77	Syed Muhammad Raza	Flat# 45-b Block 2 Society Pechs Karachi	42201-6515112-9	Syed Mukhtar Hussian	3,340	2,385	-	5,725	-	2,906	-	2,906
78	Ghulam Abbas	House # 316, St # 16,g-10/2 Islamabad	61101-5662285-3	Mehboob Elahi	2,569	222	-	2,791	2,569	222	-	2,791

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total
					Principal	Interest / Markup	Others	Total (6+7+8)				(10+11+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
79	Naseer Ul Mehdi	House # 51 - Hnarsary Lane Lawrence RoadLahore.	35202-6015953-7	Muhammad Aftab Haider	5,834	2,117	-	7,951	-	2,765	-	2,765
80	Rehan Hanif	H # 144-b, St # 07 F-11/1 Islamabad	42315-9804257-7	Muhammad Hanif	3,826	460	-	4,286	2,251	460	-	2,711
81	Muhammad Ahsan Ali Abbas	Mohallah Mamu Kanjan More Harpa Road Kamalia Distric Taba Tek Sing.	37406-2008503-5	Ghulam Abbas	827	1,736	-	2,563	827	1,837	-	2,664
82	Qamar Ul Huda Nasir	Flat No:4 Ichra Bazar Bano Market Lahore	35202-7157539-9	Hassan Ahmed	3,442	2,075	-	5,517	-	2,597	-	2,597
83	Malik Naeem Akhtar	Malik House;village Java;near Old Yamaha Factory;kahuta Rd; Model Town Humak Islamabad	61101-3577482-9	Malik Hassan Akhter	2,280	317	-	2,597	2,280	317	-	2,597
84	Mohammad Hanif Haidery	Moh Islam Nagar Gpo Saboawal Road Gujrat	34201-8228698-3	Abdul Aziz	2,474	670	-	3,144	1,904	670	-	2,574
85	Shahnawaz	F No 39 Hanging Garden Block-5 Clifton Karachi	42301-8672224-7	Meeran Bakhsh	3,672	2,000	-	5,672	-	2,557	-	2,557
86	Muhammad Farooq Aslam	103- Askari Housing Complex Zarar Shaheed Road Lahore Cantt.	35201-0776917-3	Muhammad Aslam	4,547	2,371	-	6,918	-	2,486	-	2,486
87	M/s Bashir Sons	P-68 Pakki Mari Behind General Bus Stand Faisalabad	33100-0642593-7	Ch Muhammad Bashir	5,450	2,248	-	7,698	-	2,349	-	2,349

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total
					Principal	Interest / Markup	Others	Total (6+7+8)				(10+11+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
88	M/s Bashir Sons	P-68 Pakki Mari Behind General Bus Stand Faisalabad	33100-0642593-7	Ch Muhammad Bashir	6,929	3,619	-	10,548	2,242	3,619	-	5,861
89	M Tariq Hameed	H No 177 Block H1 Wapda Town Lahore	249-62-500788	M.A Hameed	2,323	239	-	2,562	1,833	239	-	2,072
90	Muhammad Azad	Office No 1 Ist Floor Gulshan Plaza 6th Road Murree Road Islamabad	37405-0528524-1	Abdul Aziz	1,311	723	-	2,034	1,311	723	-	2,034
91	Faiiaz Ahmed Shah	H # C-4, Block # 17(pha Block), G-11/4 Islamabad	82101-3935087-7	M Anwar Shah	2,521	524	-	3,045	1,506	525	-	2,031
92	Zeeshan Majeed	House#28, Mughal Street#02 Dhok Abdullah, Jhelum	37301-9014081-5	Majeed Ahmed	1,716	242	-	1,958	1,716	286	-	2,002
93	Moin-ud-din Sheikh	M/1748 Kuri Road Chowk Ammarpura Islamabad	35202-0462300-1	Ghiragh Ud Din	1,429	546	-	1,975	1,429	546	-	1,975
94	Abdul Salam Qureshi	House No S-295 Korangi#1 Karachi	42201-2868002-7	Mohammad Sabir Qureshi	4,427	1,261	-	5,688	-	1,894	-	1,894
95	Zahid Shaikh	Unit # 02 House # B-60 Latifabad Lahore	41304-0660185-9	Naeemuddin	4,674	1,541	-	6,215	-	1,863	-	1,863
96	Mohammad Shakeel Wahid	H# 59 St# 06 G-8/2 Islamabad	61101-9309543-1	M A Wahid	2,786	1,205	-	3,991	-	1,630	-	1,630
97	Muhammad Yasin Qamar	Chak # 97 Rb Post Office Johal Teh Jarawala Distt Faisalabad	33104-2251672-5	Muhammad Saddique	1,251	476	-	1,727	997	524	-	1,521
98	Umeed Khan	Banglow 21, Block-3, Satellite Town Quetta	54202-6462669-5	Rondhi	1,073	421	-	1,494	1,073	443	-	1,516

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
99	Saud Khalid Choudhary	C-33 Block-I North Nazimabad Karachi	42101-8477448-7	Muhammad Khalid	999	466	-	1,465	999	476	-	1,475
100	Syed Faiz Ul Hassan	21-b Askari Housing Complex Walton Air Port Near Kalma Chowk Gulberg 3, Lahore	36502-1340369-1	Syed Ashfaq Ul Hassan	4,257	1,226	-	5,483	-	1,460	-	1,460
101	Muhammad Rizwan	H#33-ab, St#02-b, Mohallah Naseerabad Kohinoor Mills Rawalpindi	37405-2971027-7	Ghulam Sarwar	1,269	366	-	1,635	1,015	444	-	1,459
102	Arif Altaf	H#64-g-4 Johar Town Lahore	35202-2608663-9	Mian Altaf Elahi	1,455	1,101	-	2,556	-	1,455	-	1,455
103	Wasim Anwar Bhinder	Pia Building 2nd Floor Fazal-e-haq Road Blue Area Islamabad	35200-3919056-5	Chaudhry Muhammad An	1,252	461	-	1,713	992	461	-	1,453
104	Faisal Shahzad	Mohalla Tarnol Faisal Construction Company Benazir Chowk Fateh Jang Rd Tarnol Islamabad	61101-5778510-1	Muhammad Sher	1,250	390	-	1,640	996	447	-	1,443
105	Rana Muhammad Saleem	170-giii Johar Town. Lahore	35202-2668944-7	Rana Riaz Ahmed	2,945	1,110	-	4,055	-	1,426	-	1,426
106	Syeda Tahreen Fatima	House# 1908, St.# 27 I-10/2 Islamabad	36302-8723790-3	M. Liaqat Munir	2,941	1,307	-	4,248	-	1,382	-	1,382
107	Usman Jameel	Sacheem #2,h#96,st#7,block B, Sargodha	33100-7184165-1	Mohammad Jameel	1,269	367	-	1,636	952	421	-	1,373

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
108	Zahid Mehmood Ghuman	Mohallah Sector Markaz, Umer Plaza I-10 Islamabad	61101-1778569-9	Ch Muhammad Maiik Ghuman	1,293	453	-	1,746	1,071	299	-	1,370
109	Malik M Asghar / Samina Asghar	House No:46 Lane-14 Askari Flats Gulberg-iii Lahore	35202-2821084-3	Malik Nazir Hussain	3,698	768	-	4,466	-	1,348	-	1,348
110	Atif Ashraf	H.no. 208; St. No. 60 Gulshan Abadsector 2 Adiala Road Islamabad	31202-0338314-9	Muhammad Ashraf	1,605	253	-	1,858	1,055	253	-	1,308
111	Dr Ejaz Ahmed	House# 3-a M Ain Bazar Gunj Mughal Pura Lahore	35201-1727216-1	Aziz Din	2,590	1,013	-	3,603	-	1,269	-	1,269
112	Sanaullah Jan	H.no. 7-21/72 Nichari Road Quetta.	54400-2848033-3	Mussa Jan	927	340	-	1,267	927	340	-	1,267
113	Adil Shuja Kiyani	House#sa-382, St#04, Sadiq Abad Service Road Rawalpindi	37405-8916663-3	Ghulam Shabbir	1,169	268	-	1,437	915	343	-	1,258
114	Abdul Qayyum	Malik Manzil Airport Road Chasma Achozai Near Wapda Thermal Power Quetta	54400-1562543-7	Syed Malik	1,088	342	-	1,430	904	345	-	1,249
115	Mohammad Yousaf	A412 Al Habib Pride Near British Library Clifton Karachi	42201-0395770-9	Abdul Razaq	4,196	1,127	-	5,323	-	1,235	-	1,235

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.

## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
116	Athar Mehmood Arshad	Al-manzil Co,shop#08 Shaheed Milat Market Sheikhpura Road Milat Chowk Faisalabad	33100-2177715-7	Haji Mohammad Shafi	1,143	251	-	1,394	890	321	-	1,211
117	Riaz	P-321, Kachi Abadi, Dogar Basti People Colony, Faisalabd	33100-0627147-3	Farzand Ali	995	387	-	1,382	796	390	-	1,186
118	Iftikhar Ahmed	Ari Road Hasilpur Multan	31203-2599102-3	Muhammad Iqbal	1,952	68	-	2,020	1,092	68	-	1,160
119	Akif Ur Rehman	407-a Phase 5 Dha Lahore	35200-6543289-7	Muhammad Sardar	6,247	267	-	6,514	-	1,131	-	1,131
120	Shams Ul Hassan	H# 19c Jinnah Town Green Belt Quetta	54400-3914312-9	Zaffar Hussain	1,182	148	-	1,330	936	148	-	1,084
121	Zaka Akram Bhatti	H # 27-g Mohalla Zafar Akbar Road Lalazar Islamabad	37405-6179196-9	Muhammad Akram Bhatti	1,117	192	-	1,309	877	192	-	1,069
122	Miraj Uddin	Mohalla Miangaan, Shabqadar Charsadda	17101-0940888-9	Ghaffran Uddin	903	302	-	1,205	758	302	-	1,060
123	Asim Pervaiz	H # 65 St # 02 Usman Street Musrat Colony Gulshan Park Lahore	35202-0383923-9	Pervaiz Iqbal	894	261	-	1,155	746	298	-	1,044
124	Syed Shariq Hassan	House No.89/1 Street No. 24 Khayaban-e-sehar Phase-6 Dha Karachi	42301-3281333-9	Syed Hassan Ali	776	222	-	998	776	222	-	998
125	Zafar Iqbal	H.no. 170 G-11/2 Islamabad	34402-4120348-1	Ch. Sher Muhammad	805	192	-	997	805	192	-	997

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
126	Abdul Khaliq	H# 128/51 Haji Abad Manzil Suraj Gang Bazar, Quetta	54400-0878163-1	Haji Mohammad Nasser	832	268	-	1,100	700	271	-	971
127	Ehtesham	B-31block11 F.B.Area Gulburg Police Station Karachi	42101-9174210-1	Zia-ur-rehman	871	69	-	940	871	69	-	940
128	Muhammad Adrees	Millat Road, H#p-15 St#05 Mohallah Usman Town Faisalabad	33100-4245137-5	Bashir Ahmad	748	160	-	908	748	169	-	917
129	Al-qadir Trading Co	Sheikh Farooq Street House#2 Nusrat Road Multan	32203-1582372-3	Manzoor Hussain Sumr	886	230	-	1,116	686	230	-	916
130	Muhammad Jehangir	Takht Pari Rawat Islamabad	37405-4665751-7	Chaudhary Fazal	761	143	-	904	761	143	-	904
131	Muhammad Amir	H No 641 Block 2-d-1 Town Ship Lahore	35202-2326839-3	Muhammad Javeed	1,823	772	-	2,595	-	902	-	902
132	Naveed Mustaq	H. No. Z-b; 320/1; St No. 1; Fauji Colony Islamabad	37405-4021771-1	Muhammad Mushrtaq	800	251	-	1,051	640	261	-	901
133	Muhammad Saleem Arshad	5-kassi Dist Khanewal Kabirwala Multan	36102-3386038-5	Rasheed Ahmed	727	116	-	843	727	167	-	894
134	Afshan Anjum	58 Main Bazar Road G 6-4 Islamabad	61101-5246866-6	Rao Abdul Haleem Kha	766	130	-	896	766	130	-	896
135	Zaheer Ahmed	H# B-113 Gulshan E Hali Hali Road Hyderabad	41303-7090493-1	Hayat Ahmed	765	70	-	835	743	120	-	863

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
136	Mushtaq Ahmed	Gamzanprises Carriagecon Tractor Pafi Iskandarabad Mian Wali,03 Sargodha	36104-7941922-5	Ashiq Hussain	752	114	-	866	739	122	-	861
137	Muhammad Babar Ikram	P-592/a St No 4 Mohamadabad Faisalabad	33100-5269843-1	Ch. Muhammad Ikram	1,252	107	-	1,359	733	107	-	840
138	Farooq Hassan Quresh	F-135/1 Street 22officer Colony Wah Cantt.	36303-0169393-7	Muhammad Qureshi	664	166	-	830	664	166	-	830
139	Shad Khan	H # 922/b St # 6altamash Road Dheri Hasanabad Rawalpindi	37405-0374979-1	Khan Zadah	11,518	173	-	11,691	-	829	-	829
140	Niaz Mohammad Minhas	Zafar-ul-haq House No. L-98 Zafar-ul-haq Road Rawalpindi	37405-7126296-3	Feroz Din	607	204	-	811	607	214	-	821
141	Salahuddin Nasir	H-207 Garden Block New Garden Town Lahore	35202-1655484-3	Mian Abdul Haq	3,791	757	-	4,548	-	813	-	813
142	Usman Habib	Chak# 65 P, Sahja Rahim Yar Khan	31301-7402938-1	Habib Ur Rehman	699	214	-	913	580	214	-	794
143	Punjad Transport	Plot 60-a Near Crown Cenemamaripur Rd Truck Stand Karachi	Riaz Ahmed 42401-1683982-9	Malik Din Muhammad	1,471	51	-	1,522	731	51	-	782
144	Shahzada Saleem	House#p-143-b,fatima Street,lasani Town,faisalabad	33100-8246087-3	Haji Gulzar Ahmed	1,973	1,105	-	3,078	-	779	-	779

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
145	Syed Waseem UI Hassa	Street # C9 Plot Sb 16/13c Zahid Appt Near Abn Amro Bank Gulshan E Iqbal Karachi	42101-6704771-7	Syed Faiz UI Hasan	467	277	-	744	467	277	-	744
146	Al-khalil Enterprises	G-13 Auqaf Plaza Dabgari Garden Peshawar	Safeer Jan 137-63-148438	Ghulam Jan	1,510	7	-	1,517	710	7	-	717
147	Muhammad Saleem	Street No.8 House No.1,bagh Munshi Ladha Ravi Road Lahore	35202-4057862-9	Abdul Ghani	1,722	630	-	2,352	-	690	-	690
148	Tariq Mehmood Qazi	B-603 Oyster View Residence,6th Floor, Tower-II, Block-II, Clifton, Lahore	42301-0800774-3	Rahim Ali	1,649	526	-	2,175	-	684	-	684
149	Mohammad Ismail	House # D-348 Navil Housing Scheme Zamzama Karachi	42301-3186357-9	Mohammad Farooq Dosa	602	48	-	650	602	76	-	678
150	Malik Shahzad Ahmed	House# 35-b St# 25 F-8/2 Islamabad	61101-1077085-1	Malik Ahmed Khan	4,692	138	-	4,830	-	674	-	674
151	Irfan Arif	House No:587-g Gulshan-e-ravi Lahore	35202-1937544-5	Muhammad Arif	2,880	206	-	3,086	-	670	-	670
152	Capri Textile	12-D Stadium Lane#1 Off Khayaban-e-shamsher Phase 5 Dha Karachi	12730-0181443-0	Irshad Ahmed	552	117	-	669	552	117	-	669
153	Javed Hameed	H # 404-b Peoples Colony # 1 Faisalabad	33100-0952797-7	Abdul Hameed	496	-	-	496	498	109	29	636

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total
					Principal	Interest / Markup	Others	Total (6+7+8)				(10+11+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
154	Tahir Hussain	F#12,3 Flr,aaly Plaza ,blue Area Islamabad	35202-5744406-7	Syed Zaman Shah	697	108	-	805	528	108	-	636
155	Ahmad Nadeem Asif	121 Allama Iqbal Road Near Dharam Pura Under Pass Lahore	35202-2252492-5	Naseer Ahmad Asif	373	55	109	537	373	102	156	631
156	Mian Asad Hameed	House # 59/a Chowk Madina Haq Nawaz Rd Baghbanpura Lahore	35201-1531866-3	Mian Abdul Hameed	419	13	72	504	419	83	125	627
157	Bashiraan Bibi	Chak#93-6/r P.o Khas Teh & Distt Sahiwal	36502-6873846-8	Faqair Muhammad	1,103	57	-	1,160	534	91	-	625
158	Abdul Qayyum	Malik Manzil Airport Road Chasma Achozai Near Wapda Thermal Power Quetta	54400-1562543-7	Syed Malik	628	123	-	751	497	128	-	625
159	Abdul Khaliq	Block # 1, House # 6, St # 1 Khanewal Multan	36103-3701458-7	Sabir Hussain	989	54	-	1,043	544	80	-	624
160	Kamran Ali	H #38/2 11th Commercial Street Phase-iv Dha Karachi	42301-9976032-7	Zafar Ali	486	99	29	614	486	108	29	623
161	Muhammad Atiq Shamsi	A-3 Rizwan Banglows St-1 Gulshan Farooq Sector 7d2 Nort Karachi Karachi	42101-9591169-5	M. Sharif Shamsi	478	30	4	512	478	109	30	617
162	Mateen Hussan Rathoar	H 72 A St # 16 Cavalary Ground Lahore	35201-9376514-1	M Z H Rathoar	360	13	74	447	403	108	106	617

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## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total
					Principal	Interest / Markup	Others	Total (6+7+8)				(10+11+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
163	Masood	L-206-b, Street No.1, Millat Colony mukah Sigh State,near Comette Choke Islamabad	61101-1869728-7	Mohammad Sadiq Awan	669	117	-	786	499	117	-	616
164	Atif Maqbool	H # 263 L Model Town Extension Lahore	35202-8390381-3	Sh Maqbool Ahmad	492	26	13	531	492	91	30	613
165	Kamran Parekh	H # D-39 Kda Scheem No 5 Block 7 Clifton Karachi	42301-7099809-3	Mehmood Parekh	439	42	19	500	439	108	63	610
166	Muhammad Sultan	P-777/34 St 317, Bazar #3, Near Gulzar-e- Madina Masjid Razabad Faisalabad	33100-9181672-5	Muhammad Saeed	447	52	47	546	431	95	83	609
167	Muhd Abdul Saboor	H# 753 Main Nelum Road Near Kazafi Chowk G-9/3 Islamabad	61101-5030265-7	Sarwar Hussain	484	99	16	599	484	107	16	607
168	Muhammad Munir	H # 7 St # 12 Yaqoob Street Fathe Sher New Mazang Lahore	35202-2590129-5	Haji Allah Ditta	416	115	76	607	416	115	76	607
169	Syed Kashif Imran	H # 58 Mohalla Ghulam Muhammadabad Block A Faisalabad	33100-0993349-3	Syed Dilbar Hussain	433	43	77	553	427	86	94	607
170	Syed Asim Ali Shah	H. No. 5; Street No. 1; Gulshan-e Khudadad E/11 Islamabad	61101-7222644-9	Syed Mazhar Hussain Shah	515	151	-	666	455	151	-	606
171	Syed Hamid Raza Shah	H #1246 St # 58 G-11/2 Islamabad	35201-4254228-5	Syed Baqir Hussain Shah	438	30	37	505	423	84	96	603

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ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
172	Ahmed Nawaz Khan	P-746 Mohallah Banni Islamabad	37405-8363933-3	Shah Nawaz Khan	459	145	-	604	459	145	-	604
173	Star Asia (pvt)	8th Floor Iqbal Plazaegerton Road Lahore	Muhammad Iqbal Sidhu 35202-2939850-9	Allah Rakha Ch	432	291	-	723	294	309	-	603
174	Farhan Aijaz	E 51 Block 7 Gulshan Iqbal Karachi	42201-0420351-9	Ijaz Uddin Qurashi	483	51	21	555	483	85	34	602
175	Muhammad Ahsan Ali A	Mohallah Mamu Kanjan More Harpa Road Kamalia Distric Taba Tek Sing.	37406-2008503-5	Ghulam Abbas	411	191	-	602	411	191	-	602
176	Mansoor Ali Memon	Flat No C 202 2nd Flr Lakhani Pride 2 Gulistan E Johar Blk 13 Karachi	41308-1113734-3	Abdul Kareem Memon	-	-	-	-	493	29	80	602
177	Tabussam Javaid Puri	H # 10 Street # 67 G-6/4 Islamabad	61101-1801404-1	M Bashir Puri	482	95	16	593	482	104	16	602
178	Ehtisham Ayub	H# J-184 St# 20 Uper Portion Ariya Mohallah Rawalpindi	37405-8879497-7	Muhammad Ayub	-	-	-	-	485	107	9	601
179	Amjad Ali Shaida	305 Pak Block Allama Iqbal Town Lahore	35202-2733379-5	M. Abdul Rasheed	389	13	8	410	452	101	46	599
180	Atif Shaukat Iqbal	114/5 Zafar Rd Cant Lahore	35201-0402448-3	Shaukat Muhammad Iqbal	474	56	11	541	468	104	22	594
181	Zaki Ud Din Ahmad	H #8/a-1 St #8 Hafiz St Zia Town East Canal Rd Near Kashmir Pull Faisalabad	33100-7022646-5	Chudhary Ahmad Iqbal	475	68	14	557	475	104	14	593

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ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
182	Sain Rakhio	Flat No. 21 F, Railway Flats, Ziauddin Ahmed Road Karachi	45504-6170837-1	Muhammad Alam Mirani	411	171	-	582	411	180	-	591
183	Hassan Mehmood	Flat No.sf-1 Blk 1-a Sea View Appatments Dha Phase-5 Near Mcdonald Karachi	42201-0590564-1	Khalid Mehmood	332	8	-	340	482	93	15	590
184	Muhammad Mahfooz Ul	Office# 4-a Mezzanine Floor Al-rehman Chamber Blue Area Islamabad	61101-9668594-1	Qurat Ul Aein	448	136	-	584	448	136	-	584
185	Muhammad Yousaf	Hose No 1215 Street No 8 Sector I 10/2 Islamabad	31303-0787553-5	Abdul Khaliq	449	86	25	560	449	102	29	580
186	Sheikh Muhammad Soha	House No. 15; Street No. 3 New Harley Street; Mouza Tench Islamabad	37405-4922486-3	Sh M Younas	546	93	-	639	496	82	-	578
187	Asad Bashir Lodhi	H# Ne -1957 St# 34 Mohalla: Chah Sultan Rawalpindi	61101-3399592-5	Bashir Ahmed Lodhi	464	14	1	479	452	99	25	576
188	Adnan Riaz	14/a Overseas Society Off Ameer Khusro Road Opposite The Kamal Park Karachi	42201-0770597-1	Riaz Ahmed	439	6	1	446	453	96	25	574
189	Muhammad Jamil	Farooq Town, Street No.01, Iqbal Nagar, Rahim Yar Khan	31301-5644658-5	Abdul Ghafoor	467	93	-	560	467	106	-	573

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ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
190	Ejaz Ahmed	H # 613-b Dhahial Road Harley Street Rawalpindi	37405-3103828-7	Taj Muhammad	362	93	118	573	362	93	118	573
191	Muhammad Fayyaz Abba	H No.111 St 21 Korang Town Islamabad	37405-9574566-5	Raja Muhammad Yaseen	410	161	-	571	410	161	-	571
192	Aamir Younas	Aamir House Lane Dalazak Road Peshawar	17301-3619379-9	Muhammad Younis	676	100	-	776	471	100	-	571
193	Nasir Ahmed Khan	H No 258,eden Cottages, Phase 1 New Iqbal Park Lcchs Cantt Lahore	17301-8755083-3	Munir Ahmed	576	69	-	645	490	78	-	568
194	Abdul Qadir	House No. 1313/biv Street No. 2 Tareen Colony Rahim Yar Khan	31303-0207266-3	Ghulam Sarwar	616	93	-	709	471	96	-	567
195	Ijaz Ahmed	H # 613/b Dhamyial Road Harlay Street Rawalpindi .	37405-3103828-7	Taj Mohammad	437	89	33	559	437	97	33	567
196	Zia Ullah	44,dil Muhammad Road Lahore	35202-2405052-7	Zaka Ullah	389	159	-	548	389	174	-	563
197	Shakeel Anjum	House # Biv / 2 H R / 36 Machine Moh #2 Nr M.a Jinnah College Jhelum	37303-1167043-5	Muhammad Aziz	475	40	27	542	475	55	31	561
198	Shahid Qaiser	House 132-b Askari 10 Lahore Cantt	35201-4127472-9	Nazir Qaiser	435	-	-	435	444	93	25	562
199	Sabir Pervaiz Chohan	540,zarrar Shaheed Colony (askari 9) Zarrar Shaheed Rd,lahore Cantt	61101-1806868-7	M.A. Chohan	475	1	1	477	495	49	13	557
200	Akhtar Hameed	79-f, Street 19-askari Iv, Rashid Minhas Road Lahore	42000-0327345-9	Abdul Hammed Qureshi	1,350	508	-	1,858	-	555	-	555

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ANNEXURE II TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
201	Ehsan Ullah Qureshi	H# 763 St# 25 G-9/1 Islamabad	61101-5055306-7	Aman Ullah Qureshi	421	53	27	501	421	95	39	555
202	Atif Ashraf	H.no. 208; St. No. 60 Gulshan Abad sector 2 Adiala Road Islamabad	31202-0338314-9	Muhammad Ashraf	614	108	-	722	438	108	-	546
203	Umar Shahzad Khan	H# 19;st# 44; F-8/1 Islamabad	17301-8248425-5	Khan Abdul Latif Khan	852	81	-	933	468	84	-	552
204	Mian Muhammad Aslam	Chak Kot Arif Noshera Po Sardar Pur Jhandir Tehsil Mailsi Distt Vehari	36602-1039576-5	Haji Muhammad Arif	647	112	-	759	435	112	-	547
205	Zulfiqar Ali	House # 1 Masjid Wali Gali Makka Colony Jinnah Park Harbans Pura Lahore	35201-1398969-9	Muhammad Arif	411	123	-	534	411	134	-	545
206	Mian Sohail Iqbal	H-3 St#01 Mohalla Baghwala Harbanspura Lahore	35201-1268937-9	Mian Muhammad Nazir Alam	413	12	-	425	433	96	15	544
207	Syed Hassan Jamal Za	120-p Model Town Extention Lahore	35202-6380448-9	Azwar Hussain Zaidi	416	61	13	490	416	102	25	543
208	Atif Maqbool	263-l Model Town Ext Lahore	35202-8390381-3	Sh Maqbool Ahmad	428	13	7	448	428	94	20	542
209	Danial Mahmud	House #49-h Pechs Block 6 Karachi	42201-5214266-5	Shaikh Mehmood Hussain	383	11	18	412	391	77	74	542
210	Arshadullah Khan	Flat #c-205,clifton Garden 2, Clifton Karachi	42301-3365796-3	Mutti Ullah Khan	333	47	80	460	333	89	117	539

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.

## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
211	Ghulam Abbas	Gulshane Usman Colony Chak#70/a P/o Feroza Tehsil Liaqat Pur Rahim Yar Khan	31301-6172044-1	Muhammad Ismail	624	82	-	706	441	94	-	535
212	Muhd Shahid Ghous	H# 3/512 Liaquatabad # 3 Karachi	42101-2797919-3	Muhammad Ghous	423	83	35	541	412	89	33	534
213	Syed Shakir Hussain	Block-19 House # R-73 Armaish Banglows, Gulistan-e-johar Lahore	41304-8918355-7	Jawed Hussain Zaidi	2,663	412	-	3,075	-	524	-	524
214	Najam Ul Hassan	House 318 Blk B Johar Town Lahore	35202-2569243-3	Hassan Akhtar	347	43	64	454	347	100	78	525
215	Fayyaz Ahmad Dar	H # 3015/a St # 04 Roza Park Mansoorabad Faisalabad	33100-2247333-5	Saeed Ahmad Dar	405	42	17	464	394	80	45	519
216	Muhammad Ramazan Kiy	House Moh Sadiq Town Jinnah Park Rahim Yar Khan	31303-4866509-5	Sher Muhammad	543	93	-	636	423	93	-	516
217	Shaukat Hayat	Shiekh Bakhar Basti Ch.m.jahangir Jdw Sadiqbad	31304-3907156-7	M Jahangir	766	62	-	828	454	62	-	516
218	Malik Sheraz Zafar	House# 151 St# 67 Sec# F 10/3 Islamabad	61101-3784179-5	Malik Zafarullah Kha	645	65	-	710	450	65	-	515
219	Abid Ali	Marzi Pura Street # 1 New Sadiq Town Burewala Distt Vehari	36601-1462848-3	Muhammad Khaleeq	511	87	-	598	426	87	-	513
					<b>1,374,198</b>	<b>492,083</b>	<b>1,251</b>	<b>1,867,532</b>	<b>158,421</b>	<b>495,537</b>	<b>2,055</b>	<b>656,013</b>

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.

## ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided*	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees '000												
220	Habib Khan	Flat No 69-e St 17 Askari 04 Gulistan E Johar Nr Millinium Mall Karachi	42201-9401875-7	Karim Dad Khan	369	73	70	512	369	73	70	512
221	Mansoor Ali	H-2 Hassan Ali Building Abi Gal Road Ganchi Para Karachi	42301-1015450-5	Usman	411	96	-	507	411	96	-	507
222	Muhammad Saleem Khan	House # 43 Street # 2 Sector B Dha 1 Islamabad	37405-5048082-1	M. Hussain	332	102	71	505	332	102	71	505
					<b>1,374,198</b>	<b>492,083</b>	<b>1,251</b>	<b>1,867,532</b>	<b>158,421</b>	<b>495,537</b>	<b>2,055</b>	<b>656,013</b>

\* Other financial reliefs include fees, charges, insurance etc. recoverable from customers.



**ANNEXURE III TO THE FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION - ISLAMIC BANKING**  
**AS AT DECEMBER 31, 2012**

The Bank is operating 52 Islamic banking branches (2011: 45).

**ASSETS**

Cash and balances with treasury banks  
 Balances with other banks  
 Due from financial institutions  
 Investments  
 Islamic financing and related assets  
 Operating fixed assets  
 Deferred tax assets  
 Other assets

**LIABILITIES**

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

**NET ASSETS**

**REPRESENTED BY**

Islamic banking fund  
 Reserves  
 Unappropriated profit / (loss)  
  
 Surplus on revaluation of assets- net of tax

Note	2012	2011
	Rupees '000	
	<b>1,604,543</b>	1,089,800
	<b>83,450</b>	173,799
	-	-
	<b>14,579,922</b>	5,586,837
(a)	<b>5,467,073</b>	5,288,727
	<b>99,242</b>	85,699
	-	-
	<b>312,856</b>	426,717
	<b>22,147,086</b>	12,651,579
	<b>203,224</b>	109,401
	<b>165,000</b>	-
	<b>7,489,799</b>	3,995,751
	<b>5,397,752</b>	2,341,187
	<b>5,240,046</b>	3,577,293
	<b>171,769</b>	23,151
	<b>1,240,767</b>	1,018,868
	<b>3,505</b>	21,235
	<b>884,901</b>	577,834
	<b>246,715</b>	181,862
	<b>21,043,478</b>	11,846,582
	<b>1,103,608</b>	804,997
	<b>880,000</b>	880,000
	-	-
	<b>157,153</b>	(94,727)
	<b>1,037,153</b>	785,273
	<b>66,455</b>	19,724
	<b>1,103,608</b>	804,997

**ANNEXURE III TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

**Remuneration to shariah advisor**

**CHARITY FUND**

Opening balance  
 Additions during the year  
 Payments / utilization during the year  
 Closing balance

**(a) Islamic Financing and Related Assets**

**(b) Islamic Mode of Financing**

Murabaha  
 Musharika cum Ijara  
 Diminishing Musharika  
 Advance against Murabaha Financing  
 Advance against Murabaha ERF  
 Advanced against Diminishing Musharika  
 Others

**(c)** As more fully disclosed in note 3.5 to the financial statements, the effect of the change in disclosure relating to Islamic banking branches is summarised below:

**Impact on statement of financial position**

Decrease in other assets - net  
 Increase in Islamic financing and related assets - net

**Impact on Profit and Loss Account**

Decrease in other provisions  
 Increase in provisioning against non-performing loans and advances

Note	2012	2011
	Rupees '000	
	<b>2,455</b>	2,171
	<b>1,778</b>	67
	<b>1,583</b>	2,761
	<b>(2,330)</b>	(1,050)
	<b>1,031</b>	1,778
(b)	<b>5,467,073</b>	5,288,727
	<b>1,451,159</b>	1,751,249
	<b>7,715</b>	11,529
	<b>3,511,999</b>	3,211,551
	<b>265,765</b>	245,337
	<b>165,000</b>	-
	<b>62,607</b>	69,061
	<b>2,828</b>	-
	<b>5,467,073</b>	5,288,727

	December 31, 2012	December 31, 2011
	Rupees '000	
	<b>493,371</b>	314,398
	<b>(493,371)</b>	(314,398)
	<b>(14,410)</b>	(18,315)
	<b>14,410</b>	18,315

ANNEXURE III TO THE FINANCIAL STATEMENTS  
PROFIT AND LOSS ACCOUNT - ISLAMIC BANKING  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees '000	
Profit / return earned on financing and investments	2,049,982	1,117,006
Profit / return expensed	1,086,815	597,956
Net spread earned	963,167	519,050
Provision against non-performing financings	23,142	15,731
Provision against consumer financings	5,854	732
Provision for diminution in the value of investments	13,211	-
Bad debts written off directly	-	-
	42,207	16,463
	920,960	502,587
<b>Other Income</b>		
Fee, commission and brokerage income	58,655	21,723
Dividend income	-	-
(Loss) / income from dealing in foreign currencies	(1,818)	1,451
Capital gain on sale of securities	8,662	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	359	101
Total other income	65,858	23,275
	986,818	525,862
<b>Other expenses</b>		
Administrative expenses	734,938	377,263
Other provision / write-offs	-	18,315
Other charges	-	8
Total other expenses	734,938	395,586
	251,880	130,276
Extraordinary items / unusual items	-	-
<b>Profit for the year</b>	<b>251,880</b>	<b>130,276</b>

ANNEXURE IV TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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>							
Porsche	6,000	2,000	4,000	4,500	500	As per Bank Policy	Enamullah Khan - Executive
Honda Accord	4,681	2,996	1,685	1,685	-	As per Bank Policy	Salman A. Usmani - Executive
Mercedes Benz	4,200	2,856	1,344	1,512	168	As per Bank Policy	Mehreen Amin - Executive
Honda Accord	3,616	2,314	1,302	1,302	-	As per Bank Policy	Noman Ansari - Executive
Mercedes Benz	3,500	2,800	700	630	(70)	As per Bank Policy	Bashir A. Shaikh - Executive
Mercedes Benz	2,720	1,668	1,052	1,124	73	As per Bank Policy	Nasir Islam - Executive
Honda Accord	2,410	1,928	482	1,498	1,016	Bid	Syed Zohaib Ahmed - Individual - House No. E-121, Block 7, Gulshan Karachi.
Toyota Vego	2,407	1,790	617	1,930	1,313	Bid	Tasfeen Khalid Niaz - Individual - House No. D221 KDA Scheme A-1, Karachi
Honda Civic	1,804	1,155	649	649	-	As per Bank Policy	Yousaf Hussain - Executive
Toyota Lexus	1,775	1,041	734	1,778	1,044	As per Bank Policy	Aarij Ali - Executive
Honda Civic	1,775	1,136	639	639	-	As per Bank Policy	Awais Maqsood - Executive
Honda Civic	1,543	1,543	-	1,341	1,341	Bid	Shariq Rameez - Individual - House No. A-157, Mamar Z-6, Gulshan Karachi.
Honda Civic	1,376	660	716	1,150	434	Bid	Anas Saeed - Individual - H/#65/33 Mohallah A Zehra Society Malir Halt, Karachi
Honda Civic	1,356	1,356	-	720	720	Bid	Abid Ansar - Individual - House No. 80, Badar Block, Allama Iqbal Town, Lahore.
Honda Civic	1,344	1,075	269	1,057	789	Bid	Muhammad Ali Akbar Khan - Individual - House No. A-592, Block 12, Federal B Area, Karachi.
Honda Civic	1,320	1,320	-	907	907	Bid	Usman Khawar - Individual - G-9/3, House No. 8, Sector Road, Islamabad.
Honda City	1,319	756	563	563	-	As per Bank Policy	Awais Maqsood - Executive
Honda Civic	1,300	1,040	260	1,105	845	Bid	Muhammad Ali Akbar Khan - Individual - House No. A-592, Block 12, Federal B Area, Karachi.
Honda Civic	1,300	1,040	260	1,023	763	Bid	Muhammad Ali Akbar Khan - Individual - House No. A-592, Block 12, Federal B Area, Karachi.
Honda Civic	1,300	1,040	260	1,057	797	Bid	Muhammad Ali Akbar Khan - Individual - House No. A-592, Block 12, Federal B Area, Karachi.
Honda Civic	1,300	1,040	260	1,211	951	Bid	Shariq Rameez - Individual - House No. A-157, Mamar Z-6 Sector, Gulshan Karachi.

## ANNEXURE IV TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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-----							
Honda Civic	1,299	1,299	-	758	758	Bid	Muhammad Yousaf - Individual - Flat No. 7, Sector A, Block 18, G-9/2, Islamabad.
Toyota Corolla	1,269	626	643	643	-	As per Bank Policy	Salman A. Usmani - Executive
Honda Civic	1,237	989	247	958	710	Bid	Muhammad Yousaf - Individual - Flat No. 7, Sector A, Block 18, G-9/2, Islamabad.
Honda Civic	1,235	988	247	581	334	Bid	M. Yaqoob Khan - Individual - Blueland, Office No. 2 Ground floor Akash Centre F-1 Markaz Islamabad
Toyota Corolla	1,199	735	464	464	-	As per Bank Policy	Noman Ansari - Executive
Mitsubishi Lancer	1,099	1,044	55	802	747	Bid	M. Irfan Ibrahim - Individual - A-17, Arica Apartment, Block 16, Drig Road Cantt, Karachi.
Mitsubishi Lancer	1,099	1,099	-	873	873	Bid	Muhammad Mohsin Mumtaz - Individual - House No. 2/27, Ghalib Colony, Samanabad, Lahore.
Toyota Corolla	1,048	838	210	863	653	Bid	Muhammad Mohsin Mumtaz - Individual - House No. 2/27, Ghalib Colony, Samanabad, Lahore.
Mitsubishi Lancer	1,040	1,040	-	770	770	Bid	Najiullah Ahmad - Individual - House No. 131, Haseeb Block, Azam Garden, Multan Road, Lahore City, Lahore.
Honda Civic	1,038	1,038	-	850	850	Bid	M. Farhan Shafiq - Individual - House No. 435-N, Samanabad, Lahore
Toyota Corolla	1,037	830	207	912	704	Bid	Amjad Baig - Individual - Purana Dak Khana, Lahore Cantt, Lahore
Honda Civic	1,027	1,027	-	713	713	Bid	Wali Jan - Individual - Near New Division Building, Mlyano Kilay Dak Khana, Takhat Bhai Division, Mardan.
Honda Civic	1,023	1,023	-	836	836	Bid	Muhammad Irfan - Individual - Flat No. 3, Imran Plaza, F-10 Markaz, Sector Abad
Honda City	1,014	662	352	365	14	As per Bank Policy	Yousaf Hussain - Executive
Honda Civic	1,000	800	200	955	755	Bid	Arun Bajaj - Individual - Flat No. 806, Shaheen Towers, Main Shahra-e-Faisal, Karachi.

## SHARIAH ADVISOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2012

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

Faysal Bank Ltd operated with 52 Stand-Alone Islamic Banking Branches (IBBs) and 8 Islamic Windows during the year 2012.

During this period number of new products, policies and processes were introduced, and some existing processes were streamlined and improved.

The Shariah aspect of all of these changes were reviewed and approved by myself.

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

Based on the foregoing, I am pleased to report:

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

And Allah knows best.



Mufti Mohib ul Haq Siddiqui  
Shariah Advisor

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS  
AS AT 31-12-2012

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1	<b>INDIVIDUALS</b>		16,997	58,402,421	6.30
2	<b>INVESTMENT COMPANIES</b>		15	57,176	0.01
3	<b>JOINT STOCK COMPANIES</b>		112	2,512,239	0.27
4	<b>DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN</b>		8	166,573	0.02
	SYED NASEEM AHMAD	873			
	MR. NAVED A. KHAN (A/C - Ithmaar Bank B.S.C.)	873			
	MR. GRAHAM RODERICK WALKER	562			
	MR. MOHAMED A.R.HUSSAIN	632			
	MR. FAROOQ RAHMATULLAH	873			
	MR. SHAHID AHMAD	161,496			
	MR. HASSAN MOHAMMED MAHMOOD HASSAN	632			
	LT.GEN. MUHAMMAD MAQBOOL (RETD.)	632			
5	<b>EXECUTIVES</b>		15	22,678	0.00
6	<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>		6	619,257,969	66.78
	ITHMAAR BANK B.S.C. (SPONSOR COMPANY)	415,759,338			
	FAISAL FINANCE (LUXEMBOURG) S.A.	79,329,539			
	MFAI (JERSEY) LIMITED	54,601,612			
	DMI (JERSEY) LIMITED	39,664,768			
	FAISAL PRIVATE BANK (SWITZERLAND) S.A.	29,902,712			
7	<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	-	-	-	-

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS  
AS AT 31-12-2012

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
8	<b>BANKS, DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL, MODARABAS &amp; PENSION FUNDS</b>		27	55,286,712	5.96
9	<b>MUTUAL FUNDS</b>		13	25,236,326	2.72
	CONFIDENCE MUTUAL FUND LIMITED	6			
	PRUDENTIAL STOCK FUND LTD.	238			
	MFS WORLD GROWTH FUND	409			
	PRUDENTIAL STOCK FUND LTD. (03360)	2,002			
	CDC-TRUSTEE JS PENSION SAVINGS FUND	40,000			
	FIRST CAPITAL MUTUL FUND LIMITED	59,999			
	CDC-TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	451,263			
	MC FSL - TRUSTEE JS GROWTH FUND	7,337,437			
	CDC - TRUSTEE ALFALAH GHP VALUE FUND	76,737			
	CDC- TRUSTEE ALFALAH GHP ALPHA FUND	16,481			
	CDC- TRUSTEE AKD INDEX TRACKER FUND	54,042			
	CDC - TRUSTEE JS AGGRESSIVE ASSET ALLOCATION FUND	747,500			
	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI (U) T FUND	16,450,212			
10	<b>FOREIGN INVESTORS</b>		40	165,705,920	17.87
11	<b>CO-OPERATIVE SOCIETIES</b>		1	1,089	0.00
12	<b>CHARITABLE TRUSTS</b>		6	681,370	0.07
13	<b>OTHERS</b>		6	20,329	0.00
	<b>TOTALS</b>		<b>17,246</b>	<b>927,350,802</b>	<b>100.00</b>

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS  
AS AT 31-12-2012

SHARE-HOLDERS HOLDING FIVE PERCENT OR MORE VOTING RIGHTS IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY 927,350,802 SHARES  
5% OF THE PAID-UP CAPITAL OF THE COMPANY 46,367,540 SHARES

NAME(S) OF SHARE-HOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE %
ITHMAAR BANK B.S.C. (SPONSOR COMPANY)	FALLS IN CATEGORY # 6	415,759,338	44.83
JPMORGAN CHASE BANK	FALLS IN CATEGORY # 10	91,938,993	9.91
FAISAL FINANCE (LUXEMBOURG) SA	FALLS IN CATEGORY # 6	79,329,539	8.55
MFAI (JERSEY) LIMITED	FALLS IN CATEGORY # 6	54,601,612	5.89
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	FALLS IN CATEGORY # 8	49,107,448	5.30

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS  
AS AT 31-12-2012

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1	INDIVIDUALS	16,997	58,402,421	6.30
2	INVESTMENT COMPANIES	15	57,176	0.01
3	JOINT STOCK COMPANIES	112	2,512,239	0.27
4	DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN	8	166,573	0.02
5	EXECUTIVES	15	22,678	0.00
6	ASSOCIATED COMPANIES , UNDERTAKINGS AND RELATED PARTIES	6	619,257,969	66.78
7	PUBLIC SECTOR COMPANIES AND CORPORATIONS	0	0	0.00
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS	27	55,286,712	5.96
	8.1 FINANCIAL INSTITUTIONS	13	4,310,109	0.46
	8.2 LEASING COMPANIES	2	462	0.00
	8.3 INSURANCE COMPANIES	7	50,941,562	5.49
	8.4 MODARABAS	4	5,329	0.00
	8.5 PENSION FUNDS	1	29,250	0.00
9	MUTUAL FUNDS	13	25,236,326	2.72
10	FOREIGN INVESTORS	40	165,705,920	17.87
11	CO-OPERATIVE SOCIETIES	1	1,089	0.00
12	CHARITABLE TRUSTS	6	681,370	0.07
13	OTHERS	6	20,329	0.00
		17,246	927,350,802	100.00

PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL  
AS ON DECEMBER 31, 2012

Number of Share Holders	Share Holding		Total Shares Held
4,059	1-	100	135,091
6,115	101-	500	1,422,724
1,442	501-	1,000	1,043,729
4,096	1,001-	5,000	8,879,802
684	5,001-	10,000	4,699,121
247	10,001-	15,000	2,963,718
149	15,001-	20,000	2,557,134
82	20,001-	25,000	1,810,106
50	25,001-	30,000	1,372,944
47	30,001-	35,000	1,538,933
34	35,001-	40,000	1,277,381
27	40,001-	45,000	1,146,533
22	45,001-	50,000	1,062,056
18	50,001-	55,000	951,217
12	55,001-	60,000	692,062
7	60,001-	65,000	435,859
10	65,001-	70,000	680,322
3	70,001-	75,000	220,262

PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL  
AS ON DECEMBER 31, 2012

Number of Share Holders	Share Holding		Total Shares Held
9	75,001-	80,000	695,248
7	80,001-	85,000	575,802
3	85,001-	90,000	264,450
5	90,001-	95,000	458,693
6	95,001-	100,000	597,702
7	100,001-	105,000	717,873
2	105,001-	110,000	217,790
7	110,001-	115,000	787,678
1	115,001-	120,000	120,000
3	120,001-	125,000	371,923
3	125,001-	130,000	381,095
3	130,001-	135,000	400,968
1	135,001-	140,000	139,741
2	145,001-	150,000	295,578
2	150,001-	155,000	304,997
1	155,001-	160,000	155,368
1	160,001-	165,000	161,496

PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL  
AS ON DECEMBER 31, 2012

Number of Share Holders	Share Holding	Total Shares Held
3	170,001- 175,000	521,851
1	175,001- 180,000	175,209
2	180,001- 185,000	367,776
2	185,001- 190,000	373,811
2	190,001- 195,000	383,209
2	195,001- 200,000	391,590
1	200,001- 205,000	201,205
2	210,001- 215,000	428,270
1	220,001- 225,000	221,484
1	240,001- 245,000	242,591
1	245,001- 250,000	246,250
2	260,001- 265,000	526,073
1	270,001- 275,000	272,571
1	280,001- 285,000	280,429
1	290,001- 295,000	294,341
1	305,001- 310,000	306,373
1	310,001- 315,000	310,646
1	335,001- 340,000	339,118

PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL  
AS ON DECEMBER 31, 2012

Number of Share Holders	Share Holding	Total Shares Held
1	360,001- 365,000	365,000
2	365,001- 370,000	734,084
1	400,001- 405,000	405,000
1	410,001- 415,000	411,838
2	425,001- 430,000	856,958
1	430,001- 435,000	433,202
1	440,001- 445,000	442,966
1	450,001- 455,000	451,263
2	500,001- 505,000	1,004,270
1	510,001- 515,000	514,164
1	540,001- 545,000	544,921
1	565,001- 570,000	565,995
1	590,001- 595,000	593,886
1	630,001- 635,000	632,812
1	670,001- 675,000	675,000
1	720,001- 725,000	724,952
1	745,001- 750,000	747,500

PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL  
AS ON DECEMBER 31, 2012

Number of Share Holders	Share Holding		Total Shares Held
1	805,001-	810,000	805,750
1	835,001-	840,000	837,870
1	920,001-	925,000	921,431
1	980,001-	985,000	980,931
1	1,035,001-	1,040,000	1,035,319
1	1,200,001-	1,205,000	1,201,605
1	1,325,001-	1,330,000	1,325,246
1	1,385,001-	1,390,000	1,387,726
1	1,990,001-	1,995,000	1,992,906
1	2,200,001-	2,205,000	2,203,594
1	2,440,001-	2,445,000	2,440,453
1	2,590,001-	2,595,000	2,593,465
1	2,740,001-	2,745,000	2,742,592
1	2,935,001-	2,940,000	2,938,127
1	3,155,001-	3,160,000	3,156,100
1	4,405,001-	4,410,000	4,407,192
1	4,655,001-	4,660,000	4,657,500
1	4,700,001-	4,705,000	4,700,192

PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL  
AS ON DECEMBER 31, 2012

Number of Share Holders	Share Holding		Total Shares Held
1	6,095,001-	6,100,000	6,098,294
1	7,335,001-	7,340,000	7,337,437
1	8,075,001-	8,080,000	8,079,010
1	12,025,001-	12,030,000	12,027,998
1	16,450,001-	16,455,000	16,450,212
1	21,200,001-	21,205,000	21,203,438
1	23,825,001-	23,830,000	23,827,225
1	29,900,001-	29,905,000	29,902,712
1	30,770,001-	30,775,000	30,774,387
1	39,660,001-	39,665,000	39,664,768
1	45,785,001-	45,790,000	45,789,466
1	46,145,001-	46,150,000	46,149,527
1	49,105,001-	49,110,000	49,107,448
1	79,325,001-	79,330,000	79,329,539
1	415,755,001-	415,760,000	415,759,338
17,246			927,350,802



# GO

History has shown that an awakened nation rarely gives up. In fact it goes all the way and ends up doing more than it promised itself.

جوڑ کے تو کوہِ گراں تھے ہم جو چلے تو جاں سے گزر گئے  
رہ یار ہم نے قدم قدم تجھے یادگار بنا دیا

# کے لئے

## BRANCH NETWORK SOUTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	165	South I	Green Belt Residency Branch	Karachi	021-35877923	Green Belt Residency Shop No. 13-16, Plot No. Commercial 7/1, Block 2, KDA Scheme-5, Kehkashan, Clifton Karachi
2	330	South I	AHR	Karachi	021-35838959	16-Abdullah Haroon Road
3	269	South I	Clifton Centre Branch	Karachi	021-35871891	Plot No.DC-1,16-A,16-B,Block 5 Clifton Centre,Kehkashan
4	118	South I	Quality Height Clifton	Karachi	021-35838959	Quality Heights,K.D.A Scheme # 5,Clifton Karachi
5	144	South I	Korangi Road	Karachi	021-35390542	Speedy Towers,129 / I & II,main korangi road DHA phase 1
6	156	South I	Korangi Industrial Area	Karachi	021-35114400	Plot # 51 / 9,Sector 15 ,Main korangi Road Karachi
7	172	South I	Stadium Lane, Khayaban-e-Mujahid	Karachi	021-35349113	43-C,Stadium Lane II,Khayaban e Mujahid D.H.A Phase V Karachi
8	173	South I	Khayaban-e-Tanzeem	Karachi	021-35877845	14-C ,Khayaban e Tanzeem ,Tauheed Commercial,D.H.A Phase V
9	209	South I	Korangi No.2	Karachi	021-35071757	Q-14,Ground Floor,Sector 33-A,korangi # 2, Karachi
10	216	South I	DHA Phase VIII	Karachi	021-35246014	43-C,Al-Murtaza Commercial Lane # 4,D.H.A Phase VIII Karachi
11	426	South I	DHA Korangi	Karachi	021-35805179	World Business Center, Main Korangi Road,
12	115	South I	Shahrah-e-Adalat	Karachi	081-2838449	Shahrah e Adalat, (Quetta)
13	183	South I	Fatima Jinnah Road	Karachi	081-2837234, 2824973, 2836943, 2824807	Yousuf Centre,Fatima Jinnah Road (Quetta)
14	453	South I	Turbat	Karachi	0852-411074	Main Bazar
15	124	South I	DHA Shahbaz	Karachi	021-35845771	23-C,Phase VI, Khayaban e Shahbaz,D.H.A Karachi
16	175	South I	Phase IV DHA	Karachi	021-35802426	14-C,Sunset Commercial Street # 2,Phase IV D.H.A Karachi
17	196	South I	Saba Avenue	Karachi	021-35243985	Shop # 2 & 3,Ground Floor Plot # 36-C,Badar Commercial Street,St # 6,Phase V
18	338	South I	Defence	Karachi	021-35347266	22/C, Lane-2, Shahbaz Commercial,
19	425	South I	Clifton	Karachi	021-35875454	13-C, 7th Zamzama, Commercial Lane , Clifton
20	441	South I	Khayaban-e-Bukhari	Karachi	021-35346706	8-C Ittehad Commercial Lane No 9,
21	195	South I	Nazimabad Branch	Karachi	021-36707420	Plot #16 Row #1,Sub Block A,Block III (III-A,1 / 16) Nazimabad Karachi
22	198	South I	Khalid Bin Waleed Road	Karachi	021-34302250	Plot # 89-B,Block-2 P.E.C.H.S Karachi
23	240	South I	Shah Faisal Colony	Karachi	021-34686215	B- 09 Main Electronics Market. Shah Faisal Colony, No. 1, Karachi
24	251	South I	Gulbahar	Karachi	021-36729801	Gulbahar Branch Plot number 476-477-478 Ghousia Colony Karachi

## BRANCH NETWORK SOUTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
25	342	South I	Karachi North Nazimabad	Karachi	021-36721635	D-4, Block D North Nazimabad
26	428	South I	Karachi North Nazimabad	Karachi	021-36676028	Almas Square, Plot No. SD-5,
27	438	South I	Karachi Federal B Area	Karachi	021-36800693	C-25, Block 17, Federal B. Area
28	139	South I	SITE	Karachi	32585925	Plot No. B-17, State Avenue, Karachi
29	436	South I	Karachi Metroville	Karachi	36661300 36662034	Street 15 Block 3, Metroville SITE
30	127	South I	Shaheed-e-Millat	Karachi	021-34384364	Iqbal Arcade,Plot # 6,3/7D.M.C Society Karachi
31	131	South I	Shahrah-e-Faisal	Karachi	021-34326661	Business Avenue Centre,Block # 6,P.E.C.H.S Karachi
32	143	South I	MACHS	Karachi	021-34390514	Plot # 2-F(Commercial),M.A.C.H.S Karachi
33	333	South I	Karachi Shaheed-e-Millat	Karachi	021-34311950	72-A/Z, Block 7/8, Al- Riaz
34	434	South I	Karachi Dhoraji	Karachi	021-34136551	Sana Pride, 35/244, C.P.& Berar Coop,
35	442	South I	Karachi Tipu Sultan Road	Karachi	021-34301188	Plot No. 110, Zonal Commercial Area,
36	110	South II	Karachi Main	Karachi	111-747-747	ST- 02,Main Shahra e Faisal Karachi (FAYSAL HOUSE)
37	119	South II	Gulshan-e-Iqbal	Karachi	(021) 3499 4261	B -35,Block 13-A Main University Road,Gulshan e Iqbal
38	153	South II	Gulshan Chowrangi	Karachi	(021) 3481 5319	Shop # 1-4,Ground floor Sana Arcade,Plot # ZC-6 Block # 7,K.D.A Scheme 24
39	174	South II	Gulistan-e-Jauhar	Karachi	(021) 3402 6856	Shop # 29 & 30,Rufi Lake Drive, Block 18,K.D.A Scheme # 36
40	231	South II	Gulzar-e-Hijri	Karachi	(021) 3465 2159	Plot # A-747/C,Blok 13-A KDA Scheme 33,Pakistan Employe Cooperating Housing Society
41	335	South II	Karachi Gulshan	Karachi	34830110-34830 111-34830107 34830112	SB-25 Block 13/C, Main University Road, Gulshan e Iqbal
42	281	South II	Tariq Road Branch	Karachi	021- 35143538-40	Shop No. 1 & 2 Plot 9-C, Block 2 Main Tariq Road PECHS, Karachi.
43	252	South II	Safoora Goth Branch	Karachi	34023795 34023791, 34023793	Shop No. 1,2,3,4, Plot SV-9, Block VII, Gulistan-e-Jauhar, KDA Scheme # 36, Karachi.
44	210	South II	Gulshan Block-2	Karachi	(021) 3497 2202	A-287,Block-2,K.D.A Scheme -24,Gulshan e Iqbal Karachi
45	138	South II	Saddar, Hyderabad	Hyd&Suk Area	022-2728356-59	Plot # 339,Main Bohra Bazar Saddar (Hyderabad)
46	230	South II	Sukkur	Hyd&Suk Area	071-5617195-97	City Survey No. D1596 / 1-D, Race Course Road , Sukha Talab, Sukkur
47	239	South II	Latifabad	Hyd&Suk Area	022-3820526-7	C - 489, Unit No 8, Latifabad Hyderabad
48	287	South II	Larkana	Hyd&Suk Area	074-4056054-56	City Survey No. 2016/ 4-A Ward C Faysal Bank Chowk, Larkana City

## BRANCH NETWORK SOUTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
49	455	South II	Sukkur II	Hyd&Suk Area	071-5628417-967	Shaheed Gunj, Sukkur.
50	258	South II	Mirpur Khas	Hyd&Suk Area	0233- 876472- 75	City Survey No. 715, 716 and 718, Ward A, Umerkot Road, Taluka and District, Mirpurkhas.
51	272	South II	Nawabshah	Hyd&Suk Area	0244- 330895- 97	CS No. 555, Ward B, Main Mohni Bazar Nawabshah
52	291	South II	Qasimabad	Hyd&Suk Area	022- 2103433-36	Plot # B-1, R.S.258/2, Bilal Villas Housing Scheme, Deh Sari, Taluka Qasimabad
53	292	South II	Ghotki	Hyd&Suk Area	0723-600801-805	Ground Floor, City Survey No.890, Ward-B, Situated at Devri Sahab Road, Ghotki.
54	123	South II	Jodia Bazar	Karachi	021-32471443 021-32443795	G-2, Plot #.MR-6/52/1, Ismail Trade Centre, Ram Bharti Street
55	134	South II	Cloth Market	Karachi	021-32439021-22, 021-32438150	BR-2, 1/1, Bander Quarters, New Neham Road Kharadar Karachi
56	145	South II	New Challi	Karachi	021-32214903-904	Abid Chamber, Plot 3 SR.6/9, Shahra e Liaquat Karachi
57	423	South II	Karachi Jodia Bazar	Karachi	021-3252222 5 - 8	NP 12/74, Mohammad Shah Street,
58	424	South II	Karachi I.I. Chundrigar	Karachi	021-32418300-3	Nadir House, I. I. Chundrigar Road
59	290	South II	Pak Colony Branch	Karachi	021-32556695-96-97	Plot# 250, 251 & 252 Modern Colony Manghopir Road Karachi
60	437	South II	Karachi Marriott Road	Karachi	021-32412803-07	G5, G6 & G7, Plot Sheet No MR-1,
61	164	South II	Timber Market	Karachi	021-32734508, 021-32734490	Plot # 6/2 Old Haji camp, Siddique Wahab Road Lee Quarters
62	170	South II	I. I. Chundrigar Road	Karachi	021-32638011-16	11/13, Trade Centre I I chundrigarh Road, Karachi
63	217	South II	APWA Complex Garden	Karachi	021-32294778	Shop # SOA ,5 Ground Floor APWA Complex, Plot # 67-AC, Garden Road Karachi
64	227	South II	Burns Road	Karachi	021-32211077-23	Shop # 4 & 5 Ground Floor, Lokhat Mansion, survey # 2 Shahra E Liaquat , Burns Road Karachi
65	236	South II	Electronic Market, Saddar	Karachi	021-32751585-86	Shop # 3, Hashmi Electronics Centre, Abdullah Haroon Road, Saddar Karachi
66	422	South II	Abdullah Haroon	Karachi	021-38679355-61	State Life Building. 11, Abdullah Haroon Road Karachi
67	255	South II	Mehmoodabad	Karachi	021-34376342 021-4376348	Plot No. SA-85, Block 7 Karachi Administration Employees Cooperative Housing Society (KAECHS)
68	152	South II	North Karachi Industrial Area	Karachi	021-36957155-3695	SA -2 (ST1/1) Sector 12-B, North Karachi industrial
69	221	South II	Power House UP More	Karachi	021-36914034-36	Shop # 4,5,& 6, Plot # LS -12 (ST -7) Sector 11K, North Karachi Town Ship
70	222	South II	Buffer Zone	Karachi	021-36950081-87	Plot # R-2, Sector 15-A / 2, Buffer Zone, North Karachi
71	431	South II	Karachi North Karachi	Karachi	021-36920621-25	ST-3, Sector 12-A, Industrial Area
72	265	South II	F B Area II	Karachi	36340242-6	Plot No. ST-4/A-1, Block-20, Scheme-16, Federal 'B' Area, Karachi Adjacent to Bank Al Habib.

## BRANCH NETWORK CENTRAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
73	130	Central I	Garden Town-Branch	Lahore	92-42-35889810-14	4-Aibak Block, New Garden Town, Lahore.
74	464	Central I	New Garden Town-Branch	Lahore	92-42-35861111, 35868776, 35868010	Awami Complex, Block No 2, New Garden Town, Lahore
75	142	Central I	Allama Iqbal Town-Branch	Lahore	92-42-37806022-25	18-Hunza Block, Main Road, Allama Iqbal Town, Lahore
76	150	Central I	Model Town-Branch	Lahore	92-42-35884505-07	13-Bank Square Market, Model Town, Lahore
77	158	Central I	Faisal Town-Branch	Lahore	92-42-35201990, 92, 94	10-C, Main Boulevard, Faisal Town, Lahore
78	419	Central I	Faisal Town-Branch	Lahore	92-42-35203881-2, 35203892	594-A, Faisal Town , Lahore.
79	182	Central I	Johar Town-Branch	Lahore	92-42-35300897 35315735-36	435-G-I, Johar Town, Lahore
80	461	Central I	PIA Town-Branch	Lahore	92-42-35189011-14, 35189020	188 Block F, Phase 1, PIA Society, Opposite Wapda Town, Lahore.
81	459	Central I	Valancia-Branch	Lahore	92-42-35224791-92	9-A, Commercial Zone Valancia Society , Lahore.
82	212	Central I	Ghazi Chowk-Branch	Lahore	92-042-35212250-54	8-A, Awaisia Cooperative Housing Society, Ghazi Chowk, Link College Road, Township Lahore.
83	274	Central I	Karim Block	Lahore	92-42-35295572-4, 35295578-79	Plot No. 2-B, 2-C, Karim Block, Allama Iqbal Town Lahore
84	125	Central I	D.H.A H-Block-Branch	Lahore	92-42-35897712-17	136/1, Block-H, Commercial Area Phase-I, DHA Lahore Cantt
85	462	Central I	DHA Z Block-Branch	Lahore	92-42-35726000	77-Y, Phase III, Commercial Area, DHA , Lahore.
86	233	Central I	CMH Chowk-Branch	Lahore	92-42-36602327-29	1482 / 14-15, Day Building CMH Chowk, Sarwar Road Lahore Cantt.
87	205	Central I	Mughalpur-Branch	Lahore	92-042-36524863-4	3/15 Jahangir Road, Lal Pul, Near AFC, Mughalpur, Lahore.
88	417	Central I	T-Block-Branch	Lahore	92-42-35707667-9, 35707747	CCA-22, T Block, Phase II, DHA , Lahore.
89	189	Central I	Walton Cantt.-Branch	Lahore	92-42-36604309-12	36-Jinnah Plaza, Main Boulevard Defence Link Road, Walton Cantt, Lahore
90	160	Central I	Thokar Niaz Baig-Branch	Lahore	92-42-35314020-23	Jamal Market, Ali Town, Opp. Lahore University, Thokar Niaz Baig, Raiwand Road
91	211	Central I	New Airport Road-Branch	Lahore	92-42-35910014-15	Adjoining Divine Mega-II Plaza, New Airport Road, Cantt , Lahore.
92	256	Central I	EME-Branch	Lahore	92-42-37511081-4	111-D, Commercial Area, EME Society, DHA Multan Road Lahore.
93	282	Central I	Tufail Road	Lahore	92-42-36604909-15	Garrison Officers Mess, 12, Tufail Road Lahore Cantt.
94	181	Central I	Bedian Road-Branch	Lahore	92-42-37165350	Bedian Road, Near DHA Phase VI, Lahore Cantt
95	151	Central I	Badami Bagh-Branch	Lahore	92-42-37705536-41	1-Taj Chambers, Badami Bagh, Lahore.
96	132	Central I	Circular Road -Branch	Lahore	92-42-37673001-6	Babar Center, 51, Circular Road, Lahore.

## BRANCH NETWORK CENTRAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
97	223	Central I	Brandreth Road-Branch	Lahore	92-42-37367224-225	78 Brandreth Road, Old Nishter Road Lahore.
98	401	Central I	Egerton Rd-Branch	Lahore	92-42-36371111 36278782	Ground Floor, Aiwan-e-Iqbal Complex, Opposite Holiday Inn Hotel Lahore.
99	253	Central I	Fruit Market -Branch	Lahore	92-42-37944504, 37944503	136, Farooq Centre, Fruit Market Scheme, Ravi Link Road, Lahore.
100	273	Central I	Daroghawala	Lahore	92-42-36533526-30	386-C, More Salamat Pura, Main G.T Road, Daroghawla, Lahore
101	197	Central I	McLeod Road-Branch	Lahore	92-42-36370024-45-67	Usman Plaza, Opposite: Lahore Hotel, McLeod Road, Lahore.
102	218	Central I	Nila Gumbud-Branch	Lahore	92-42-37360032-34-38	8-The Mall, Bank Square, Lahore.
103	179	Central I	Shahalam Market-Branch	Lahore	92-042-37675619 37651968	41 - Alamgir Market, Main Shah Alam Market, Lahore
104	180	Central I	Urdu Bazar-Branch	Lahore	92-42-37314617-18	S-38, R-205-A, Cattle Street, Circular Road, Urdu Bazar, Lahore
105	467	Central I	Badami Bagh-Branch	Lahore	92-42-37708160, 37708171	343- Circular Road Badami Bagh , Lahore.
106	469	Central I	Bilal Gunj-Branch	Lahore	92-42-37214084-8	16-Shahjehan Road, Bilal Gunj . Lahore.
107	186	Central I	Shahdara -Branch	Lahore	92-42-37902501-506	G.T.Road, Shahdara, Lahore.
108	112	Central I	The Mall -Branch	Lahore	92-42-37314051-53 37236014-8	43, Shahrah-e-Quaid-e-Azam, Lahore.
109	137	Central I	Shalimar Garden-Branch	Lahore	92-042-36844710-17	Bilal Market, Shalimar Bagh, Baghbanpura, Lahore
110	276	Central I	Shadbagh Branch Lahore	Lahore	92-42-37614813-17,	Tajpura Chowk, Near PTCL Exchange, Misri Shah, Shadbagh, Lahore
111	271	Central I	Main Multan Road	Lahore	92-42-37801910 37801909	235/1, Badar Block, Allama Iqbal Town, Lahore.
112	331	Central I	Upper Mall Branch	Lahore	92-42-111-11-22-33 35789013	310-Upper Mall Shahrah-e-Quaid-e-Azam, Lahore.
113	468	Central I	Qurtaba Chowk-Branch	Lahore	92-42-37210500-3	110-A Lytton Road Qurtaba Chowk, Lahore.
114	178	Central I	Shadman-Branch	Lahore	92-42-37599316 37599438/37589223	11 - A, Shadman 1, Jail Road, Lahore
115	416	Central I	Gulshan-e-Ravi-Branch	Lahore	92-42-37404511-12	2/B, Civic Center Gulshan-e-Ravi , Lahore.
116	208	Central I	Choburji-Branch	Lahore	92-042-37589726 37589728	50, Choburji Chowk Lahore.
117	148	Central I	Main Boulevard Gulberg-Branch	Lahore	92-42-35787823-9	59-A, Main Boulevard, Gulberg, Lahore.

## BRANCH NETWORK CENTRAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
118	117	Central I	M. M. Alam Road Gulberg-Branch	Lahore	92-42-35755190-94 35755195	95, B-II, M.M. Alam Road, Gulberg-III, Lahore
119	188	Central I	Ichra-Branch	Lahore	92-42-37569934-35	172, Ferozpur Road, Ichra, Lahore.
120	457	Central I	Gulberg Industrial Area-Branch	Lahore	92-42-35717141-5 35717141	25-B-2, Gulberg III , Lahore.
121	187	Central I	Liberty Market-Branch	Lahore	92-42-35752108-9	37-E, III Saeed Alam Tower, Liberty Market, Gulberg III, Lahore
122	334	Central I	Cavalry Ground-Branch	Lahore	92-42-111-321-321 36655590	4 /5 Haroon Plaza, Cavalry Ground, Lahore.
123	121	Central II	Bosan Road	Multan	061- 6214905-09	1/A-2, Officers Colony, Bosan Road, Multan.
124	133	Central II	Old Bahawalpur Road	Multan	061-4784493 4785203-04	129/1, Old Bahawalpur Road, Multan.
125	149	Central II	Bahawalpur	Bahawalpur	062-2730691-95	2 - Rehman Society, Noor Mahal Road, Bahawalpur.
126	154	Central II	Vehari	Sahiwal	067-3366401 3360797	47-A, Karkhana Bazar, Vehari.
127	155	Central II	Okara	Sahiwal	044-2551773, 2552172	M.A. Jinnah Road, Okara.
128	157	Central II	Rahim Yar Khan	Bahawalpur	068-5889411-15	27- Town Hall Opp. City Park, Rahim Yar Khan.
129	200	Central II	Burewala	Sahiwal	067-3773011, 3773018	95-C, Multan Road, Burewala.
130	201	Central II	Sadiqabad	Bahawalpur	068- 5702440	Allama Iqbal Road, Sadiqabad District, Rahim Yar Khan.
131	202	Central II	Sahiwal	Sahiwal	040-4224060-64	Sarwar Shaheed Road, Sahiwal.
132	203	Central II	Gulshan Market	Multan	061-6784276-79	11 Y-block Gulshan Market, New Multan Multan
133	225	Central II	Chichawatni	Sahiwal	040-5482305-06	G.T Road Chichawatni
134	226	Central II	Depalpur	Sahiwal	044-4540768-69	Shop # 1 & 2, Gillani Heights, Madina Chowk, Depalpur.
135	229	Central II	Mian Channu	Multan	065-2664262-64	GT Road near T chowk, Mian Channu.
136	232	Central II	Arifwala	Sahiwal	045-7835423	173-D Thana Bazar Arifwala.
137	241	Central II	Khanewal	Multan	065-2553608-11	Plot No. 75, Block 12, Sir Syed Road, Khanewal.
138	242	Central II	Haroonabad	Bahawalpur	063-225119-32	25/C Grain Market Haroonabad Distt Bahawalnager.
139	247	Central II	Pakpattan	Sahiwal	045-7352307-09	College Road, Pakpattan.
140	341	Central II	Cantt Branch	Multan	061-4588377-79	44/D Aziz Shaheed Road, Multan Cantt.

## BRANCH NETWORK CENTRAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
141	448	Central II	Dera Ghazi Khan	Multan	064-2474175-77	Block 18, Pakistan Plaza.
142	260	Central II	Vehari Road, Multan	Multan	061- 6241083-85	Sheary Commercial Center, Vehari Road Multan.
143	263	Central II	Khanpur	Bahawalpur	068- 5577411-13	Faysal Bank Ltd, Doabba Road Khanpur.
144	264	Central II	Cheshtian	Bahawalpur	063- 2507809-11	143 B - Block Main Bazar Cheshtian.
145	266	Central II	Bahawalnagar	Bahawalpur	063-2279338-40	Shop # 02 Ghalla Mandi, Bahawalnagar.
146	270	Central II	Hasilpur	Bahawalpur	062- 2441403-05	16-D Baldia Road, Hasilpur.
147	275	Central II	Kot Addu	Multan	066-2241093-97	GT Road Kot Addu.
148	283	Central II	Yazman Mandi	Bahawalpur	062-2703161-64	56/A-DB Bahawalpur Road
149	284	Central II	Ahmed Pur East	Bahawalpur	062-2275210-11	22, Dera Nawab Road, Adjacent Civil Hospital, Ahmed Pur
150	285	Central II	Liaquat Pur	Bahawalpur	068-5792451-52	Shop # 9-10 Abbasia Road, Liaquat Pur
151	286	Central II	Renala Khurd	Sahiwal	044-2635781-83, 85	20A / 2-L, Gulshan Ishaq Colony, Welcome Road, Renala Khurd.
152	293	Central II	Pattoki	Sahiwal	049-4421950-53	55-Allama Iqbal Road, Patoki.

## BRANCH NETWORK NORTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
153	120	North I	Haider Road	Rawalpindi	051-5701018 - 22	32, HAIDER ROAD, Rawalpindi Cantt. Rawalpindi
154	135	North I	Satellite Town	Rawalpindi	051-4424969-72	5TH ROAD, City Shopping Centre, COMMERCIAL MARKET, Satellite Town - Rawalpindi
155	168	North I	Raja Bazar	Rawalpindi	051-5530661 5775625-23-27	U-I, IQBAL ROAD, FAWARA CHOWK, RAJA BAZAR, RAWALPINDI.
156	184	North I	Westridge	Rawalpindi	051-5166835-37	Peshawar Road Westridge, RV arcade - Rawalpindi
157	214	North I	Sadiqabad Road	Rawalpindi	051-4257745 4573741- 42	Faysal Bank Limited 72-C, Satellite Town Sadiqabad Road Rawalpindi
158	234	North I	Kalma Chowk	Rawalpindi	051-5683053-4	Kalma Chowk, Kamalabad, Dhok Syedan Road, Rawalpindi
159	337	North I	Rawalpindi Main	Rawalpindi	051-111321321 5795105	Address: CL / 55 - A, Civil Lines, Meo Road - Rawalpindi
160	409	North I	Rawalpindi Gunj Mandi	Rawalpindi	051-5539115, 5533315	Address: Gunj Mandi, Raja Bazar - Rawalpindi\
161	267	North I	Gulraiz	Rawalpindi	051- 5596188/7/9	Plot No. 27,Gulraiz Scheme II,Rawalpindi.
162	278	North I	PWD	Rawalpindi	051-5706450-51	Atta Arcade, Ground Floor, Main Blwd, Near Police Foundation, PWD, Islamabad
163	194	North I	F-11 Markaz	Islamabad	051-2228142-4	Faysal Bank Limited,Plot 14, F-11, Markaz, Islamabad.
164	126	North I	F-10 Markaz Islamabad	Islamabad	051-2104456-8	Faysal Bank Limited, 2-G, Capital Business Center, F-10 Markaz, Islamabad.
165	213	North I	F-8 Markaz	Islamabad	051-2817256	Faysal Bank Limited, Rawal Arcade, Markaz F-8, Islamabad.
166	452	North I	Islamabad Blue Area II	Islamabad	(051) 227-5250-2	Address: 78-W, Roshan Center, Jinnah Avenue, Blue Area
167	169	North I	I-10 Markaz	Islamabad	051-4102105-8	Faysal Bank Limited, 3-G, Monawwar Plaza,C10 Markaz I-10, Islamabad
168	166	North I	F-7 Markaz	Islamabad	051-2652676 2654689	Faysal Bank Limited, Shop 1, Plot 12 D, Jinnah Supermarket, F-7 Markaz, Islamabad.
169	113	North I	Blue Area	Islamabad	051-2275096-9	Faysal Bank Limited, 15-West, Jinnah Avenue Blue Area, Islamabad.
170	262	North I	Bara Koh	Islamabad	051-2304047-50	Shop # 8,11 Usman Plaza Main Murree Road Bara Koh Islambad
171	220	North I	G-10, Markaz	Islamabad	051--2101272-73	Faysal Bank Limited, 20-A (Ground Floor), Sardar Plaza, G-10 Markaz Branch, Islamabad.
172	332	North I	F-7 II	Islamabad	051- 111-11-22-33	Address: 15, Markaz F-7, Opposite FG College for Women, F-7/2
173	191	North I	University Road	Peshawar	091-5711401-8	4652-4670, Omer Plaza, Jahangirabad, University Rd. Peshawar
174	192	North I	Khyber Bazar	Peshawar	091-2220471	417-D, Outside Bajori Gte, Shoba Chowk, Khyber Bazar Peshawar
175	246	North I	Attock	Peshawar	057-2602061-62	Faysal Bank Limited Plot # 169 Shaikh jaffar plaza Saddiqui road Attock city
176	250	North I	Peshawar University Camp	Peshawar	0915846547-50	Ground Floor, Western Corner,Academic Block - II, University of Peshawar

## BRANCH NETWORK NORTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
177	411	North I	Peshawar Fakhre- Alam	Peshawar	091-5285289, 5270176-8	1 Fakhre- Alam Road Cantt, Peshawar
178	277	North I	Peepal Mandi	Peshawar	091-2592802	Ashraf China Trade Centre, Pipal Mandi, Peshawar City.
179	248	North I	Haripur	Peshawar	0995 – 616427-9	Akbar Arcade, Akbar Khan Plaza, Shahrah-E-Hazara, Haripur.
180	219	North I	Abbottabad	Peshawar	0992-385919-28	841 Farooqabad Main Mansehra Road, Abbotabad
181	294	North I	Gilgit	Baltistan	05811-457386-9	Faysal Bank Limited, ZS Plaza, Shahrah-e-Quaid-e-Azam, Opposite Radio Pakistan, Jutial, Gilgit.
182	204	North II	Jhelum	Jhelum, GT-Road & AJK	0544-626001	Faysal Bank Limited, Kohinoor Bank Square, Old G.T. Road, Jhlem Cantt
183	116	North II	Mirpur (AJK)	Jhelum, GT-Road & AJK	05827-445103, 445683,445100-2	Ch. Sharif Plaza, Mian Muhammad Road, Opp. Quaid-e-Azam Stadium, Mirpur, Azad Kashmir
184	190	North II	Dina	Jhelum, GT-Road & AJK	0544-636824	Faysal Bank Limited, 1880- Al-Bilal Plaza, GT Road, Dina
185	235	North II	Chaksawari	Jhelum, GT-Road & AJK	05827--454800-2	Faysal Bank Limited, Khalid Plaza, Main Bazar, Chak Sawari, Mirpur A.J.K.
186	136	North II	Gujar Khan	Jhelum, GT-Road & AJK	051-3514985, 051-3514996, 051-3514968, 051-3514874	Faysal Bank Limited, B-111, 215-D, WARD 5, G.T. ROAD, Gujar Khan
187	162	North II	Kharian	Jhelum, GT-Road & AJK	053-7536064	Faysal Bank Limited, Rizwan Plaza, First Floor, GT Road, Near City Hospital, Kharian
188	257	North II	Sarai Alamgir	Jhelum, GT-Road & AJK	0544-654623-4	RMA Complex, Main GT Road, Sarai Alamgir.
189	259	North II	Dudial	Jhelum, GT-Road & AJK	05827-465813-16	Hussain Shopping Centre, Main Bazar Branch, Dudial, Azad Kashmir.
190	450	North II	Bhalwal	Jhelum, GT-Road & AJK	048-6642405-08	Address:131-A, Liaqat Shaheed Road, Bhalwal
191	243	North II	Chakwal	Jhelum, GT-Road & AJK	0543-553932-34	FBL-Talha gang road, opposite Alliace travel, Chakwal
192	405	North II	Sargodha	Jhelum, GT-Road & AJK	048-3726647-8	Khayyam Chowk, Railway Road
193	289	North II	Rawat	Jhelum, GT-Road & AJK	051-4612114-6	Office No. 1, Riaz Hussain Shah Plaza, Main GT Road, Rawat.
194	111	North II	Civil Line, Main-Faisalabad	Faisalabad	041-2644481-5 041-111-747-747	Bilal Road, Civil Lines, Faisalabad.

## BRANCH NETWORK NORTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
195	444	North II	Liaquat Road, Faisalabad	Faisalabad	041-2636341-3	Address: P-III, Liaqat Road, Faisalabad
196	176	North II	GM Abad, Faisalabad	Faisalabad	041-2691375,1262	39-B, Usman Plaza, Sadar Bazar Ghulam Muhammad Abad, Faisalabad
197	224	North II	Madina Town, Faisalabad	Faisalabad	041-8723432-65	Madina Town Branch FaisalAbad
198	177	North II	D-Ground, Faisalabad	Faisalabad	041-8730443	447-D, Peoples Colony, Faisalabad
199	249	North II	Rabwah	Faisalabad	047-6215072-4	Plot # 09, Gol Bazar Darul Saddar Chenab Nagar Rabwah.
200	254	North II	Samanabad, Faisalabad	Faisalabad	041-2563673	650 A, Samanabad, Industrial Labor Colony, Faisalabad
201	280	North II	Gojra	Faisalabad	046-3512024	Tehsil Office Road Gojra
202	163	North II	Jhang	Faisalabad	047-7623283-84	P-10/1/A, Katchery Road, Near Session Chowk, Saddar Jhang
203	228	North II	Toba Tek Singh	Faisalabad	0462517800-809	P-356 A/15-5, ST-6, Chaudhry Park, Farooq Shaheed Road, Toba Tek Singh
204	288	North II	Clock Tower, Faisalabad	Faisalabad	041-2610304-08	Plot No. 221/A, Clock Tower, Faisalabad.
205	238	North II	Daska	Sialkot	052-6614623-4	Plot No.3,4 & 5, Muslim Market ,Gujranwala, Daska
206	128	North II	Gujranwala	Sialkot	055-3730301-3	Zia Plaza, G.T. Road, Gujranwala.
207	268	North II	Sheikhupura Road, Gujranwala	Sialkot	055-4240156 -60	Link Sheikhupura Road, Mohalla Bajwa Colony, Khiali Shahpur Town, Tehsil and district Gujranwala
208	215	North II	Mandi Bahuddin.	Sialkot	0546-600722-23	Khasra No.143/112/2 Railway Road, Mandi Bahauddin
209	146	North II	Gujrat	Sialkot	53-3533315, 3536781-3,3533855 3523174-5,3520008	Nobel Furniture Plaza, G.T Road, Gujrat.
210	245	North II	Lalamusa	Sialkot	053-7519576-9	Faysal Bank Limited Shayan plaza kaira G.T road Lalamusa
211	122	North II	Sialkot Main	Sialkot	052-4292501-3	Plot No.B1-16S-98B, 17-Paras Road, Opp CC & I Sialkot
212	261	North II	Cantt Sialkot	Sialkot	052-4261507 4261709-10	100 - A, Aziz Shaheed Road, Sialkot Cantt
213	279	North II	Wazirabad	Sialkot	055-6609523-30	Ground Floor, Al Rehmat Plaza, Hajipura Chowk, Sialkot Road, Wazirabad.

## ISLAMIC BRANCHES SOUTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	3001	South	Sharfabad	Karachi	021-34923770-4	Alharam Tower 1, BMCHS, Alamgir Road, Sharfabad, Karachi
2	3007	South	Nazimabad	Karachi	021-36613053-55	Plot# 16, Row# 1, Sub Block A, Block III (III-A,1 /16) Nazimabad, Karachi
3	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
4	400	South	DHA Phase I	Karachi	021-35311473 021-35311482	Speedy Towers 129/I & II, Korangi Road, Phase I, DHA, Karachi
5	443	South	Shaheed-e-Millat	Karachi	021-34311657 021-34398361	SNPA/ 9-A/1, Commercial Area, KCHS Union Ltd., Union Area Shaheed-e-Millat Road, Karachi
6	3015	South	Gulistan-e-Jauhar	Karachi	021-34026831, 34026826 34026833	Shops No. 12 to 14, Plot No. 118/6-C, Billy's Height, Deh Okewari, Drig Road Cantt. Block-18, KDA Scheme No. 36, Gulistan-e-Jauhar, Karachi
7	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
8	3027	South	Paper Market	Karachi	021-32213945-8,	Plot Bearing Survey No.20, Sheet No.SR-8, Syed Aale-Hassan Memorial Lodge, Hassan Ali Effendi Road, Paper Market, Karachi.
9	3031	South	Khayaban-e-Shahbaz	Karachi	021-35342364-7	43-C, Khayaban-e-Shahbaz, Phase VI, DHA, Karachi
10	3043	South	Gulshan-e-Iqbal	Karachi	021-34819572-76	Plot No. FL-2/4, Block-6, KDA Scheme No. 24, Gulshan-e-Iqbal, Karachi
11	3046	South	Cattle Colony	Karachi	021-35080125-27	Plot No. 3-A, Commercial Area, Landhi, Cattle Colony, Karachi
12	3018	South	Qandhari Bazaar	Quetta	081 2837890, 2843005, 2820916, 2837320	1-25/14-15, Qandhari Bazaar, Quetta
13	3004	South	Zarghoon Road	Quetta	081-2443177 081-2443265	Near Bukhari Petroleum, New Zarghoon Road, Quetta
14	3042	South	Hyderabad	Hyderabad	022 2730074-77	C.B. 41/474/2, Saddar, Hyderabad

## ISLAMIC BRANCHES CENTRAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
15	3006	Central	Leeds Centre, Gulberg	Lahore	042-35783955-57	Shop # 4, 4A and 4B, Leeds Center, Main Boulevard, Gulberg, Lahore
16	3008	Central	Azam Cloth	Lahore	042-37671351-54	Shop No. F-1469, 1566 & 1567, Akbar Block, Rahim Centre, Azam Cloth Market, Lahore
17	421	Central	Cavalry Ground	Lahore	042-36603417 042-36603418	97 - Commercial Area, Cavalry Ground, Lahore
18	3016	Central	Baghbanpura	Lahore	042-36840310-3	310/3/1, Bilal Market Chowk, Shalamar Bagh, G.T Road, Baghbanpura, Lahore
19	3025	Central	Allama Iqbal Town	Lahore	042-37811068, 37811100, 37811074	20, Gulshan Block, Allama Iqbal Town, Lahore
20	3029	Central	Shahdara	Lahore	042-37900262-3,5	Khasra No. 128, Khewat No. 600, Khatooni No. 1079, Mauza Begum Kot, Sheikhpura Road, Shahdara, Lahore
21	3032	Central	Township	Lahore	042-35176051-3	894-D, Faisal Town, Peco Road, Township, Lahore
22	3033	Central	Circular Road	Lahore	042-37670600-5	33 Circular Road, Outside Shah Alam Gate, Lahore
23	3037	Central	Raiwind Road	Lahore	042-35320164, 35320264, 35320360	131/178, Bohbatein Chowk, Raiwind Road, Lahore
24	3038	Central	Z-Block, DHA	Lahore	042 35743741-43	10-Z, Street 1, Phase III, DHA, Lahore
25	3040	Central	Qartaba Chowk	Lahore	042 37574680-2	3-B, Ferozepur Road, Mozang Chungi, Near Abid Market, Qartaba Chowk, Lahore
26	3003	Central	D-Ground	Faisalabad	041-8555643 041-8555646	447-D, Peoples Colony 1, D-Ground, Faisalabad
27	3021	Central	Liaquat Road	Faisalabad	041-2617403-8 2619025, 2627806-7	3-Liaquat Road, Faisalabad
28	3014	Central	Minerwa Road	Faisalabad	041-2416281-85	Shop No.1,2, 46-50, New Grain Market, Minerwa Road, Faisalabad
29	3045	Central	Talagang	Talagang	0543 411995-97	BII-278-279, Madina Plaza, Near Boys High School No.1, Chakwal Road, Talagang
30	3047	Central	Chowk Shaheedan	Multan	061 4574462-64	Property # 1771/SH, Ward # VIII-M, Chowk Shaheedan, Multan
31	3022	Central	Abdali Road	Multan	061-4571768, 4570768, 4581905-6, 4570398, 4517408	80 - Abdali Road, Multan
32	3017	Central	G.T. Road Gujrat	Gujrat	053 3535931-2 053 3533143	2-Prince Fan Colony, G.T. Road, Gujrat
33	3023	Central	Daska Road	Sialkot	052-3240200-204 052-3252996-8	Plot No. 651, Daska Road, Pul Aik, Sialkot
34	3030	Central	Gujranwala	Gujranwala	055 3735531-5	157-AI-Majeed Centre, Street No. 14, Mohalla Faisalabad, G.T. Road, Gujranwala
35	3039	Central	Bahawalpur	Bahawalpur	062-2731115-6 2731118,	V-912, Circular Road, Bahawalpur

## ISLAMIC BRANCHES NORTH

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
36	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
37	3012	North	G.T. Road Peshawar	Peshawar	091 2590484-7	Ground Floor, Raheem Medical Centre, G.T. Road, Peshawar
38	3013	North	Peshawar Cantt.	Peshawar	091 5273091-92 091 5275182	6, Saddar Road, Tasneem Plaza, Peshawar Cantt., Peshawar
39	3041	North	Ashraf Road	Peshawar	091 2593364, 091 2593164	Shop No. 471-472/203-204, New Rampura Gate, Ashraf Road, Peshawar
40	3005	North	The Mall	Rawalpindi	051 5701054-57	Century Towers, 6 The Mall, Rawalpindi
41	3009	North	Mingora	Swat	0946-722011-13	Lower Ground & First Floor, Abasin Towers, Green Chowk, Madyan Road, Mingora, Swat
42	3011	North	Mardan	Mardan	0937-871761-2	2174/1, Main Bazar, Bank Road, Mardan
43	3019	North	Mirpur, Azad Kashmir	Azad Kashmir	05827 437272-3 437259,61,62,70	Akbar Plaza, Plot No.2, Sector A/2, Mirpur, Azad Kashmir
44	3020	North	Charsadda	Charsadda	0916 511011, 0916 511013, 0916 512013-4	Ground Floor, Gold Mines Towers, Nowshera Road, Charsadda
45	3024	North	F 10 Markaz	Islamabad	051-2296962-3, 2222873, 2809056-8, 2222881, 2106723	Ground Floor, 7-L, F-10 Markaz, Islamabad
46	3028	North	Nowshera Cantt.	Nowshera	0923 613400-2	1st Floor, Amin Tower, G.T. Road, Nowshera Cantt. Nowshera
47	3034	North	Mansehra	Mansehra	0997 308302-3, 308305-7, 308309-11	Khata/Khatooni No. 3179/6260, Ground Floor, Rehman Plaza, Abbottabad Road, Mansehra
48	3035	North	Kohat	Kohat	0922 522451, 522454	Plot No. 14, Survey No. 253-C, Near Butt Super Store, Katchery Chowk, Hangu Road, Kohat Cantt.
49	3041	North	Ashraf Road	Peshawar	091 2593364 091 2593164 091 2593165	Shop No. 471-472/203-204, New Rampura Gate, Ashraf Road, Peshawar
50	3044	North	Aabpara Market	Islamabad	051 2870474-76 051 2870477	Unit No.715, Kamran Restaurant, Aabpara Market, Khayaban-e-Suharwardy, Islamabad
51	3048	North	I-8 Markaz	Islamabad	051 4861800-802 051 4861805	Plot No. 33, Aneek Arcade, Sector No. I-8 Markaz, Islamabad
52	3049	North	Bannu	Bannu	0928 611540-41 0928 611544	Khasra No. 1462/1833, Mouza Fatima Khel, Near Durrani Plaza, Ex GTS Chowk, Bannu Cantt., Bannu

خود سے فیض پارکنگ



# WITNESS

Glory and fame follow those who stay courageous and bold. People who pursue ambitions, individual or collective, with a zenith of purity almost always see the good days come. The dark turns into light. The ugly becomes pleasant. The change happens. And the legacy... lives forever!

ہم دیکھیں گے  
لازم ہے کہ ہم بھی دیکھیں گے  
وہ دن کہ جس کا وعدہ ہے  
جو لوحِ ازل پہ لکھا ہے

لازم ہے  
کہ ہم بھی  
دیکھیں گے  
وہ دن  
کہ جس کا  
وعدہ ہے  
جو لوحِ ازل  
پہ لکھا ہے

**ACCRUAL BASIS**

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

**BONUS ISSUE (SCRIP ISSUE)**

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

**CAPITAL ADEQUACY RATIO**

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

**CASH EQUIVALENTS**

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

**Cash Reserve Ratio (CRR)**

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

**CONTINGENCIES**

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

**COST / INCOME RATIO**

Operating expenses as a percentage of total income.

**CORPORATE GOVERNANCE**

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

**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.

**LIQUID ASSETS**

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

**LOAN LOSSES AND PROVISIONS**

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

**REPURCHASE AGREEMENT**

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

**REVERSE REPURCHASE AGREEMENT**

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

**RETURN ON AVERAGE EQUITY**

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

**REVENUE RESERVE**

Reserves set aside for future distribution and investment.

**DEFERRED TAXATION**

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

**Dividend Payout Ratio**

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

**Dividend Yield Ratio**

Dividend per share divided by the market value of share.

**DERIVATIVES**

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

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

**EARNINGS PER SHARE**

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

**MATERIALITY**

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

**NET ASSETS VALUE PER SHARE**

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

**NET DIVIDENDS**

Dividend net of withholding tax.

**NET INTEREST INCOME**

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

**NPLs to Gross Advances/Loans**

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

**Non Performing Loan-Substandard Category**

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

**Non Performing Loan-Doubtful Category**

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

**Non Performing Loan-Loss Category**

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

**OFF BALANCE SHEET TRANSACTIONS**

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

**PRICE EARNINGS RATIO (P/E RATIO)**

Market price of a share divided by earnings per share.

## GLOSSARY OF TERMS

### PRUDENCE

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

### RETURN ON AVERAGE ASSETS

Profit after tax divided by the average assets.

### RISK WEIGHTED ASSETS

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

### SHAREHOLDERS' FUNDS

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

### STATUTORY RESERVE FUNDS

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

### Weighted Average Cost of Deposits

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

## FORM OF PROXY

I/We \_\_\_\_\_ Of \_\_\_\_\_

\_\_\_\_\_ a member

(s) of FAYSAL BANK LIMITED and holding \_\_\_\_\_ ordinary shares, as per Register Folio

No. / Participant s ID/CDC sub Account No. \_\_\_\_\_ hereby appoint

\_\_\_\_\_ Folio No. / Participant s ID/CDC sub Account

No \_\_\_\_\_ or failing him/her \_\_\_\_\_

of \_\_\_\_\_ as my / our proxy to vote and act for me / us on my / our

behalf at the Annual General Meeting of the Bank will be held on March 28, 2013 and at any adjournment

thereof.

Signed \_\_\_\_\_ day of \_\_\_\_\_, 2013

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 21, 2013 to March 28, 2013 (both days inclusive). Transfer received at the Registrar and Share Transfer Agent of the Bank, by the close of business on March 20, 2013 will be treated in time.
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 Registrar/Share Transfer Agent 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.

## FORM OF PROXY

### 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 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.