

Annual Report 2009

Drawing Inspiration





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Smoothing Rough Edges

When it comes to the pursuit of excellence, our approach is uncompromised; we not only welcome the future with open arms, but we also strive to play a role in what shape it takes.



The gap between what we had set out to be, and what we are currently, reduces as we draw inspiration, explore, learn and practice new arts. Our passion stays uncompromised, our hopes high and energies higher; all of them single-mindedly focused on attaining a higher level of being.

We soar to glory, as we ride the tides of change. We learn the art of stretching our own limits, pushing our own boundaries, being greater and doing more. This metamorphosis doesn't end with inspiration. It will remain as long as we strive to do more, and be more, than ever before.

And nor will it end with the accomplishment of our ideals. To us excellence is neither an outcome, nor our desired state of performance. To us, excellence is a never ending pursuit of standards, which keeps increasing with each step forward that we take. This principle of perfection keeps us motivated, with the knowledge that there is always a long way to go.





The management at Faysal Bank, whilst implementing its five-year strategic plan, has been able to improve profitability in the current year by exploring and capitalizing on new internal and external opportunities and managing its NPL's.

Assalam o Alaikum

I am pleased to report that your bank's overall performance in the year 2009 was commendable notwithstanding a challenging environment.

The management at Faysal Bank, whilst implementing its five-year strategic plan, has been able to improve profitability in the current year by exploring and capitalizing on new internal and external opportunities and managing its NPL's. With slowdown in GDP growth, lower demand for advances, increasing impairment levels in the risk assets and higher inflation, the profitability of the banking sector continues to remain under pressure.

The five-year strategy implementation is on track, with positives emerging on multiple fronts. There continues to be a qualitative improvement in Risk Management processes and Human Resource. Substantive work has been done in making our technology platforms robust, and we continue to develop capability in the areas of product development and innovation, proactive management of risk, costs and service quality.

As part of its strategic plan to grow, your bank is also evaluating potential acquisition, which has a good strategic fit to strengthen its competitive position vis a vis other players in the industry.

Adding to our credibility is the long-term entity rating of AA, and the short-term entity rating of A1+, by both JCR-VIS and PACRA.

I am confident that in the ensuing year, your bank is poised to improve its operating performance through a flexible multi-pronged strategy to adapt to the opportunities and challenges in the operating environment, enabling the bank to serve its customers better.

I would like to take this opportunity to compliment the management for their professional effort and thank the State Bank of Pakistan for their support and guidance.

Chairman of the Board
Syed Naseem Ahmad

Our Vision

Excellence in all that we do.

Threshold Values

Values at the heart of our brand

Integrity

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

Our Integrity: Our Identity.

Respect

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

Our Respect: Our Duty.

Teamwork

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

Our Team: Our Asset.

Professionalism

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

Our Professionalism: Our Competence.

Our Mission

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

Differentiator Values

Values that set our brand apart

Passion

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

Our Passion: Our Worth.

Responsiveness

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

Our Responsiveness: Our Distinguisher.

Innovation

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

Our Innovation: Our Strength.

Compassion

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

Our Compassion: Our Gift.



Milestones

Corporate Social Responsibility

Faysal Bank being a socially responsible corporate entity has been a regular contributor to the society and communities it operates in. Recognizing this responsibility the employees of the bank established a relief fund for Internally Displaced Persons from Swat, with the bank contributing by matching the employees' contribution.

The bank entered into a partnership with the Institute of Business Administration (IBA) Karachi to provide Rs. 50 million over a period of 3-5 years for sponsorship of one academic chair in IBA's Executive MBA program. The bank also donated 183 computers to various educational institutions with a focus on promoting education for the underprivileged.

Bancassurance

Faysal aikFaisla was launched in the last quarter, as Faysal Bank's line of customized Bancassurance products to meet customers' growing needs. The range of products being offered includes Savings Plan and Education Plan.

MarketLink

Faysal MarketLink Savings Account was introduced, as a KIBOR-linked savings product. Profit rates are directly linked to Karachi InterBank Offered Rate (KIBOR), and the account is accessible through chequebook or Pocketmate Visa Debit Card.

Islamic Banking

Barkat Islamic Banking was launched in the third quarter, with the aim of introducing Shariah-Compliant Banking transactions. The current deposit products being offered are Barkat Islamic Current Account, Barkat Islamic Basic Banking Account, Barkat Islamic PLS Account, Barkat Islamic Investment Certificate and Barkat Islamic FCY Account.

Awards

The Bank continued to follow the Best Practices in the area of financial disclosure. This was acknowledged by SAARC, when Faysal Bank's Annual Report 2008 won a 'Merit Award' in the South Asian Federation of Accountants (SAFA) Best Presented Accounts Awards 2008, in the category of 'Banking Sector Subject to Prudential Supervision'.

The professional quality of the same report was also acknowledged by the Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP), which awarded it 3rd prize in the 'Best Corporate Reports Award', in the financial sector category.

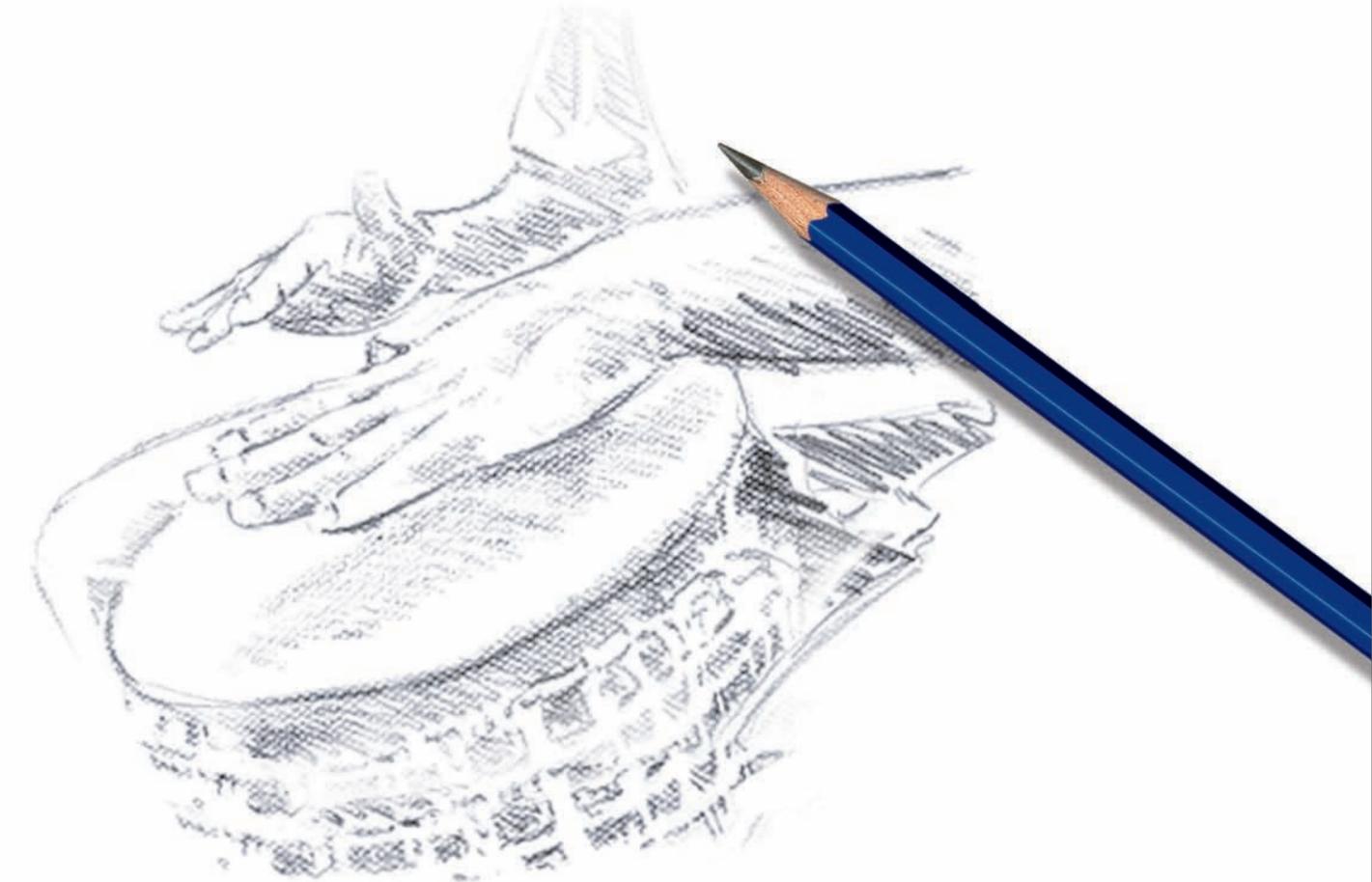
Alternate Delivery Channels

With a view to provide convenience to customers, the bank expanded its ATM network by adding 23 new ATMs, taking the total ATM network to 116 ATMs across the nation. The bank also introduced a real-time Cash Deposit facility through ATMs, on 13 Cash Deposit ATMs in selected cities. Through this service, our customers are now able to deposit cash in their accounts twenty-four hours a day.

The scope of the SMS Alert Facility was also enhanced to include alerts on various types of branch transactions, in addition to the alerts on card-related transactions.

Making More Impact

Our redefined way of working sets the foundation for a tempo of success.
It articulates our initiative, perseverance and performance, louder than ever before.





Tariq Iqbal Khan
Director

Mohammed A. Rahman Bucheerei
Director

Graham Roderick Walker
Director

Syed Naseem Ahmad
Chairman

Naved A. Khan
President & CEO

Farooq Rahmatullah
Director

Mohamed A. R. Hussain
Director

Shahid Ahmad
Director

Audit Committee

Graham Roderick Walker
Chairman

Tariq Iqbal Khan
Member

Mohammed A. Rahman Bucheerei
Member

Terms of Reference

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

Recruitment Nomination and Remuneration Committee (RNRC)

Syed Naseem Ahmad
Chairman

Farooq Rahmatullah
Member

Naved A. Khan
Member

Mohammed A. Rahman Bucheerei
Member

Shahid Ahmad
Member

Terms of Reference

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

Board Risk Management Committee (BRMC)

Mohamed A.R.Hussain
Chairman

Naved A. Khan
Member

Syed Naseem Ahmad
Member

Shahid Ahmad
Member

Terms of Reference

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

Attended by / Meeting Date	24/02/09	21/04/09	20/08/09	27/10/09
Syed Naseem Ahmad	✓	✓	✓	✓
Naved A. Khan	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	✓	✓
Graham R. Walker	✓	✓	✓	✓
Mohammed A. Rahman Bucheerei	✓	✓	✓	✓
Mohamed A. R. Hussain	✓	✓	✓	✓
Tariq Iqbal Khan	Leave of Absence	Leave of Absence	✓	✓
Shahid Ahmad	✓	✓	✓	✓

Management Team



Bashir A. Shaikh
Chief Risk Officer /
Advisor on Special Assets

Nasir Islam
Head Compliance

Nauman Ansari
Head Corporate &
Investment Banking/
Acting Head Commercial Banking

Salman Ahmed Usmani
Head Treasury

Syed Majid Ali
Chief Financial Officer

Naved A. Khan
President & CEO

Aarij Ali
Head Retail Banking /
Acting Head Strategic Development

Mehreen Amin
Head Human Resource

Ahmed Kamran
Head Services

MANCOM

Naved A. Khan
Chairman

Samih Khan
Secretary

Nauman Ansari
Member

Ahmed Kamran
Member

Bashir Shaikh
Member

Mehreen Amin
Member

Nasir Islam
Member

Syed Majid Ali
Member

Aarij Ali
Member

Salman Usmani
Member

ALCO

Naved A. Khan
Chairman

Salman Usmani
Secretary

Nauman Ansari
Member

Aarij Ali
Member

Syed Majid Ali
Member

Enamullah Khan
Member

Bashir Shaikh
Member

Asad Kerai
Member

Suhail Khan
Member

Compliance Committee

Naved A. Khan
Chairman

Nasir Islam
Secretary

Ahmed Kamran
Member

Bashir Shaikh
Member

Syed Majid Ali
Member

M. Nadeem Ahmed
Member

IT Steering Committee

Naved A. Khan
Chairman

Anwer Umed Ali
Secretary

Ahmed Kamran
Member

Bashir Shaikh
Member

Nasir Islam
Member

Syed Majid Ali
Member

Aarij Ali
Member

Nauman Ansari
Member

Investment Committee

Naved A. Khan
Chairman

Enamullah Khan
Secretary

Syed Majid Ali
Member

Nauman Ansari
Member

Bashir Shaikh
Member

Salman Usmani
Member

Enterprise Risk Management Committee

Naved A. Khan
Chairman

Asad Kerai
Secretary

Bashir Shaikh
Member

Ahmed Kamran
Member

Nasir Islam
Member

Aarij Ali
Member

Syed Majid Ali
Member

Nauman Ansari
Member

Salman Usmani
Member

Other Senior Management

Enam Khan
Head Equity Capital Market

Khaqan Mohammed Khan
Head Corporate Banking - South

Yousaf Hussain
Head Corporate Banking - North

Arif Hasan Khan
Head Fraud Investigations Unit

Farah Naz
Head Consumer Finance

Iqbal Ahmed Zuberi
Head Policies & Procedures

Muhammad Abadullah
Head Centralized Operations

Anwer Umed Ali
Head IT

Awais Maqsood
Head General Services

Syed Kazim Raza
Head Branch Distribution - South

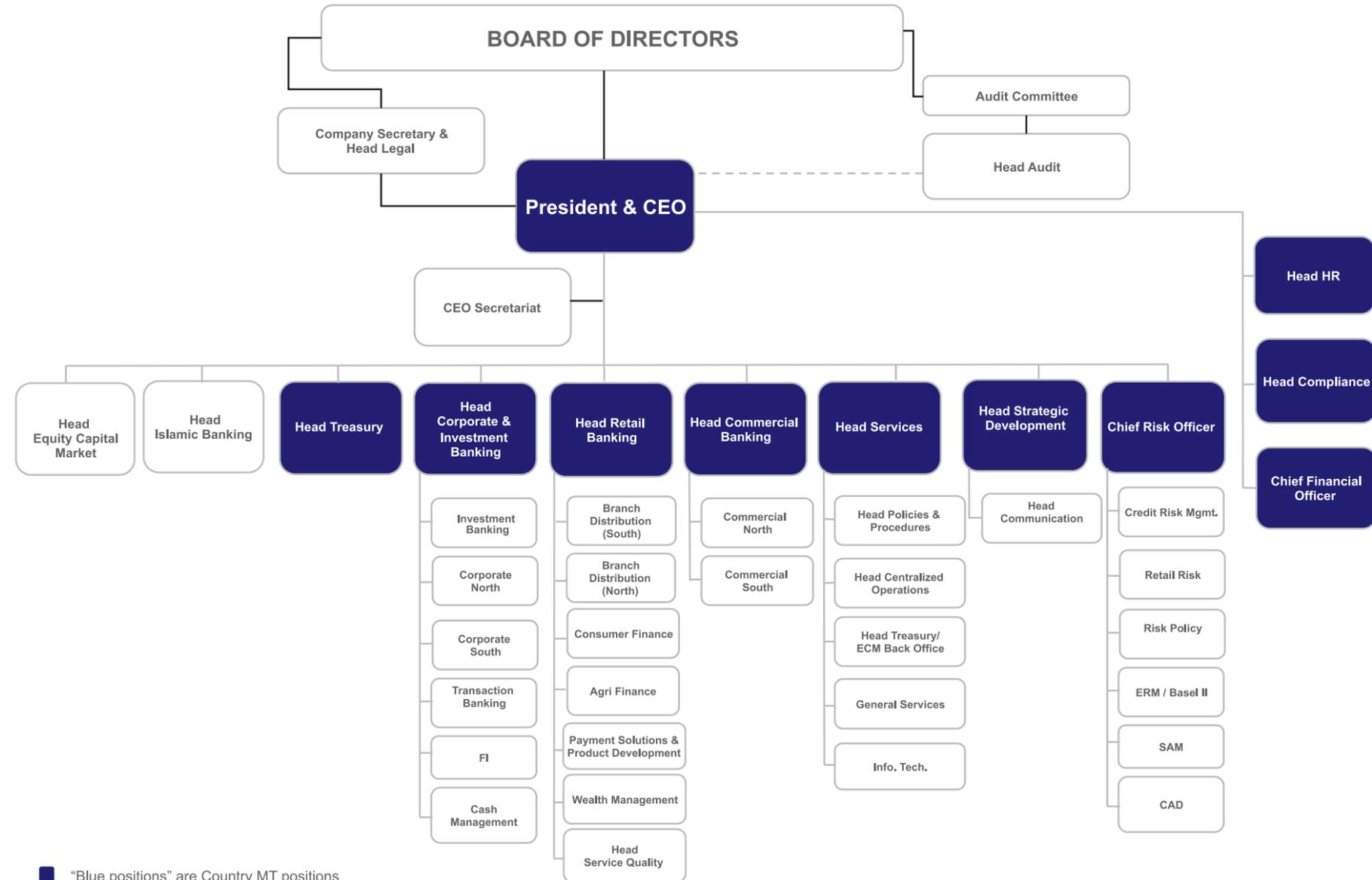
Dina Shahban
Head Branch Distribution - North

Muhammad Nadeem Ahmad
Head Internal Audit

Suhail Khan
Head Credit Risk Management

Raza Mohsin Qizilbash
Company Secretary & Head Legal

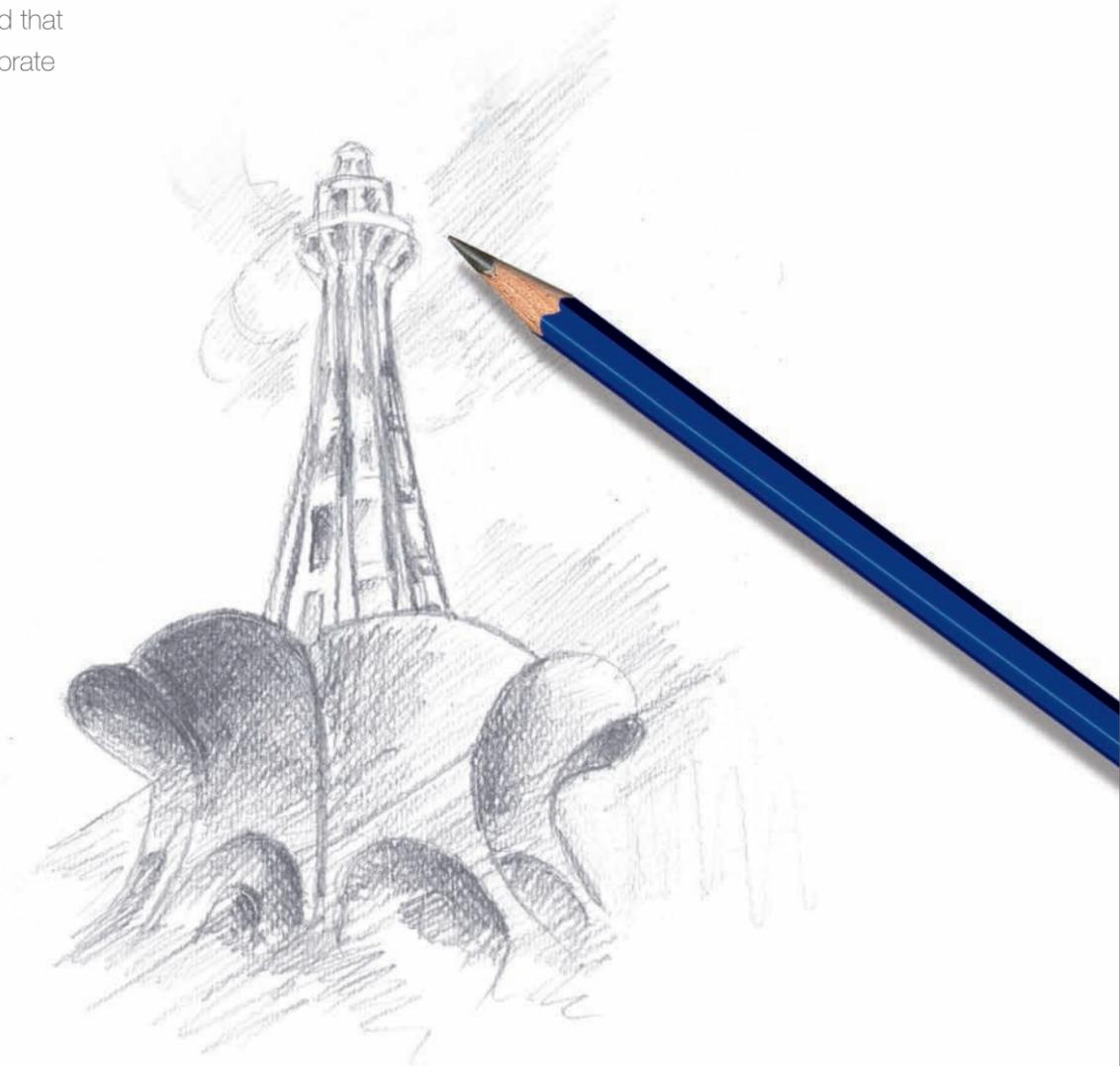
Fouad Farrukh
Head Islamic Banking



■ "Blue positions" are Country MT positions

Reaching Unimagined Heights

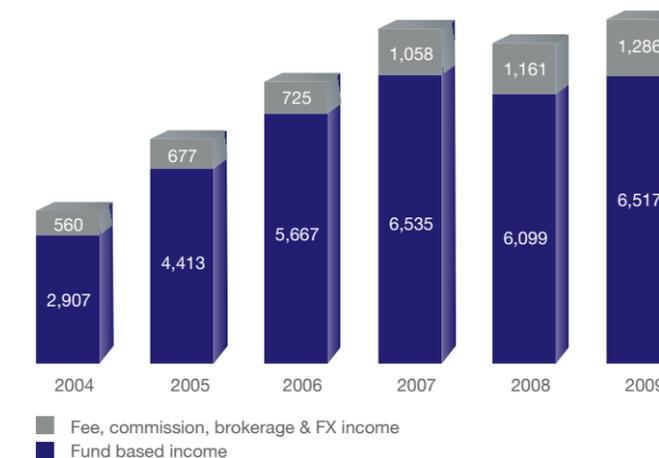
We strive go further and aim higher than ever before. We understand that the construction of this dream is as important as the result and celebrate it as a symbol of our collective effort as a team.



	(Rupees in millions)						
	2009	2008	2007	2006	2005	2004	
OPERATIONAL RESULTS							
Mark-up / return / interest earned	6,338	13,404	11,611	9,728	6,338	2,753	
Mark-up / return / interest expensed	3,312	8,455	7,459	6,089	3,312	1,118	
Fee, commission, brokerage & FX Income	1,286	1,161	1,058	725	677	560	
Dividend and Capital gains	1,493	1,073	2,337	1,580	1,385	1,267	
Total income	7,803	7,260	7,593	6,391	5,090	3,467	
Provisions / Write-off	2,192	2,047	2,079	622	(310)	124	
Operating expenses	4,311	3,416	2,816	1,899	1,431	1,136	
Operating profit before tax and provision	3,492	3,844	4,777	4,492	3,659	2,331	
Profit before taxation	1,301	1,797	2,698	3,870	3,969	2,207	
Profit after taxation	1,200	1,115	2,272	2,817	3,069	1,753	
Dividends	%	-	25	50	35	45	
Bonus shares	%	15	25	-	30	10	
BALANCE SHEET							
Shareholders' equity	11,336	10,136	10,345	9,132	8,112	6,251	
Revaluation Reserves	1,447	636	5,811	4,664	6,148	3,963	
Deposits	123,655	102,777	102,067	74,414	74,737	56,460	
Borrowings from financial institutions	34,986	13,027	9,996	14,965	15,296	8,478	
Advances - net of provision	91,346	83,512	87,346	74,469	62,324	50,542	
Investments - net of provision	56,531	36,153	31,553	22,525	24,412	12,334	
Total assets	180,865	138,241	141,277	115,470	110,281	78,538	
OTHERS							
Imports	66,400	38,089	68,171	70,323	43,836	39,654	
Exports	36,173	50,395	52,110	33,815	23,384	18,933	
FINANCIAL RATIOS							
Capital Adequacy ratio	%	12.36	10.84	10.27	11.42	13.60	12.20
Profit before tax ratio	%	7.67	13.41	23.24	39.78	62.62	80.17
Gross spread ratio	%	29.43	36.92	35.75	37.40	47.75	59.39
(Net mark up income / gross mark-up income)							
Income / Expense ratio	Times	1.81	2.13	2.70	3.37	3.56	3.05
Return on Capital Employed	%	9.00	10.57	11.34	20.43	20.26	8.76
Return on Average Equity (ROE)	%	11.18	10.89	23.33	32.67	42.74	29.57
Return on Average Assets (ROA)	%	0.75	0.80	1.77	2.50	3.25	2.78
Weighted Average Cost of Deposit	%	8.23	7.03	7.00	6.30	4.07	2.22
Current Ratio	Times	0.51	0.54	0.65	0.64	0.65	0.78
Advances / Deposit Ratio (Average)	%	77.22	83.41	91.69	91.71	86.03	91.32
Total assets turnover ratio / Fixed assets turnover ratio	Times	64.87	52.23	56.17	51.57	63.89	67.80
(Total assets / Fixed assets)							
Price Earning ratio	%	8.90	6.29	15.37	9.10	8.89	7.23
Earning per share (EPS)	Rs.	1.97	1.83	4.29	6.65	8.33	6.02
Net Assets per share	Rs.	20.99	20.34	30.50	32.56	38.70	35.07
Market value per share	Rs.	17.53	11.51	65.95	60.50	74.10	43.55
Market value per share - high	Rs.	18.75	66.70	80.25	93.20	76.35	43.55
Market value per share - low	Rs.	7.94	11.51	60.00	54.15	39.90	28.35
Earning Asset to Total Asset Ratio	%	90.70	89.51	91.49	89.28	91.32	89.00
Dividend Yield Ratio (Cash Dividend)	%	-	-	3.79	8.26	4.72	10.33
Dividend pay out ratio (Cash Dividend)	%	-	-	58.27	75.19	42.01	74.75
Book value per share	Rs.	18.61	19.14	19.53	21.55	22.02	21.46
Book value per share - including Surplus/(Deficit) on revaluation	Rs.	20.99	20.34	30.51	32.56	38.70	35.08
Number of employees		2,042	1,929	1,759	1,463	1,068	899
Number of branches		133	129	105	75	56	50
CASHFLOWS:							
Operating activities	13,981	1,882	7,262	12	10,471	4,419	
Investing activities	(14,634)	(2,669)	(5,505)	2,908	(9,085)	1,738	
Financing activities	(5)	(1,326)	(818)	(1,791)	(1,201)	(1,108)	

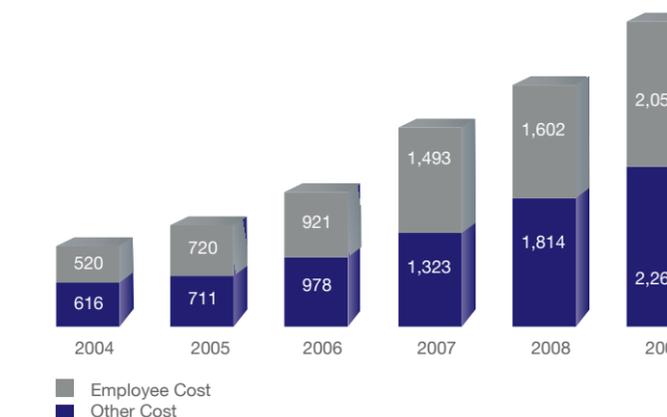
Income Composition

Rupees in Million

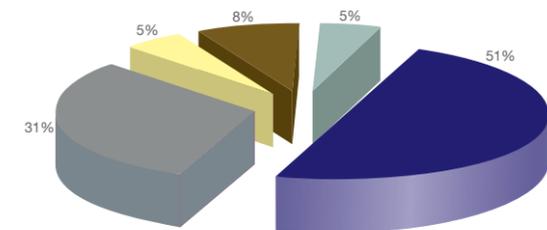


Expense Composition

Rupees in Million



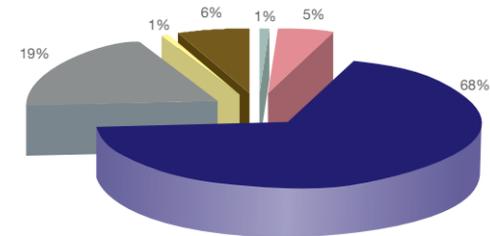
Assets



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

ASSETS	Rs in Million	%
Advances	91,346	51
Investments	56,531	31
Cash & Bank Balances	8,936	5
Lending to Financial Institutions	15,018	8
Other assets	9,035	5
	180,866	100

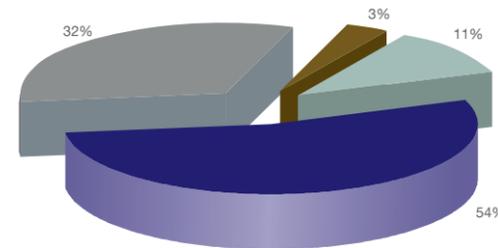
Liabilities & Equity



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

LIABILITIES & EQUITY	Rs in Million	%
Deposits & other accounts	123,655	68
Borrowing from Financial Institutions	34,986	19
Sub-ordinated loans	999	1
Shareholders' equity	11,337	6
Revaluation Reserve	1,447	1
Other Liabilities	8,442	5
	180,866	100

Shareholders' Equity

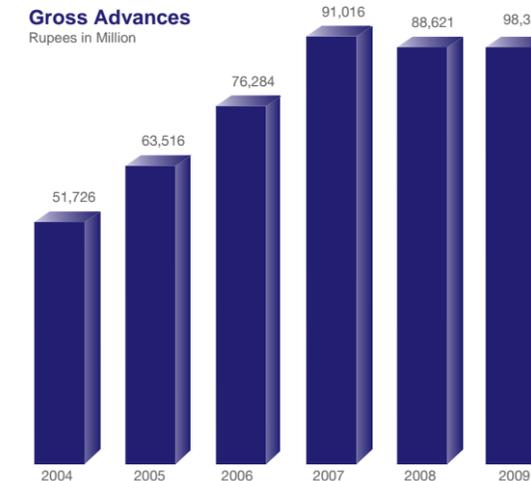


- Share Capital
- Statutory Reserve
- Special Capital Market Reserve
- Unappropriated Profit

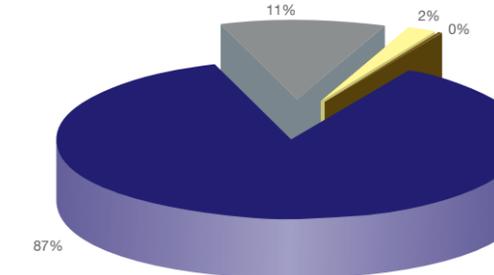
LIABILITIES & EQUITY	Rs in Million	%
Share Capital	6,091	54
Statutory Reserve	3,641	32
Special Capital Market Reserve	390	3
Unappropriated Profit	1,215	11
	11,337	100

Gross Advances

Rupees in Million



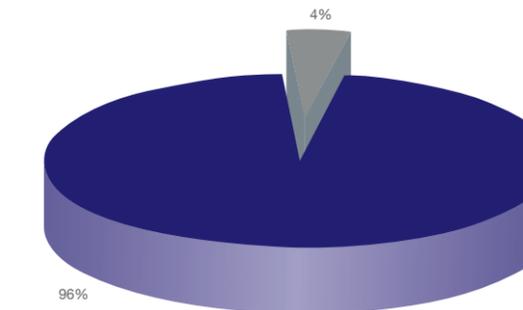
Advances Categorisation



- Loans, cash credits and running finances
- Net investment in finance lease
- Bills discounted & purchased
- Reverse Repo transactions

	Rs in Million	%
Loans, cash credits and running finances	85,057	87
Net investment in finance lease	11,113	11
Bills discounted & purchased	1,877	2
Reverse Repo transactions	338	0
	98,385	100

Advances by Currency



- Local currency
- Foreign currency

	Rs in Million	%
Local currency	94,586	96
Foreign currency	3,799	4
	98,385	100

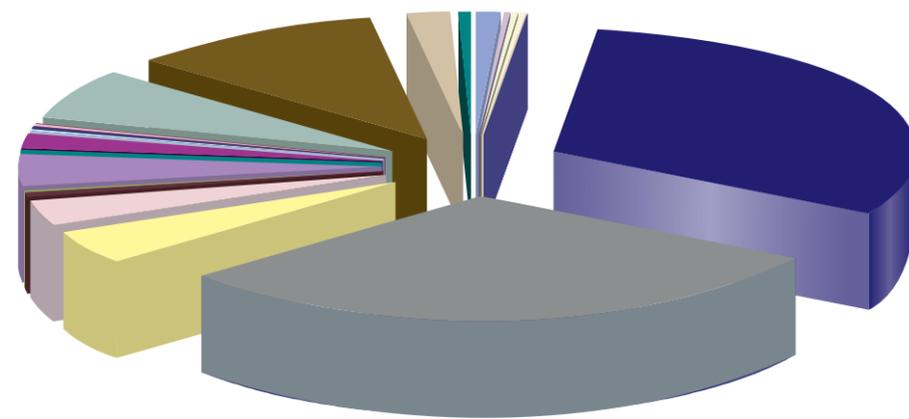
Advances

- Chemical & Pharmaceuticals
- Food & Allied
- Shoes and leather garments
- Oil Refining / Marketing
- Iron & Steel
- Others
- Textile
- Construction
- Synthetic and Rayon
- Electronics & Electrical Appliances
- Paper & Board
- Agribusiness
- Sugar
- Automobile and transportation equipment
- Distribution / Trading
- Food Industries
- Cement
- Ready made garments
- Financial
- Production and transmission of energy
- Individuals

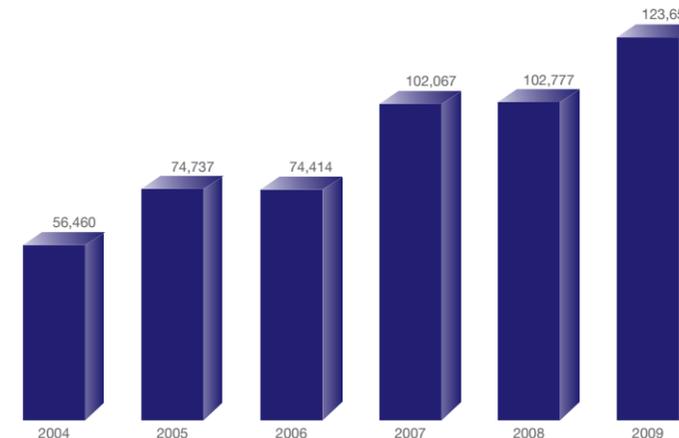


Deposits

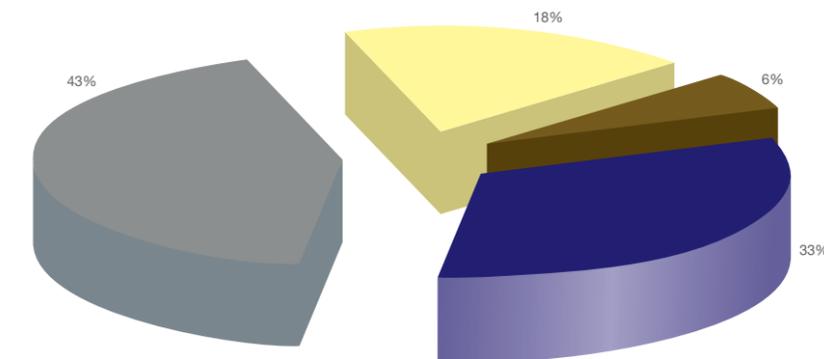
- Chemical & Pharmaceuticals
- Telecommunication
- Shoes and leather garments
- Oil Refining / Marketing
- Iron & Steel
- Paper & Board
- Agribusiness
- Sugar
- Automobile and transportation equipment
- Distribution / Trading
- Synthetic & Rayon
- Individuals
- Textile
- Construction
- Transportation, Road and Air
- Electronics & Electrical Appliances
- Food Industries
- Others
- Cement
- Ready made garments
- Financial
- Production and transmission of energy
- Mining & Quarrying



Deposits
Rupees in Million



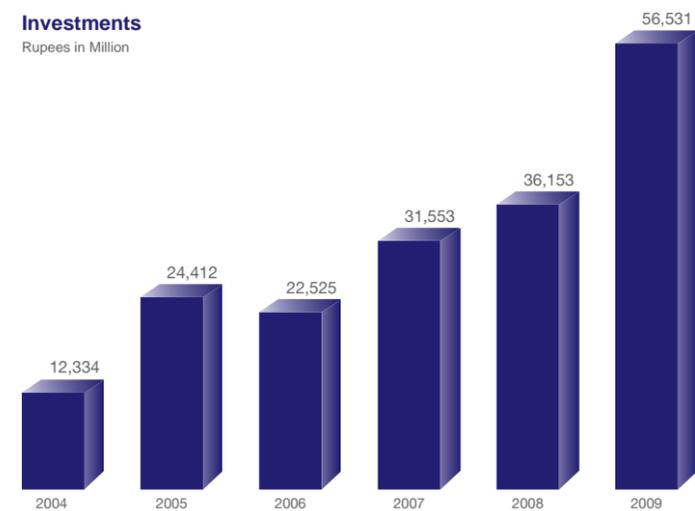
Deposits categorisation



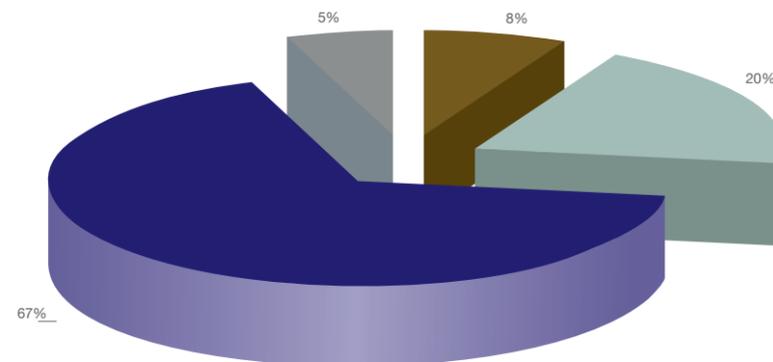
- Savings
- Term
- Current and margin accounts
- Financial institutions

	Rs in Million	%
Savings	40,444	33
Term	53,097	43
Current and margin accounts	22,880	18
Financial institutions	7,234	6
Total	123,655	100

Investments
Rupees in Million



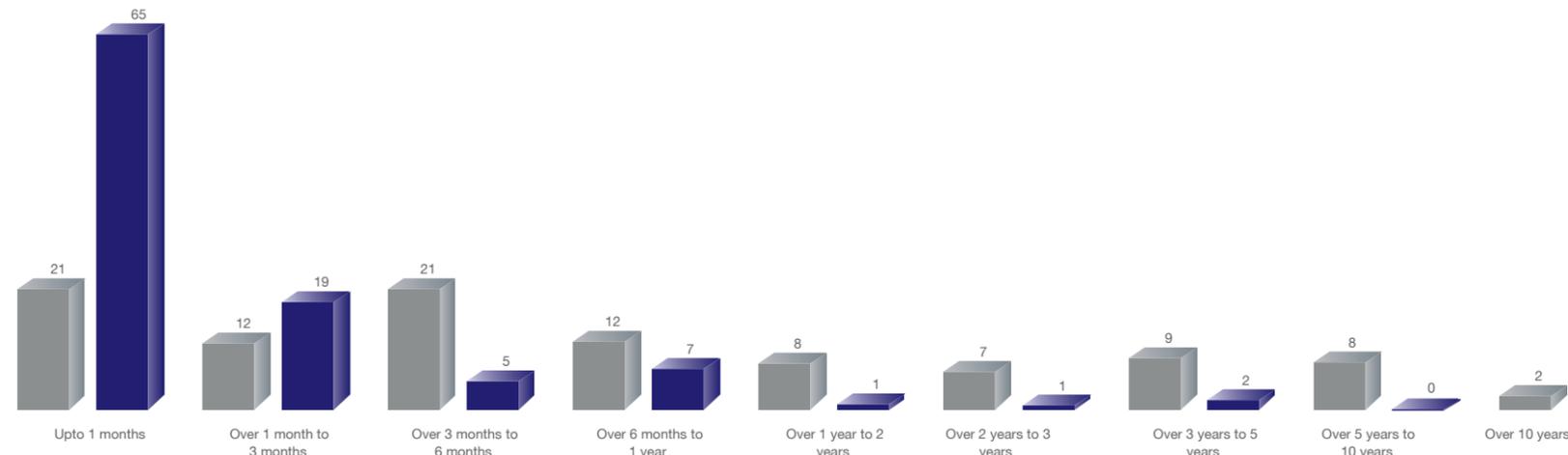
Breakup of investments



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

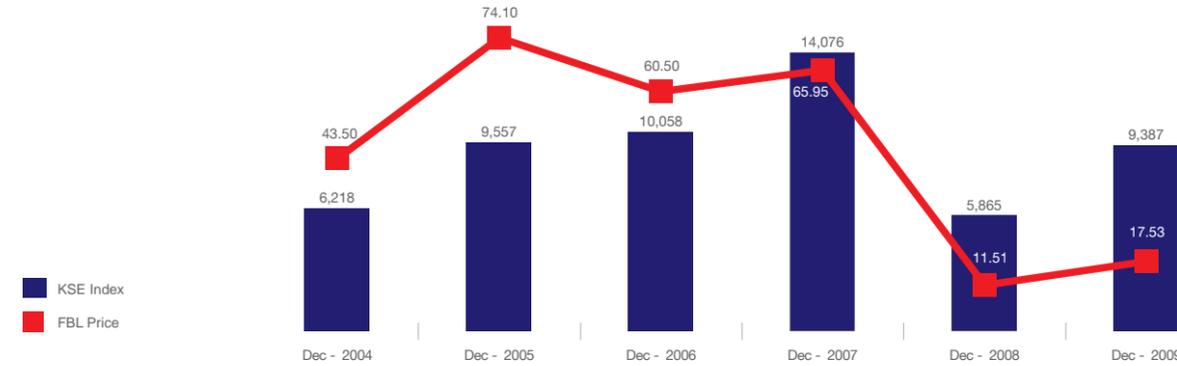
	Rs in Million	%
Government Securities	37,971	67
TFCs / Bonds	11,118	20
NIT	4,350	8
Shares / Other Units	3,092	5
	56,531	100

Maturity Profile
Percentage

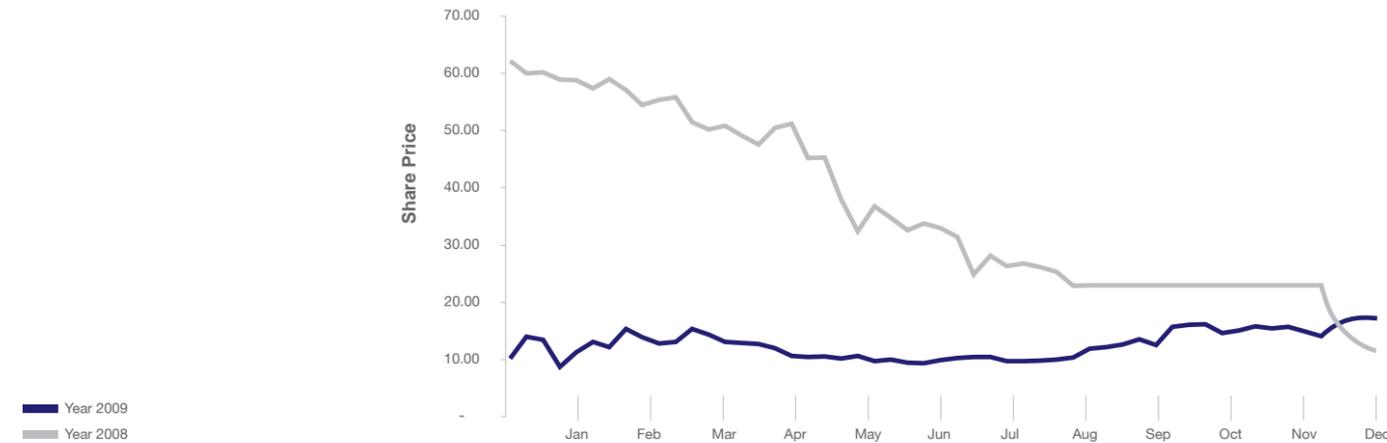


- Assets
- Liabilities

FBL Price vs KSE Index (2004 - 2009)



FBL Share Price Movement 2009 vs 2008



Balance Sheet

ASSETS

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

LIABILITIES

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

REPRESENTED BY

Share capital
Reserves
Unappropriated profit
Surplus on revaluation of assets

	2009	2008	2007	2006	2005	2004	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004	2004 vs 2003
	Rupees in Million						Variance (%)					
ASSETS												
Cash and balances with treasury banks	8,427	8,928	6,872	7,208	6,697	5,048	-6	30	-5	8	33	76
Balances with other banks	509	877	3,708	2,883	2,046	3,564	-42	-76	29	41	-43	449
Lendings to financial institutions	15,018	2,861	7,078	4,608	10,743	4,417	425	-60	54	-57	143	407
Investments	56,531	36,153	31,553	22,525	24,412	12,334	56	15	40	-8	98	8
Advances	91,346	83,512	87,346	74,469	62,324	50,542	9	-4	17	19	23	72
Operating fixed assets	2,788	2,647	2,515	2,239	1,726	1,158	5	5	12	30	49	12
Deferred tax assets - net	1,280	-	-	-	-	-	100	0	100	100	100	-100
Other assets	4,966	3,264	2,204	1,538	2,334	1,475	52	48	43	-34	58	25
Total Assets	180,865	138,242	141,276	115,470	110,282	78,538	31	-2	22	5	40	65
LIABILITIES												
Bills payable	1,465	1,537	2,407	4,516	1,193	906	-5	-36	-47	279	32	110
Borrowings	34,986	13,027	9,996	14,965	15,296	8,478	169	30	-33	-2	80	30
Deposits and other accounts	123,655	102,777	102,067	74,414	74,737	56,460	20	1	37	0	32	80
Sub-ordinated loans	999	1,000	1,000	-	-	-	0	0	100	100	100	100
Liabilities against assets subject to finance lease	-	4	8	14	24	18	-100	-50	-43	-42	33	13
Deferred tax liabilities - net	-	2,483	2,691	1,840	1,268	166	-100	-8	46	45	664	100
Other liabilities	6,977	6,642	6,951	5,924	3,504	2,296	5	-4	17	69	53	24
Total Liabilities	168,082	127,470	125,120	101,673	96,022	68,324	32	2	23	6	41	70
REPRESENTED BY												
Share capital	6,091	5,296	5,296	4,237	3,684	2,913	15	0	25	15	26	10
Reserves	4,030	3,790	3,567	3,080	2,516	2,259	6	6	16	22	11	7
Unappropriated profit	1,215	1,050	1,482	1,816	1,911	1,079	16	-29	-18	-5	77	241
Surplus on revaluation of assets	11,336	10,136	10,345	9,133	8,111	6,251	12	-2	13	13	30	23
Total Represented By	12,783	10,772	16,156	13,797	14,260	10,214	19	-33	17	-3	40	37

Profit and Loss Account

	2009	2008	2007	2006	2005	2004	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004	2004 vs 2003
	Rupees in Million						Variance (%)					
Mark-up / return / interest earned	16,958	13,404	11,611	9,728	6,338	2,753	27	15	19	53	130	33
Mark-up / return / interest expensed	11,968	8,455	7,459	6,089	3,312	1,118	43	13	23	84	196	18
Net mark-up / interest income	4,990	4,949	4,152	3,639	3,026	1,635	1	19	14	20	85	45
Provision / (Reversal) against non-performing loans and advances - net (Reversal)/ Provision for consumer loans - general	1,966	1,544	1,797	517	(19)	52	27	-14	248	-2821	-137	-75
Provision / (Reversal) for diminution in the value of investments	(27)	(105)	75	105	28	71	-74	-240	-29	275	-61	65
Bad debts written off directly	252	608	207	-	(319)	-	-59	194	100	-100	100	-100
	-	-	-	-	-	-	100	100	100	100	100	100
Net mark-up / interest income after provisions	2,191	2,047	2,079	622	(310)	123	7	-2	234	-301	-352	-50
	2,799	2,902	2,073	3,017	3,336	1,512	-4	40	-31	-10	121	72
Non mark-up / interest income												
Fee, commission and brokerage income	885	814	743	604	582	397	9	10	23	4	47	58
Dividend income	668	1,207	1,221	1,249	777	697	-45	-1	-2	61	12	-9
Income from dealing in foreign currencies	400	347	314	121	95	162	15	11	160	27	-41	51
Gain / (loss) on sale of securities	825	(134)	1,116	330	609	572	-716	-112	238	-46	7	-64
Unrealized (loss) on revaluation of investments classified as held for trading	(46)	(3)	3	-	-	(2)	1433	-200	100	100	-100	100
Other income	81	79	44	448	1	5	3	80	-90	44700	-80	150
Total non mark-up / interest income	2,813	2,310	3,441	2,752	2,064	1,831	22	-33	25	33	13	-33
	5,612	5,212	5,514	5,769	5,400	3,343	8	-6	-4	7	62	-7
Non mark-up / interest expenses												
Administrative expenses	4,284	3,258	2,800	1,866	1,429	1,135	32	16	50	31	26	36
Other provisions	(6)	97	6	-	-	-	-106	1517	100	-	-	-100
Other charges	33	61	10	33	2	1	-46	510	-70	1550	100	-92
Total non mark-up / interest expenses	4,311	3,416	2,816	1,899	1,431	1,136	26	21	48	33	26	34
	1,301	1,796	2,698	3,870	3,969	2,207	-28	-33	-30	-3	80	-20
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	1,301	1,796	2,698	3,870	3,969	2,207	-28	-33	-30	-3	80	-20
Taxation - Current	1,157	156	282	383	689	517	642	-45	-26	-44	33	49
- Prior years	2,823	100	(48)	93	(923)	(420)	2723	-308	-152	-110	120	-496
- Deferred	(3,880)	426	192	577	1,133	357	-1011	122	-67	-49	217	155
Profit after taxation	100	682	426	1,053	899	454	-85	60	-60	17	98	-24
	1,201	1,114	2,272	2,817	3,070	1,753	8	-51	-19	-8	75	-19
Basic/ Diluted earnings per share - Rupees	1.97	1.83	4.29	5.32	8.33	6.02	8	-57	-19	-36	38	-19

Balance Sheet

	2009	2008	2007	2006	2005	2004	2009	2008	2007	2006	2005	2004
	Rupees in Million						Composition (%)					
ASSETS												
Cash and balances with treasury banks	8,427	8,928	6,872	7,208	6,697	5,048	5	6	5	6	6	6
Balances with other banks	509	877	3,708	2,883	2,046	3,564	0	1	3	2	2	5
Lendings to financial institutions	15,018	2,861	7,078	4,608	10,743	4,417	8	2	5	4	10	6
Investments	56,531	36,153	31,553	22,525	24,412	12,334	31	26	22	20	22	16
Advances	91,346	83,512	87,346	74,469	62,324	50,542	51	60	62	64	57	64
Operating fixed assets	2,788	2,647	2,515	2,239	1,726	1,158	2	2	2	2	2	1
Deferred tax assets - net	1,280	-	-	-	-	-	1	0	0	0	0	0
Other assets	4,967	3,264	2,204	1,538	2,334	1,475	3	2	2	1	2	2
	180,866	138,242	141,276	115,470	110,282	78,538	100	100	100	100	100	100
LIABILITIES												
Bills payable	1,465	1,537	2,407	4,516	1,193	906	1	1	2	4	1	1
Borrowings	34,986	13,027	9,996	14,965	15,296	8,478	19	9	7	13	14	11
Deposits and other accounts	123,655	102,777	102,067	74,414	74,737	56,460	68	74	72	64	68	72
Sub-ordinated loans	999	1,000	1,000	-	-	-	1	1	1	0	0	0
Liabilities against assets subject to finance lease	-	4	8	14	24	18	0	0	0	0	0	0
Deferred tax liabilities - net	-	2,483	2,691	1,840	1,268	166	0	2	2	2	1	0
Other liabilities	6,977	6,642	6,951	5,924	3,504	2,296	4	5	5	5	3	3
	168,082	127,470	125,120	101,673	96,022	68,324	93	92	89	88	87	87
	12,784	10,772	16,156	13,797	14,260	10,214	7	8	11	12	13	13
REPRESENTED BY												
Share capital	6,091	5,296	5,296	4,237	3,684	2,913	3	4	4	4	3	4
Reserves	4,030	3,790	3,567	3,080	2,516	2,259	2	3	3	3	2	3
Unappropriated profit	1,215	1,050	1,482	1,816	1,911	1,079	1	1	1	2	2	1
	11,336	10,136	10,345	9,133	8,111	6,251	6	7	7	8	7	8
Surplus on revaluation of assets	1,447	636	5,811	4,664	6,149	3,963	1	0	4	4	6	5
	12,783	10,772	16,156	13,797	14,260	10,214	7	8	11	12	13	13

Profit and Loss Account

	2009	2008	2007	2006	2005	2004	2009	2008	2007	2006	2005	2004
	Rupees in Million						Composition (%)					
Mark-up / return / interest earned	16,958	13,404	11,611	9,728	6,338	2,753	100	100	100	100	100	100
Mark-up / return / interest expensed	11,968	8,455	7,459	6,089	3,312	1,118	71	63	64	63	52	40
Net mark-up / interest income	4,990	4,949	4,152	3,639	3,026	1,635	29	37	36	37	48	60
Provision / (Reversal) against non-performing loans and advances - net	1,966	1,544	1,797	517	(19)	52	12	13	15	5	0	2
(Reversal) / Provision for consumer loans - general	(27)	(105)	75	105	28	71	0	-1	1	1	0	3
Provision / (Reversal) for diminution in the value of investments	252	608	207	-	(319)	-	2	5	2	-	-5	-
Bad debts written off directly	-	-	-	-	-	-	-	-	-	-	-	-
Net mark-up / interest income after provisions	2,191	2,047	2,079	622	(310)	123	13	15	18	6	-5	5
	2,799	2,902	2,073	3,017	3,336	1,512	17	22	18	31	53	55
Non mark-up / interest income												
Fee, commission and brokerage income	885	814	743	604	582	397	5	6	6	6	9	14
Dividend income	668	1,207	1,221	1,249	777	697	4	9	11	13	12	25
Income from dealing in foreign currencies	400	347	314	121	95	162	2	3	3	1	2	6
Gain / (loss) on sale of securities	825	(134)	1,116	330	609	572	5	-1	10	3	10	21
Unrealized (loss) on revaluation of investments classified as held for trading	(46)	(3)	3	-	-	(2)	0	0	0	-	-	0
Other income	81	79	44	448	1	5	1	1	0	5	0	0
Total non mark-up / interest income	2,813	2,310	3,441	2,752	2,064	1,831	17	17	30	28	33	67
	5,612	5,212	5,514	5,769	5,400	3,343	33	39	48	59	85	121
Non mark-up / interest expenses												
Administrative expenses	4,284	3,258	2,800	1,866	1,429	1,135	25	24	24	19	23	41
Other provisions	(6)	97	6	-	-	-	0	1	0	-	-	-
Other charges	33	61	10	33	2	1	0	1	0	0	0	0
Total non mark-up / interest expenses	4,311	3,416	2,816	1,899	1,431	1,136	25	26	24	19	23	41
Extraordinary / unusual items	1,301	1,796	2,698	3,870	3,969	2,207	8	13	23	40	63	80
	1,301	1,796	2,698	3,870	3,969	2,207	8	13	23	40	63	80
Profit before taxation												
Taxation - Current	1,157	156	282	383	689	517	7	1	2	4	11	19
- Prior years	2,823	100	(48)	93	(923)	(420)	17	1	-1	1	-15	-15
- Deferred	(3,880)	426	192	577	1,133	357	-23	3	2	6	18	13
Profit after taxation	100	682	426	1,053	899	454	1	5	3	11	14	17
	1,201	1,114	2,272	2,817	3,070	1,753	7	8	20	29	49	64

Setting A Higher Pitch

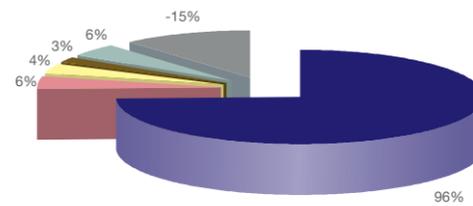
Our notion of change is detailed; by carefully handling even the most minute touches, we achieve excellence in all that we do.



	2009		2008	
	Rs. '000	%	Rs. '000	%
Mark-up / return / interest earned - net of provisions	14,765,992	96	11,356,770	96
Fee, commission and brokerage income	885,124	6	814,001	7
Dividend income	667,926	4	1,207,366	9
Income from dealing in foreign currencies	400,477	3	347,114	3
Gain of sale of investments etc.	859,538	6	(57,888)	(0)
	17,579,057		13,667,363	
Administrative expenses	2,257,107	(15)	1,813,669	(15)
Value Added	15,321,950	100	11,853,694	100
Distributed as follows:				
To Employees As remuneration	2,051,479	13	1,602,242	13
To Government As income tax	100,342	1	681,585	6
To Depositors As profit on investments	9,321,454	61	7,205,154	61
To Financial Institutions As profit on borrowings	2,646,431	17	1,249,601	10
To Society As donations	2,085	0	160	0
To Shareholders As dividends / bonus	-	-	794,467	7
Retained in Business As reserves and retained profits	1,200,159	8	320,485	3
	15,321,950	100	11,853,694	100

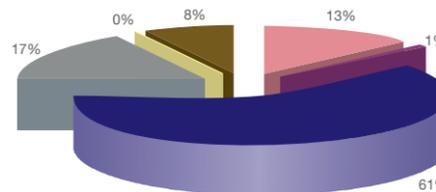
	Public Sector		Private Sector		Total	
	2009	2008	2009	2008	2009	2008
Advances	9,197,928	1,786,700	89,186,542	86,833,941	98,384,470	88,620,641
Investments	42,257,278	22,213,764	15,414,142	14,826,663	57,671,420	37,040,427
Placements / Lendings - SBP	7,008,067	6,667,180	16,945,756	5,998,525	23,953,823	12,665,705
	58,463,273	30,667,644	121,546,440	107,659,129	180,009,713	138,326,773

Income 2009



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

Distribution 2009



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

Going to the Next Level

Our courage taps into a new order of brilliance as we face our challenges head on.



Notice is hereby given that the 15th Annual General Meeting of Faysal Bank Limited (FBL) will be held on Monday, 29 March 2010 at 8:30 a.m. at Jinnah Auditorium, Institute of Bankers of Pakistan, Moulvi Tamizuddin Khan Road, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the 14th Annual General Meeting held on 27 March 2009.
2. To receive and adopt Annual Audited Accounts (Stand-alone and consolidated), Statement of Compliance with Code of Corporate Governance of FBL for the year ended 31st December 2009 together with the Directors' and Auditors' Reports thereon.
3. To appoint External Auditors for the ensuing year 2010 and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and approve FBL's strategic Investment up to PKR. 1.0 billion in funds of Faysal Asset Management Limited and pass the following special resolution as required by Section 208 of the Companies Ordinance 1984 with or without modification:-

“Resolved that subject to all regulatory approvals, Faysal Bank Limited's (FBL) Strategic Investment for PKR 1.0 billion in the funds of Faysal Asset Management Limited, an associated company of FBL, be and is hereby approved”.

5. To consider and approve, subject to all regulatory approvals, Faysal Bank's Investment for acquisition of 19.98% shares of Faysal Asset Management Limited (FAML) on the book value of shares from Aqeel Karim Dhedhi Securities (Pvt.) Limited (AKD) by FBL and pass the following Special Resolutions as required by Section 208 of the Companies Ordinance 1984 with or without modification.
 - i) **RESOLVED** that subject to regulatory approvals, Faysal Bank's investment in equity for acquisition of 19.98% shares of Faysal Asset Management Limited at the book value of shares from Aqeel Karim Dhedhi Securities (Pvt.) Limited, be and is hereby approved.
 - ii) **FURTHER RESOLVED** that for the purpose of giving effect to this Special Resolutions; 1) the President & CEO and / or 2) the Company Secretary and Head of Legal and / or 3) Chief Financial Officer of the Bank be and are hereby singly and jointly authorised to take all necessary actions and do all acts, deeds and things in the matter.
6. To consider and approve the amount of remuneration paid to the Non-Executive Directors of FBL during the year 2009 for attending the Board meetings/Sub-Committees and scale of Remuneration to be paid to the each Non-Executive Directors of FBL for attending the Board Meeting/Sub-Committees and in that connection to pass the following resolutions as special resolutions, with or without modification, addition or deletion:

RESOLVED THAT:

- i) The amount of remuneration of PKR 1,450,000/- (One Million Four Hundred Fifty Thousand only) paid to Non-Executive Directors of the Bank during the year 2009 for attending the Board Meetings/Sub-Committees, be and is hereby confirmed and approved.
 - ii) The Remuneration to be paid to Non-Executive Directors for the ensuing year 2010 for attending each Board Meeting @ US Dollar (Equivalent in PKR) 4,000/, Sub-Committee Meetings @ 3,000/- and Chairman of the Board @ US Dollar (equivalent in PKR) 5,000/-, be and is hereby approved and confirmed.
7. To transact any other Business with the permission of the Chairman.

By the order of the Board



Raza Mohsin Qizilbash
Company Secretary &
Head of Legal

Karachi: 24 February 2010

NOTES:

1. The Share Transfer Books of the Bank shall remain closed from 19 March 2010 to 29 March 2010 (both days inclusive). Transfer received at the Registrar and Share Transfer Agent of the Bank, by the close of business on 18 March 2010 will be treated in time.
2. A member entitled to attend and vote at the above Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf, save that a corporation being a member may appoint as its proxy or officer of such corporation whether a member of the company or not. This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power or authority shall be deposited at the office of M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3 Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi-75350, the Registrar and Share Transfer Agent of the bank not later than 48 hours before the time of holding the meeting, and must be duly stamped, signed and witnessed.
3. The CDC Account Holders and Sub-account Holders, whose registration details are available in the Share Book Details Reports shall be required to produce their respective original Computerized National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring/know their respective participation I.D. No. and the CDC Account No. In case of proxy, he/she must enclose an attested copy of his/her CNIC or passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
4. Members are required to timely notify any change in their address to Bank's Registrar/Share Transfer Agent M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3 Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi-75350.

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

This statement sets out the material facts concerning the following Special Business to be transacted at the Fifteenth Annual General Meeting of Shareholders of Faysal Bank Limited to be held on Monday, 29 March 2010.

1. To consider and approve FBL's strategic Investment up to PKR. 1.0 billion in Faysal Asset Management Limited (FAML) as required by Section 208 of the Companies Ordinance 1984 with or without modification.

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

Subject to all regulatory approvals, Faysal Bank Limited's (FBL) Strategic Investment up to PKR 1,000,000,000/- (one billion) in Faysal Asset Management Limited, an associated company of FBL, be and is hereby approved.

2. To consider and approve, subject to all regulatory approvals, Faysal Bank's Investment for acquisition of 19.98% shares of Faysal Asset Management Limited (FAML) on the book value of shares from Aqeel Karim Dhedhi Securities (Pvt.) Limited (AKD)

Securities & Exchange Commission of Pakistan in November 2007 had advised to AKD Securities (Pvt.) Limited to divest /sell out of AKD Securities holding in Faysal Asset Management Limited (FAML) since AKD had open its own Asset Management Company is also the major sponsor of AKD Investment Management Limited.

The Board of Directors of Faysal Bank Limited (FBL) at its meeting held on 23 February 2010 has approved acquisition of 19.98% Shares of FAML from AKD Securities at book value as FAML was doing well and it will be a good acquisition.

FAML is an Associated Company of Faysal Bank Limited (FBL). The present Paid-up Capital of FAML is PKR150,000,000/- i.e. 15,000,000 ordinary shares of PKR 10/- each.

FBL and its nominee Directors hold 30% of total Paid-up Capital i.e 4,500,000 shares of PKR 10/- each After acquisition of 19.98% Shares of AKD Securities, the FBL shareholding will be increased from 4,500,000 to 7,497,000 i.e. 49.98% Shares of PKR 10/- each.

Faysal Bank Limited is required to obtain prior approval from Shareholders at an AGM under sub-section 208 of the Companies Ordinance, 1984 for investment in acquisition of 19.98% Shares by FBL in its Associated Company, FAML.

3. To consider and approve the amount of remuneration paid to the Non-Executive Directors of FBL during the year 2009 for attending the Board Meetings/Sub-Committees and scale of Remuneration to be paid to the each Non-Executive Directors of FBL for attending the Board Meeting/Sub-Committees.

- i) The amount of remuneration of PKR 1,450,000/- (One Million Four Hundred Fifty Thousand only) paid to Non-Executive Directors of the Bank during the year 2009 for attending the Board Meetings/Sub-Committees, be and is hereby confirmed and approved.
- ii) The Remuneration to be paid to Non-Executive Directors for the ensuing year 2010 for attending each Board Meeting @ US Dollar (Equivalent in PKR) 4,000/, Sub-Committee Meetings @ 3,000/- and Chairman of the Board @ US Dollar (equivalent in PKR) 5,000/-, be and is hereby approved and confirmed.

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 to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 35 (previously 37) of the Karachi Stock Exchange and Chapter XIII of the Lahore 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 financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further sub-regulation (xiii) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated 19 January 2009 requires the Bank to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of 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 price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2009.

Date: February 23, 2010
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants

Name of Company: Faysal Bank Limited
Year Ended: 31 December 2009

This statement is being presented to comply with the provisions of Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan (S.E.C.P.) for the purpose of establishing a framework of good corporate governance with best practices for the listed companies. The said Code has also been adopted by SBP and stock exchanges. The Board of Directors of Faysal Bank Limited has adopted and applied the principles contained in the Code of Corporate Governance No. XIV in the following manner:

1. Faysal Bank Limited encourages representation of independent Directors and Directors representing minority interests on its Board of Directors as applicable under the Code. At present the Board includes 6 Independent/Non-Executive Directors and two Executive Directors (including President&CEO).
2. None of the Directors in Faysal Bank is serving as a Director in more than ten listed companies, including this Bank, except Mr. Tariq Iqbal Khan who has been exempted by SECP in this respect.
3. All resident Directors of the Bank are registered taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange has been declared as a defaulter.
4. The Bank has adopted a 'Statement of Ethics and Business Practices', which has been signed by all Directors and Employees of the Bank.
5. The Board has adopted a vision/mission statement, overall corporate strategy and significant policies for the Bank.
6. All powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms and conditions of employment of President & CEO are approved by the Board and/ or its authorized committees.
7. The Meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board held four (04) Meetings in the year 2009, one in every quarter. Written notice of the Board meetings, along with agenda and working papers, were circulated seven (07) days before the Meetings. The Minutes of the Meetings were appropriately recorded and were circulated to all concerned.
8. The Directors of Faysal Bank Limited are professionally qualified and experienced persons and are well aware of their duties and responsibilities.
9. The Board approves appointment of CFO and Company Secretary while Head of Internal Audit is appointed by Audit Committee including their remuneration and terms and conditions of employment.
10. The Directors' Report for this year has been prepared in compliance with the requirements of Code and fully describes the salient matters required to be disclosed.
11. All financial statements of the Bank were duly endorsed by the President & CEO and CFO before approval of the Board.

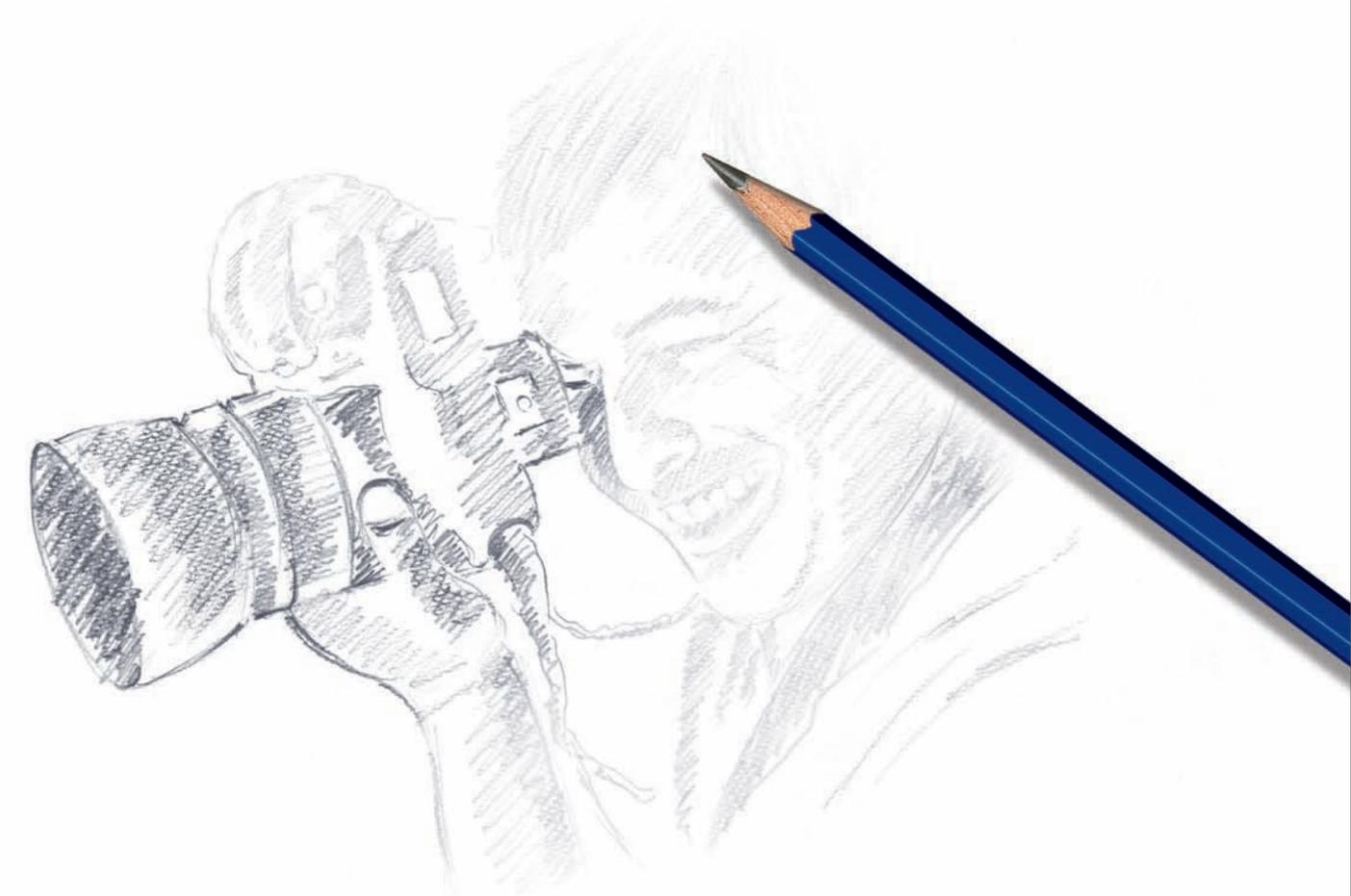
12. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
13. The Bank has complied with all applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee.
15. The Audit Committee held four meetings, one in every quarter prior to approval of quarterly and final results of the Bank as required by the Code. The terms of reference of Audit Committee have been framed and approved by the Board and have been advised to the committee for compliance.
16. The Audit Committee members also met with External Auditors of the Bank without CFO and Head of Internal Audit and with Head of Internal Audit and other members of the Internal Audit function as required under the provisions of Code of Corporate Governance.
17. The Board has set up an effective Internal Audit function. The Bank's Internal Audit Manual is approved by the Board of Directors. The staff of Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank and they are involved in the internal audit function on a full time basis. The Internal Audit resources are being reviewed and enhanced regularly to meet continuous business growth.
18. The statutory auditors of the Bank have confirmed that
 - i) they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan;
 - ii) they or any of the partners of the firm, their spouses and minor children do not hold shares of Faysal Bank Limited or its associates; and
 - iii) the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. 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.
20. The related party transactions were placed before the board for approval as per requirement of Code of Corporate Governance.
21. We confirm that all other material principles contained in the Code and Prudential Regulation No. XXIX have been complied with.

Date: February 23, 2010
Karachi


Naved A. Khan
President & CEO

Clicking On All Fronts

Our efforts pay back as we leap over every obstacle that comes our way.
Reflecting harmony in all our roles, we stand our ground, and meet success,
no matter what the landscape.





On behalf of the Board of Directors, I am pleased to present the Fifteenth Annual Report of Faysal Bank Limited along with the audited financial statements and the Auditors,, Report thereon for the year ended December 31, 2009.

Economic & Political Update

2009 proved to be a year of consolidation for Pakistan's economy. During this period significant efforts were made to stay the course on stabilization and structural reforms against the backdrop of weak external demand and a challenging security and political environment.

The macro-economic outlook began to display some semblance of stability towards the latter half of the year as the current account deficit for Calendar Year (CY) '09 narrowed to USD 3.4 Billion vs USD 15.6 billion in CY '08. This was aided largely by; falling global energy prices, dampening of aggregate demand and an increase in home remittances which crossed USD 8.7 billion in CY '09 (vs USD 7.02 billion in CY '08) - a stellar achievement considering labour markets are highly sensitive to global recessionary cycles. The situation was further aided by the receipt of the International Monetary Fund (IMF) tranches of an aggregate USD 6.54 billion which helped shore up foreign exchange reserves (which improved to USD 15.07 billion in December '09 vs. USD 12.42 billion in December '08) warding off any potential balance of payment crisis. Inflation remained a primary concern for the State Bank of Pakistan during 2009 as it tried to balance its policy bias between promoting growth and ensuring price stability.

Going forward there is cautious optimism regarding an economic revival as macro imbalances now seem to be in a corrective phase

Once the downward trend in inflation was deemed permanent (Consumer Price Index (CPI) for 2nd half CY '09 was 10.3%), aided by plummeting international energy prices, the SBP revised its monetary policy stance and reduced the discount rate by a cumulative 250 basis points (bps) to support economic activity. Going forward inflation is expected to remain erratic, as evident from the recent month on month trends, and an uptick in the short term is widely expected due to announced hike in energy tariffs, adjustments in administered prices and the recent upsurge in international commodity prices. Hence any further decline in interest rates will depend upon the trajectory of the CPI and financing mix of the budget deficit.

The financing of the fiscal deficit remains the key challenge for the economy as the Government of Pakistan (GOP) in the current federal budget has

announced a mammoth public spending program aimed towards providing a countercyclical stimulus to the beleaguered economy. The biggest challenge to funding this package comes from an increased reliance on external pledges and the current delay in the Friends of Democratic Pakistan (FODP) and Kerry Lugar related disbursements are only exacerbating concerns about the GOP's deficit funding ability. The projected flows from FODP for FY '10 have already been revised downwards from USD 2.5 billion to USD 1.5 billion and subsequently the Public Sector Development Programme (PSDP) allocation has also been duly rationalized. The fiscal deficit for FY'09 was recorded at 5.2% a breach by 0.9%, and for the third quarter CY'09 there has again been a slippage in the deficit target of 1.3% of GDP by 0.3%. Hence the catalyst for fiscal consolidation will be the timely arrival of external pledges and improved tax collection, this will in turn take pressure off the GOP borrowing from the inter-bank market and facilitate private sector credit off take.

Going forward there is cautious optimism regarding an economic revival as macro imbalances now seem to be in a corrective phase as; Inflation has declined, the external position strengthened, and tangible progress has been made in tax, electricity, and financial sector reforms. Nevertheless, the economy's vulnerability remains high, notably due to low revenue collection, large energy subsidies, massive circular debt, structural bottlenecks and weak private sector credit off take. A credible fiscal consolidation supported by a continuation of ongoing structural and financial reforms and improved governance will be essential for reducing these vulnerabilities.

Bank's Performance:

2009 was the first year of implementation of bank's five year strategy developed in 2008. Your bank has made considerable progress in all five pillars of strategic focus i.e. Customer Franchise, People, Risk Management, Processes and Financial Perspective.

Customer Franchise

Keeping in view the objective of being the bank of choice for customers, various new initiatives were undertaken during the year. With a renewed focus on customers, the bank started the year with a rebranding exercise. The new logo, branch signages and promotional displays have brought about an energized and refreshed look to the bank's image.

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With a view to improve customer experience, a service quality department was set up which developed a comprehensive service quality programme covering customer experience measurement, process refinement and employee engagement. Corporate and commercial service

centers were established in Karachi, Lahore and Islamabad.

Your bank continued to expand its product menu to cater for the needs of various customer segments.

Islamic Banking

Barkat Islamic Banking was launched in the third quarter, with the aim of introducing shariah compliant banking transactions.

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The current deposit products being offered are Barkat Islamic Current Account, Barkat Islamic Basic Banking Account, Barkat Islamic PLS Account, Barkat Islamic Investment Certificate and Barkat Islamic FCY Account. By the end of 2009, there were Barkat Islamic Branches open in Karachi, Faisalabad, Quetta, Peshawar, Lahore and Rawalpindi.

MarketLink

Faysal MarketLink Savings Account was introduced, as a KIBOR-linked savings product. Profit rates are directly linked to Karachi InterBank Offered Rate

(KIBOR), and the account is accessible through chequebook or Pocketmate Visa Debit Card.

Bancassurance

Faysal aikFaisla was launched in the last quarter, as Faysal Bank's line of customized Bancassurance products to meet customers' growing needs. The range of products being offered includes Savings Plan and Education Plan.

Alternate Delivery Channels

With a view to provide convenience to customers, the bank expanded its ATM network by adding 23 new ATMs taking the total ATM network to 116 ATMs across the nation. The bank also introduced real time Cash Deposit facility through ATMs on 13 Cash Deposit ATMs in selected cities. Through this service, our customers are now able to deposit cash in their accounts 24 hours a day.

The scope of SMS Alert Facility was also enhanced to include alerts on various types of branch transactions as well, in addition to the alerts on Card related transactions.

Corporate and Investment Banking Group (CIBG)

During the year the Corporate and Investment Banking Group (CIBG) significantly expanded its total trade and fee based business. CIBG won 18 Lead Advisor and Arranger mandates and 8 mandates as Agent/Trustee. The following key transactions were completed during the year:

- Being conscious of our social & corporate responsibilities we ventured in financing the start-up operations of a professionally managed Micro-Finance Bank and expansion of a renowned educational institution.

During the year the Corporate and Investment Banking Group (CIBG) significantly expanded its total trade and fee based business.

- A structured trade finance transaction of approximately USD 10 million for the import of DAP fertilizer was executed on behalf of a leading fertilizer manufacturer of Pakistan.
- For the first time your bank took part in commodity finance operations and participated in a few syndicates aggregating to PKR 4 billion. Furthermore, FBL successfully extended the first bilateral structured commodity finance facility to a federal government entity for PKR 2 billion.
- CIBG was successfully mandated by a local airline for a PKR 2 billion facility aimed towards balance sheet restructuring.
- During the year, FBL executed a PKR 1.5 billion capital expenditure term facility for a gas distribution company.
- FBL extended a seven year long term facility of PKR 1.5 billion to one of the largest urea manufacturers of Pakistan to partially finance an upcoming expansion project. The project

lenders include a consortium of both local and international financial institutions.

- FBL acted as the Lead Advisor and Arranger to arrange PKR 5.1 billion for the buyback of a long term USD 250 million Euro Bond for a leading Telecom company with own participation of PKR 1 billion.
- FBL acted as Co-Lead Advisors and Arrangers to a Syndicated Finance Facility of PKR 10 billion to achieve COD for an integrated fertilizer complex.
- FBL served as Co-Lead Arranger to a PKR 9.4 billion Syndicated Term Finance facility for a capacity expansion program for the local arm of an international packaging company with own participation of PKR 1.5 billion.
- Investment Agent & Lead Arranger for a Privately Placed Rated Sukuk Issue of PKR 1 billion for a steel bar producing company.

Staying true to Bank's vision of building product capabilities to support delivery of advanced suite of services to corporate, institutional and public sector clients, Cash Management (CM) has been growing and continues to grow both as a stand-alone business unit and also as a partner to other business units within the bank. Aligning Cash Management's strategy with that of the bank (i.e. achieving excellence), 2009 was the year of building product capacity and maximizing the potential of our human capital. CM has focused on increasing efficiency within the transaction handling arena through centralization of operational activities. This enabled

CM to offer new and efficient product solutions to clients.

FBL also signed a non-committed Trade Finance Facility agreement with Asian Development Bank (ADB). Under this program, FBL will facilitate its customers by getting general trade guarantees, Letters of Credit and Standby Letters of Credit confirmed via the ADB guarantee to confirming banks, covering both the country as well as commercial risk.

People

Organizational structures across all functions were reviewed and aligned to focus on business, risks, costs and clarity of roles and responsibility keeping in view with the best practices. Similarly HR policies were reviewed and have been revised effective January 01, 2010 in line with current market practices. All key senior management positions were plugged during the year further consolidating the human capital of the bank. A new performance management

HR processes have been streamlined and automated with the successful completion of Phase I of Oracle HRMS.

system was introduced and goal setting on SMART objectives basis was completed through which business and individuals' KPIs were tied to the organizational goals.

HR processes have been streamlined and automated with the successful completion of Phase I of Oracle HRMS.

Phase II will be completed during 2010 with the implementation of the recruitment and performance management modules.

With the objective of developing and improving the skill set across all functions targeted trainings were carried out primarily focusing on technical areas of expertise. Trainings were also conducted for soft skills development of employees.

Risk Management

The economic and security situation witnessed in the country during 2009 demanded further strengthening of our Bank's internal risk management controls through a renewed focus on special asset and portfolio management. As the impact of the economic roller-coaster took its toll on asset portfolios in the banking sector, financial institutions have had to revamp and improve overall risk management processes and early warning systems. To be in a better position to respond to these challenges and to effectively monitor and control the resulting risk shocks, the Risk Management Framework was revitalized through inclusion strengthening of following functions:-

- Special Asset Management Group - focusing on account recovery and classified exposure management, and
- Credit Administration Department - engaged mainly in credit monitoring and security documentation.

Moreover, Credit Risk Management was tailored to counter business specific risks by having separate Corporate and Commercial Risk functions. These strengthening measures also brought in synergies through effective resource mobilization, efficient communication & reporting mechanism, cross-functional collaboration, and swift issue resolution. With this proactive approach, the Bank has been able to robustly grow its loan portfolio and at the same time has contained its non-performing

A dynamic and well-defined limits structure, in line with the overall risk appetite of the Bank, seeks to reduce volatility in operating performance under adverse market conditions.

credits at 9.42% of total portfolio, below the SBP's forecasted industry average of 12.95%.

Factors such as the shift in economic cycle, product complexity and a growing demand for transparency, presented a compelling case for stronger management of risks in an integrated manner.

In response, the Bank embarked on an Enterprise Risk Management program to improve shareholder value by optimizing risk and return. A separate Enterprise Risk Management function created under the Risk Management Group is responsible for managing and controlling market, operational and liquidity Risks at an enterprise level, maintaining regulatory capital requirements of the Bank through an effective reporting mechanism, and developing advanced credit risk measurement techniques.

Market Risk Management has been strengthened through implementation of advanced monitoring and measurement tools such as Early Warning Indicators and Value-at-Risk models. A dynamic and well-defined limits structure, in line with the overall risk appetite of the Bank, seeks to reduce volatility in operating performance under adverse market conditions.

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

The Bank successfully centralized five operational hubs into a processing centre for each major back office function providing seamless services from one single location to the entire branch network.

In order to control Regulatory Risk, Compliance function has been strengthened. Overall Risk Assessment Procedures (ORAP) for new initiatives and New Clients Take On procedures have been introduced. To detect and control money laundering activities a new best in class Anti Money Laundering (AML) software (Hydrian) has been installed.

Processes

During the year the bank focused on streamlining operational platform for creating efficiencies while providing optimum level of internal & external services. The bank successfully centralized five operational hubs into a processing centre for each major back office function providing seamless services from one single location to the entire branch network. Two geographically separate centralized operation clusters have been created to act as backup site for each other in case of a major disaster at one location.

The centralized technology platform implemented last year has enabled this strategic transition. During 2009, our focus has been on stabilizing and performance improvement of a resilient and robust technology platform.

Most of the procurement & other support services have also been centralized and regional support teams have been created to enhance the quality of internal support services.

Financial Perspective

In line with the organizational setup, the MIS setup of the bank has also been changed from geographical to functional. During the year MIS level was graduated to the next level i.e. from business segment level to customer level. To provide a stable and robust platform to this MIS setup, a GL module of Oracle Financials was successfully implemented. The bank has a clearly defined way forward for improving its MIS structure and is progressing well as per the plan.

The bank continued to follow best practices in the area of financial disclosure and this fact was acknowledged at the SAARC region level when the Annual report of the bank for 2008 won 'Merit Award' in South Asian Federation of Accountants (SAFA) Best Presented Accounts Award 2008 in the category of 'Banking Sector Subject to Prudential Supervision'. The Awards are conferred on the basis of evaluation administered by SAFA's committee for improvement in transparency, accountability & governance of published annual reports from South Asian Countries.

The professional quality of the same report was also acknowledged by the joint committee of the Institute

of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) which awarded it 3rd prize in the 'Best Corporate Reports Award' in the financial sector category.

Future Outlook

Looking forward, high credit risk and NPLs will remain major challenges for the banking industry in 2010. Deposit mobilization will be difficult and cost of new deposits will remain high putting pressure on net margins. Economic activity is expected to pick up resulting in credit growth. However, risk aversion of banks and public sector's increased demand could strain flow of credit to private sector.

Increase in fuel and energy prices will lead to higher inflation ultimately impacting operating costs. Overall profitability of the industry will remain under pressure and skewed towards large sized banks. 2010 is largely expected to be a year of consolidation for the banking industry which will require tier II banks to grow aggressively for survival. Your bank is fully cognizant of this fact and has already started to explore possibilities of acquisition and organic growth.

Looking forward, high credit risk and NPLs will remain major challenges for the banking industry in 2010.

Corporate Social Responsibility

Faysal Bank being a socially responsible corporate entity has been a regular contributor to the society and communities it operates in. Recognizing this responsibility the employees of the bank established a relief fund for Internally Displaced Persons from Swat, with the bank contributing by matching the employees' contribution.

The bank entered into a partnership with the Institute of Business Administration (IBA) Karachi to provide Rs. 50 million over a period of 3-5 years for sponsorship of one academic chair in IBA's Executive MBA program. The bank also donated 183 computers to various educational institutions with a focus on promoting education for the underprivileged.

Faysal Bank being a socially responsible corporate entity has been a regular contributor to the society and communities it operates in

Financial Highlights

	2009	2008
	Rupees in millions	
Operating Profit	3,492	3,843
Provision for non performing advances	1,940	1,456
Provision for diminution in value of investments	252	591
	<u>2,192</u>	<u>2,047</u>
Profit before tax	1,300	1,796
Provision for taxation	100	681
Profit after tax	1,200	1,115
Un-appropriated Profit brought forward	1,050	1,482
	<u>2,250</u>	<u>2,597</u>
Appropriations		
Transfer to statutory reserve	240	223
Bonus shares issued - Final 2008 @ 15%	795	-
Final cash dividend for 2007 at Rs.2.50 per share (paid subsequent to year end)	-	1,324
	<u>1,035</u>	<u>1,547</u>
Un-appropriated Profit carried forward	1,215	1,050
Earning per share - Rupees	1.97	1.83

Net advances grew by 9.4% over 2008 to Rs. 91.34 billion. Keeping in view the lackluster and volatile economic conditions prevailing currently, the bank focused on growing its asset book in a profitable, prudent and sustainable manner. On the liability side, deposits grew by an impressive 20% over 2008 to Rs. 123.66 billion. The bank focused on low cost core deposits, resultantly current and savings deposits grew by 40% during the year.

In view of the declining interest rate scenario in the last quarter of 2008, the bank started investing in government securities at attractive yields which was funded mainly through interbank borrowings. This strategy of leveraging positively contributed to the net markup income for the year.

Your bank was able to post remarkable growth of 31% in total assets from Rs. 138 billion in 2008 to Rs. 180 billion in 2009.

Your Bank was able to post remarkable growth of 31% in total assets from Rs. 138 billion in 2008 to Rs. 180 billion in 2009.

The markup earned during the year increased by Rs. 3,534 million mainly due to higher level of financing and investment in government securities. This increase was however, partly offset by higher markup expense on deposits and increased inter bank borrowings.

In view of the challenging economic environment the non performing loans have increased by Rs. 3.2 billion resulting in an increase in charge of provision for bad debts by Rs. 422 million.

The revamping of Equity Capital Market department on professional lines has started yielding benefits to the bank in the shape of capital gain on sale of equity securities of Rs. 770 million. Accordingly, despite significant decline of Rs. 622 million in dividend income from NIT, non markup income increased by Rs. 502 million i.e. 22% over last year.

Administrative expenses have increased by 31% over the last year. This increase is attributable to full year cost impact of 15 branches opened in 2008. Higher inflation and investment in stabilizing IT infrastructure and quality HR are other reasons for increase in administrative expenses.

Various tax planning initiatives undertaken during the year and finalisation of assessments by tax authorities for last five years have resulted in reversal of provision for tax amounting to Rs. 488 million.

Various tax planning initiatives undertaken during the year and finalisation of assessments by tax authorities for last five years have resulted in reversal of provision for tax amounting to Rs. 488 million.

As a result of the above profit after tax for the year of Rs. 1,200 million was higher than previous year's profit after tax of Rs. 1,115 million.

Credit Rating:

JCR-VIS Credit Rating Company Limited has re-affirmed the following entity ratings as on June 30, 2009:

Long-Term AA
Short-Term A1+

Definitions of JCR-VIS for the assigned ratings are:

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.

PACRA (Pakistan Credit Rating Agency Limited) has also assigned the same entity rating to the Bank. Definitions of PACRA for the assigned rating are:

AA : Very high credit quality. "AA" rating denotes a very low expectation of credit risk. It indicate 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.

During the year, in view of the prevailing economic environment and its potential impact on the banking industry, the outlook on the rating was changed from stable to negative.

Corporate Governance

i. The Bank has implemented the requirements of the Code of Corporate Governance (the Code) relevant to the year ended December 31, 2009. A prescribed statement by the management along with the auditor's review report thereon forms part of this Annual Report.

ii. Statement under clause xix of the code:

- a. The financial statement prepared by the management of the bank present fairly the state of affairs, the results of its operations;
- b. Proper books of account of the bank have been maintained;
- c. Appropriate accounting policies have consistently been applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standard, as applicable to banks in Pakistan, have been followed in preparation of financial statements without any material departure;
- e. The system of internal control is sound in design and has been effectively implemented and monitored. Measures are being considered to further strengthen it;
- f. There are no doubts about the bank continuing as a going concern;
- g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- h. Summarized key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report;

- i. The value of investment of provident and gratuity funds are Rs. 399 million and Rs. 168 million respectively as per the unaudited financial statements;
- j. The details of Board Meetings held and attended by the directors, forms part of this Annual Report;
- k. The prescribed pattern of shareholding is given as part of this Annual Report. The movement in the directors' shareholding if any is disclosed in the footnote to the pattern of shareholding.

Statement of Internal Control:

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

The management of the bank fully recognizes this responsibility and appreciates its value and significance. Accordingly, policies and procedures encompassing various functional and administrative areas have been developed and circulated across all pertinent levels of the organization. These policies and procedures are approved by the senior management and ratified by the Board of Directors as and when developed. The Bank's internal Audit function keeps monitoring compliance with these policies and procedures and regularly apprises the management and also the Board on the same through the Board's Audit Committee. Similarly, financial performance is kept under regular review and the Board is kept updated on the same.

Further recognizing it to be an ongoing process, the bank is actively pursuing additional measures towards strengthening internal controls through adoption of guidelines issued by the SBP on the subject and the COSO framework on a regular basis. As for the evaluation of controls, a formal mechanism is in place to ensure continuous review of processes and effective existence of required controls.

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

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

Risk Management Framework:

All activities of Faysal Bank involve the measurement, evaluation, acceptance and management of some degree of risk, or combination of risks.

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

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

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

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

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

Holding Company:

Ithmaar Bank B.S.C., an investment Bank listed in Bahrain and Kuwait is the ultimate holding company of Faysal Bank. However DMI Group continues to be a major shareholder of Ithmaar Bank B.S.C.

Subsidiary Company:

Faysal Bank has one subsidiary Faysal Management Services (Pvt.) Limited (FMSL) with 60% holding. Till 2006 Fayzan Manufacturing Modaraba (FMM) managed by FMSL was also a subsidiary and on completing its term FMM was liquidated. Due to

winding up of Modaraba, FMSL is now expected to launch another venture in the near future.

In 2009 FMSL earned profit before tax of Rs.19.9 million (2008: Rs.18.1 million), whereas profit after tax amounted to Rs.12.9 million (2008: Rs. 11.8 million), FMSL declared dividends of Rs.13.9 million (2008: Rs. 15.8 million) during the year.

It is the responsibility of all officers of the bank to identify, assess, mitigate and manage risk within the scope of their assigned responsibilities. Personal accountability reinforced by the Bank's governance structure and instilled by training, helps to foster a disciplined and constructive culture of risk management and control.

Board Meetings and Attendance:

Details about the number of Board meetings and attendance by directors during the year 2009 have been appended separately as part of corporate information.

Auditors:

The present auditors, Messrs KPMG Taseer Hadi & Co. Chartered Accountants, retire. As per Code of Corporate Governance clause xli, they are not eligible for reappointment in view of completion of five years of audit. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of Messrs A. F. Ferguson & Co. Chartered Accountants, as the auditors of the bank for the financial year 2010.

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 to the employees of the Bank for their dedication and hard work.

On behalf of the Board of Directors

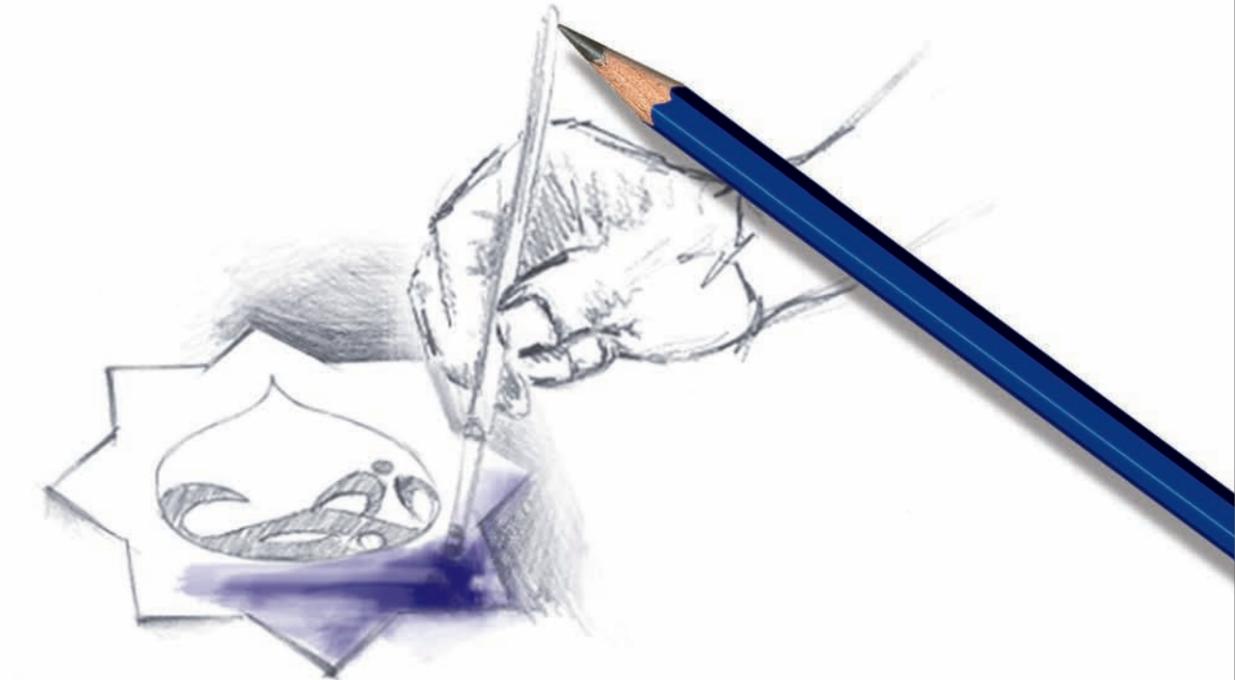


President & CEO
Naved A. Khan

Date: February 23, 2010
Karachi

Adding New Colors

Our sense of innovation knows no boundaries; it knows no limits.
With a promise of transformation, it looks to combine the ideals of perfection and precision.



We have audited the annexed unconsolidated balance sheet of Faysal Bank Limited (the Bank) as at 31 December 2009 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 25 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 Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with 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 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 amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of financing covered more than 60% of the total financing 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 balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes specified in note 7.1 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2009 and its true balance of the profit, 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.

Date: February 23, 2010

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain

	Note	2009 Rupees '000	2008
ASSETS			
Cash and balances with treasury banks	8	8,427,202	8,927,524
Balances with other banks	9	508,795	876,780
Lendings to financial institutions	10	15,017,826	2,861,401
Investments	11	56,531,338	36,152,537
Advances	12	91,346,001	83,512,068
Operating fixed assets	13	2,787,617	2,646,978
Deferred tax assets - net	14	1,279,918	-
Other assets	15	4,966,716	3,264,198
		180,865,413	138,241,486
LIABILITIES			
Bills payable	16	1,465,451	1,536,517
Borrowings	17	34,985,766	13,027,468
Deposits and other accounts	18	123,655,188	102,776,793
Sub-ordinated loans	19	999,200	999,600
Liabilities against assets subject to finance lease	20	-	4,103
Deferred tax liabilities - net	14	-	2,483,355
Other liabilities	21	6,977,069	6,641,542
		168,082,674	127,469,378
		12,782,739	10,772,108
NET ASSETS			
REPRESENTED BY			
Share capital	22	6,090,911	5,296,445
Reserves	23	4,030,056	3,790,023
Unappropriated profit		1,215,179	1,049,519
		11,336,146	10,135,987
Surplus on revaluation of assets	24	1,446,593	636,121
		12,782,739	10,772,108
CONTINGENCIES AND COMMITMENTS			
25			

The annexed notes 1 to 49 form an integral part of these financial statements.


 President & CEO


 Director


 Director


 Director

	Note	2009 Rupees '000	2008
Mark-up / return / interest earned	27	16,957,875	13,404,132
Mark-up / return / interest expensed	28	11,967,885	8,454,755
Net mark-up / interest income		4,989,990	4,949,377
Provision against non-performing loans and advances - net	12.4	1,966,414	1,544,607
Reversal of provision for consumer loans - general	12.5	(26,723)	(104,822)
Provision for diminution in the value of investments	11.3	252,192	607,577
Bad debts written off directly		-	-
		2,191,883	2,047,362
Net mark-up / interest income after provisions		2,798,107	2,902,015
Non mark-up / interest income			
Fee, commission and brokerage income		885,124	814,001
Dividend income		667,926	1,207,366
Income from dealing in foreign currencies		400,477	347,114
Gain / (loss) on sale of securities	29	824,621	(133,881)
Unrealized (loss) on revaluation of investments classified as held for trading		(45,674)	(3,410)
Other income	30	80,591	79,403
Total non mark-up / interest income		2,813,065	2,310,593
		5,611,172	5,212,608
Non mark-up / interest expenses			
Administrative expenses	31	4,284,086	3,257,843
Other provisions	15.3	(6,444)	96,864
Other charges	32	33,029	61,364
Total non mark-up / interest expenses		4,310,671	3,416,071
		1,300,501	1,796,537
Extraordinary / unusual items		-	-
Profit before taxation		1,300,501	1,796,537
Taxation - Current	33	1,157,443	155,956
- Prior years		2,823,492	100,000
- Deferred		(3,880,593)	425,629
		100,342	681,585
Profit after taxation		1,200,159	1,114,952
Basic and diluted earnings per share - Rupees	34	1.97	1.83

The annexed notes 1 to 49 form an integral part of these financial statements.


 President & CEO


 Director


 Director


 Director

PROFIT FOR THE YEAR

OTHER COMPREHENSIVE INCOME - RECOGNISED BELOW EQUITY

Net change in fair value of available for sale investments
 Income tax
Other comprehensive income / (loss) for the year

Total comprehensive income / (loss) for the year

The annexed notes 1 to 49 form an integral part of these financial statements.


 President & CEO


 Director


 Director


 Director

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
 Less: Dividend income
 Less: Markup / return / interest earned on available for sale securities

Adjustments for :

Depreciation
 Amortisation
 Provision against non-performing loans and advances - net
 Reversal of provision for consumer loans - general
 Provision for diminution in value of investments
 Provision for other assets
 Unrealised loss on revaluation of investments classified as held for trading
 Net profit on sale of property and equipment
 Finance charges on leased assets
 Exchange gain

(Increase) / Decrease in operating assets

Lendings to financial institutions
 Held for trading securities
 Advances
 Other assets

Increase / (Decrease) in operating liabilities

Bills payable
 Borrowings
 Deposits
 Other liabilities (excluding current taxation)

Income tax paid
 Net cash flow from operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available for sale securities
 Net investments in held to maturity securities
 Dividends received
 Markup / interest received on available for sale securities
 Investments in operating fixed assets
 Sale proceeds from disposal of fixed assets
 Net cash flow from investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Payments of sub-ordinated loan
 Payments of lease obligations
 Dividends paid
 Net cash used in financing activities

(Decrease) / Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year as previously reported
 Effects of exchange rate changes on cash and cash equivalents
 Cash and cash equivalents at beginning of the year as restated

Cash and cash equivalents at end of the year

The annexed notes 1 to 49 form an integral part of these financial statements.


 President & CEO


 Director


 Director


 Director

	2009	2008
	Rupees '000	
PROFIT FOR THE YEAR	1,200,159	1,114,952
OTHER COMPREHENSIVE INCOME - RECOGNISED BELOW EQUITY		
Net change in fair value of available for sale investments	927,792	(5,808,976)
Income tax	(117,320)	633,740
Other comprehensive income / (loss) for the year	810,472	(5,175,236)
Total comprehensive income / (loss) for the year	2,010,631	(4,060,284)

	2009	2008
	Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,300,501	1,796,537
Less: Dividend income	(667,926)	(1,207,366)
Less: Markup / return / interest earned on available for sale securities	(4,028,665)	(1,766,069)
	(3,396,090)	(1,176,898)
Adjustments for :		
Depreciation	513,839	393,480
Amortisation	96,838	54,149
Provision against non-performing loans and advances - net	1,966,414	1,544,607
Reversal of provision for consumer loans - general	(26,723)	(104,822)
Provision for diminution in value of investments	252,192	607,577
Provision for other assets	(6,444)	96,864
Unrealised loss on revaluation of investments classified as held for trading	45,674	3,410
Net profit on sale of property and equipment	(5,788)	(10,761)
Finance charges on leased assets	22	208
Exchange gain	(89,022)	(535,801)
	2,747,002	2,048,911
	(649,088)	872,013
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(11,856,425)	3,416,701
Held for trading securities	(1,410,590)	(19,104)
Advances	(9,773,624)	(3,868,582)
Other assets	(1,449,382)	(820,586)
	(24,490,021)	(1,291,571)
Increase / (Decrease) in operating liabilities		
Bills payable	(71,066)	(870,410)
Borrowings	21,958,298	3,031,613
Deposits	20,878,395	709,371
Other liabilities (excluding current taxation)	132,746	(228,130)
	42,898,373	2,642,444
Income tax paid	17,759,264	2,222,886
Net cash flow from operating activities	(3,777,815)	(340,640)
	13,981,449	1,882,246
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(23,588,302)	3,787,735
Net investments in held to maturity securities	5,250,017	(8,805,245)
Dividends received	645,201	1,192,875
Markup / interest received on available for sale securities	3,804,699	1,724,803
Investments in operating fixed assets	(782,371)	(611,191)
Sale proceeds from disposal of fixed assets	36,843	42,304
Net cash flow from investing activities	(14,633,913)	(2,668,719)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(400)	(400)
Payments of lease obligations	(4,125)	(3,932)
Dividends paid	(340)	(1,321,175)
Net cash used in financing activities	(4,865)	(1,325,507)
(Decrease) / Increase in cash and cash equivalents	(657,329)	(2,111,980)
Cash and cash equivalents at beginning of the year as previously reported	9,804,304	11,380,483
Effects of exchange rate changes on cash and cash equivalents	89,022	535,801
Cash and cash equivalents at beginning of the year as restated	9,893,326	11,916,284
Cash and cash equivalents at end of the year	9,235,997	9,804,304

Share capital	Reserves				Unappropriated profit	Total	
	Capital		Statutory reserve	Revenue			
	Share premium	Reserve for issue of bonus shares		Capital market reserve			
----- Rupees ' 000 -----							
Balance as at January 1, 2008	5,296,445	-	-	3,177,491	389,542	1,481,668	10,345,146
Final dividend for the year ended December 31, 2007 at Rs. 2.50 per share approved subsequent to the year end	-	-	-	-	-	(1,324,111)	(1,324,111)
Transfer to statutory reserve	-	-	-	222,990	-	(222,990)	-
Transaction with owners, recorded directly in equity	-	-	-	222,990	-	(1,547,101)	(1,324,111)
Comprehensive Income for the year: Profit after tax for the year ended December 31, 2008	-	-	-	-	-	1,114,952	1,114,952
Balance as at December 31, 2008	5,296,445	-	-	3,400,481	389,542	1,049,519	10,135,987
Transfer to reserve for issue of bonus shares	-	-	794,466	-	-	(794,466)	-
Bonus shares issued	794,466	-	(794,466)	-	-	-	-
Transfer to statutory reserve	-	-	-	240,033	-	(240,033)	-
Transaction with owners, recorded directly in equity	794,466	-	-	240,033	-	(1,034,499)	-
Comprehensive Income for the year: Profit after tax for the year ended December 31, 2009	-	-	-	-	-	1,200,159	1,200,159
Balance as at December 31, 2009	6,090,911	-	-	3,640,514	389,542	1,215,179	11,336,146

The annexed notes 1 to 49 form an integral part of these financial statements.


 President & CEO


 Director


 Director


 Director

1. STATUS AND NATURE OF BUSINESS

Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in Commercial, Consumer and Corporate banking activities. The Bank has a branch network of 133 branches (2008: 129 branches); including 6 Islamic Banking branches (2008: Nil); and operates Nil (2008: 2) service centres.

The Registered Office (Head Office) of the Bank is located at Shahra-e-Faisal, Karachi.

Ithmaar Bank B.S.C., an Investment Bank listed in Bahrain, is the ultimate holding company of Faysal Bank Limited.

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 utilized 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 transaction and balances have been eliminated. In accordance with the directives issued by the State Bank of Pakistan, balance sheet, profit and loss account and cash flow statement of Islamic branches are disclosed in Annexure III to these financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements are 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan shall prevail.

The State Bank of Pakistan as per BSD Circular Letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40). Accordingly, the requirements of these standards and their relevant interpretations (issued by the Standards Interpretation Committee - SICs, and the International Financial Reporting Interpretations Committee - IFRICs) have not been considered in the preparation of these financial statements. However, the investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan through various circulars.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for the following financial instruments:

- Derivative financial instruments are measured at fair value; and
- Investments classified as held for trading and available for sale are also measured at fair values.

5. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Pakistani Rupee, which is the Bank's functional as well as the reporting currency.

6. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with the approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the current and future reporting periods. The actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates (other than adjusting events) are recognized prospectively commencing from the period of revision.

Judgements made by the management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 41 to these financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Changes in accounting policies

Starting January 1, 2009, the Bank has changed its accounting policies in the following areas:

The Bank has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from January 1, 2009. This standard required the Bank to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

The Bank has applied "IFRS 8 Operating Segments" from January 1, 2009. As a result, additional disclosures have been made relating to financial and descriptive information with respect to individual operating segments and on an enterprise-wide basis. The Bank determines and presents operating segments based on the information that is internally provided to the President / Chief Executive Officer, who is the Bank's chief operating decision maker which is in detail and has been aggregated in line with the format issued by SBP. The new accounting policy disclosed in note 7.18 has no impact on segments previously disclosed, except for some additional disclosure in the same segments.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the changes in accounting policies only affect presentation of financial statements, there is no impact on earnings per share.

7.2 Financial assets and liabilities

The Bank initially recognizes financial assets and liabilities on the date at which they originate except investments which are recognized on the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are transferred. The Bank also enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or part of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet.

Financial liabilities are derecognised when the contractual obligations expire, or are discharged or cancelled.

7.3 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash, money at call and balances with treasury and other banks.

7.4 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 under repurchase obligation

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and re-purchase value is accrued over the period of the contract and recorded as an expense.

(b) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or financing as appropriate. The underlying security is not recognised as a separate asset in the financial statements. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income.

(c) Other borrowings

These are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on accrual basis.

7.5 Investments

Investments in securities, other than investments in subsidiaries and associates are classified as follows:

(a) Held for trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices 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 in respect of which the Bank has the positive intent and ability to hold till maturity.

(c) Available for sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

Investments other than those classified as held for trading and investments in subsidiaries or associates, are initially recognised at fair value including transaction costs associated with such investments. Investments classified as held for trading are initially recognised at fair value. Subsequently, aforesaid quoted securities are stated at market value. Held to maturity investments are carried at amortised cost as per the requirements laid down in BSD Circular No. 14 dated September 24, 2004, issued by the State Bank of Pakistan. As per SBP directives, the surplus / deficit arising on revaluation is taken to the profit and loss account for trading securities, while for available for sale securities, it is reported below equity / other comprehensive income.

In accordance with SBP's BSD Circular No. 11 of 2004 and BSD Circular No. 06 of 2007, investments in subsidiaries and associates, as defined in approved accounting standards are stated at cost less impairment losses (if any) and are not subject to mark to market.

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date the Bank commits to purchase or sell the investment.

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

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are recognised in the profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Provision for diminution in the value of securities (except term finance certificates) is made for impairment, if any. Provision for diminution in value of term finance certificates is made as per the guidelines prescribed by the Prudential Regulations issued by SBP.

7.6 Advances

These are stated net of specific and general provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by SBP. The Bank also maintains general provision in accordance with the requirements of the Prudential Regulations and for present potential losses on performing loans, finance leases and consumer loan portfolio.

Finance leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset are recognized at an amount equal to the present value of the minimum lease payment including any guaranteed residual value.

Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Bank determines write-offs in accordance with the criteria prescribed by SBP vide BPRD Circular No. 06 of 2007 dated June 05, 2007.

7.7 Operating fixed assets

Owned

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (if any) except freehold and leasehold land which are stated at cost.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Capital work in progress is stated at cost.

Assets subject to finance lease

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as assets subject to finance lease. These are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments including any guaranteed residual value, at inception of the lease, less accumulated depreciation and impairment losses (if any). Financial charges are allocated over the period of the lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

Intangibles

Intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses (if any). Intangible assets with indefinite lives are stated at cost less impairment losses (if any).

Subsequent costs

Renewals and improvements are included in an asset's carrying amount or are 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 expenses are charged to income during the financial period in which they are incurred.

Depreciation and amortisation

Depreciation on property and equipment other than freehold and leasehold land, and amortisation on intangibles is charged to income using the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in notes 13.2 and 13.3. The residual value is assessed annually.

A full month's depreciation / amortisation is charged in the month of addition and no depreciation / amortisation is charged in the month of disposal.

Impairment of operating fixed assets

The carrying amounts of the Bank's operating fixed assets are regularly reviewed to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Such losses are recognised directly in the profit and loss account.

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

7.8 Operating leases

Lease payments under operating leases are charged to income on straight line basis over the lease term.

7.9 Taxation

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

Current

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

Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts appearing in the financial statements. No deferred tax is provided on the initial recognition of assets and liabilities that affect neither accounting nor taxable profits. A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

7.10 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognised separately as part of other liabilities and is charged to the profit and loss account over the period.

7.11 Provisions and Impairment

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events and 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.

The carrying amount of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. For an investment in an equity security, a significant and prolonged decline in fair value below its cost is an objective evidence of impairment. If any such indication exists, the recoverable amount of the relevant asset is estimated and an impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss is recognised.

7.12 Staff retirement benefits

The Bank operates:

- a) an approved funded gratuity scheme for all its permanent employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Cumulative net unrecognized actuarial gains and losses at the end of the previous year are charged or credited to income over the expected average remaining working lives of the employees.
- b) 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 percent of basic salary.

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

7.13 Revenue recognition

- a) Interest / markup and return on regular advances and investments is recognised on accrual basis. Interest / markup on classified advances and investments is recognised on receipt basis. Gains and losses on termination and documentation charges are recognised on receipt basis.
- b) Fee, commission and brokerage income is recognised when earned.
- c) Dividend income from investments is recognised when the Bank's right to receive the dividend is established.
- d) Gains and losses on sale of investments and operating fixed assets are recognised in the profit and loss account, when the risks and rewards of ownership are transferred.
- e) Income from finance lease is recognised over the term of the lease so as to produce a constant periodic rate of return on the net investment. Unrealised income is suspended on classified leases. Repossessed vehicles on account of loan default are recorded in memorandum account.
- f) All exchange differences are recognised in income.

7.14 Dividends and appropriation to reserves

Dividend and appropriation to reserves are recognised in the year in which these are approved, except appropriations required by the law, which are recorded in the period to which they pertain.

7.15 Derivative financial instruments

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

7.16 Foreign currencies

All monetary assets, liabilities and commitments for letters of credit, acceptances and guarantees in foreign currencies are translated at rates of exchange approximating those prevailing at the balance sheet date. Foreign currency transactions are recorded at the rates prevailing on the transaction date.

Foreign bills purchased, forward contracts and swaps are valued at forward rates applicable to the respective maturities of the relevant contracts.

7.17 Off Setting

Financial assets and liabilities are set off and the net amount is reported in the balance sheet when and only when, the Bank has a legal right to set off the amounts and it intends either to settle on a net basis or to realise the asset and to settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards, or for gains and losses arising from a group of similar transactions.

7.18 Segment Reporting

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

7.18.1 Business Segments

Corporate finance

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

Trading and Sales

This segment undertakes the Bank's treasury, money market and capital market activities.

Retail banking

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

Commercial banking

This includes loans, deposits, other transactions and balances with corporate customers.

7.18.2 Geographical segment

The Bank conducts all its operations in Pakistan.

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2009	2008
		Rupees '000	
In hand			
- local currency		1,784,440	2,331,104
- foreign currency		324,187	425,575
With the State Bank of Pakistan in			
- local currency current account	8.1	4,367,938	4,061,066
- foreign currency current account	8.2	365,765	400,691
- foreign currency deposit account	8.3	1,145,480	1,214,245
With the National Bank of Pakistan in			
- local currency current account		431,642	493,628
National Prize Bonds		7,750	1,215
		<u>8,427,202</u>	<u>8,927,524</u>

8.1 This represents current accounts maintained with SBP under the requirements of section 22 (Cash Reserve Requirement) of the Banking Companies Ordinance, 1962.

8.2 This comprises of current accounts maintained with SBP to meet cash reserve requirement of 5% on FE 25 deposits, under the requirements of BSD Circular No. 18 dated March 31, 2001 and OSED Circular No. 1 dated November 13, 2006 and 6% special cash reserve requirement on FE 25 deposits maintained by Islamic Banking branches.

8.3 This represents special cash reserve requirement maintained with SBP 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. Profit rates on these balances are fixed on monthly basis by SBP. During the year 0% rate of remuneration (2008: ranging from 0.90% to 3.60%) was notified by SBP on these balances.

9. BALANCES WITH OTHER BANKS

	Note	2009	2008
		Rupees '000	
In Pakistan			
- Current accounts		120,292	163,851
Outside Pakistan			
- Current accounts		388,503	712,929
		<u>508,795</u>	<u>876,780</u>

10. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2009	2008
Call money lendings	10.2	300,000	-
Repurchase agreement lendings (Reverse Repo)	10.3	14,717,826	2,861,401
		<u>15,017,826</u>	<u>2,861,401</u>

10.1 Particulars of lending

In local currency	<u>15,017,826</u>	<u>2,861,401</u>
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10.2 Call money lendings have been extended to banks at rates ranging from 12.40% to 12.65% per annum (2008: Nil), maturing upto January 2010.

10.3 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees '000					
Market Treasury Bills - note 10.3.1	14,717,826	-	14,717,826	2,861,401	-	2,861,401

10.3.1 Market Treasury Bills have been purchased under resale agreements at rates ranging from 12.05% to 12.40% (2008: 14.0% to 14.9% per annum) with maturities up to February 2010. The market value of these securities is Rs. 14.73 billion (2008: Rs 2.9 billion).

11. INVESTMENTS

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

11.1 Investments by type

	2009			2008		
	Held by Bank	Given as collateral	Total	Given as collateral	Held by Bank	Total
----- Rupees '000 -----						
Held for trading securities						
Market Treasury Bills	618,471	-	618,471	-	-	-
Fully paid up ordinary shares	811,223	-	811,223	19,104	-	19,104
	1,429,694	-	1,429,694	19,104	-	19,104
Available for sale securities						
Market Treasury Bills - note 11.2.1	14,192,378	17,165,757	31,358,135	11,345,480	1,122,183	12,467,663
Pakistan Investment Bonds - note 11.2.2	5,748,485	97,570	5,846,055	1,154,312	-	1,154,312
Ijara Sukuk Bonds - note 11.2.3	462,000	-	462,000	-	-	-
Units of open ended mutual funds						
- National Investment (Unit) Trust - note 11.2.4	2,671,422	-	2,671,422	3,475,056	-	3,475,056
- NIT Government Bond 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	207,411	-	207,411	207,411	-	207,411
- First Habib Income Fund	-	-	-	25,000	-	25,000
- NAFA Cash Fund	-	-	-	50,000	-	50,000
- Atlas Income Fund	-	-	-	35,000	-	35,000
- United Money Market Fund	-	-	-	25,000	-	25,000
Fully paid up ordinary shares / modaraba certificates / units of closed ended mutual funds	1,810,932	-	1,810,932	1,750,640	-	1,750,640
Fully paid up preference shares	492,677	-	492,677	492,677	-	492,677
Sukuk certificates	85,000	-	85,000	-	-	-
Term finance certificates	1,828,288	-	1,828,288	1,540,859	-	1,540,859
	27,828,967	17,263,327	45,092,294	20,381,809	1,122,183	21,503,992
Held to maturity securities						
Market Treasury Bills	-	-	-	8,805,245	-	8,805,245
Term finance certificates	7,127,929	-	7,127,929	4,232,778	-	4,232,778
Sukuk certificates	2,410,077	-	2,410,077	1,750,000	-	1,750,000
	9,538,006	-	9,538,006	14,788,023	-	14,788,023
Associates						
Fully paid up ordinary shares of Faysal Asset Management Ltd.	45,000	-	45,000	45,000	-	45,000
Subsidiaries						
Fully paid up ordinary shares of Faysal Management Services (Private) Ltd.	108,000	-	108,000	108,000	-	108,000
Investments at cost	38,949,667	17,263,327	56,212,994	35,341,936	1,122,183	36,464,119
Provision for diminution in the value of investments - note 11.3	(1,140,082)	-	(1,140,082)	(887,890)	-	(887,890)
Investments (Net of Provisions)	37,809,585	17,263,327	55,072,912	34,454,046	1,122,183	35,576,229
Deficit on revaluation of held for trading securities - note 11.5	(49,084)	-	(49,084)	(3,410)	-	(3,410)
Surplus / (Deficit) on revaluation of available for sale securities (net) - note 24	1,535,296	(27,786)	1,507,510	579,718	-	579,718
Total investments at market value	39,295,797	17,235,541	56,531,338	35,030,354	1,122,183	36,152,537

11.1.1 Strategic Investments

Available for sale securities - Listed

Fully paid up ordinary shares / modarba certificates / units of closed ended mutual funds
 Units of open ended mutual funds

2009
 Rupees '000

2008

238,981
 80,374

238,981
 80,374

Available for sale securities - Unlisted

Fully paid up ordinary shares

797,549

853,750

Associate

45,000

45,000

Subsidiary

108,000
1,269,904

108,000
 1,326,105

Provision for diminution in the value of investments

(287,903)

(175,517)

Surplus / (Deficit) on revaluation of investments

982,001
 106,114
1,088,115

1,150,588
 (11,945)
 1,138,643

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 fulfillment of criteria prescribed by SBP in the Prudential Regulations. The overall exposure limit for equity investments prescribed by SBP does not apply to these investments. Further, as per 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 SBP. During 2008 the Bank entered into an agreement for sale of one of strategic investment after taking approval from SBP. Part of that investment has been disposed off and proportionate provision against the investment has been derecognized.

11.2 Investments by segment	Note	2009	2008
		Rupees '000	
Federal Government Securities			
- Market Treasury Bills	11.2.1	31,976,606	21,272,908
- Pakistan Investment Bonds	11.2.2	5,846,055	1,154,312
- Ijara Sukuk Bonds	11.2.3	462,000	-
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed ended Mutual Fund Units			
- Listed companies / modarabas / mutual funds		1,822,818	914,207
- Unlisted companies		952,337	1,008,537
Fully Paid up Preference Shares			
- Listed companies		266,427	266,427
- Unlisted companies		226,250	226,250
Term Finance Certificates			
- Listed TFCs		3,483,168	1,240,819
- Unlisted TFCs	11.2.5	5,473,049	4,532,818
Open ended Mutual Fund Units	11.2.4	3,209,207	4,097,841
Other Investments			
- Sukuk certificates		2,495,077	1,750,000
Total investments at cost		56,212,994	36,464,119
Less: Provision for diminution in the value of investments	11.3	(1,140,082)	(887,890)
Investments (Net of Provisions)		55,072,912	35,576,229
Deficit on revaluation of held for trading securities	11.5	(49,084)	(3,410)
Surplus on revaluation of available for sale securities	24	1,507,510	579,718
Total investments at market value		56,531,338	36,152,537

11.2.1	Market Treasury Bills have tenures of three months to one year. The Bank's yield on these instruments ranges from 11.4% to 13.4% per annum (2008: 10.1% to 13.6% per annum) with maturities up to September 2010.																												
11.2.2	Pakistan Investment Bonds have tenures of 5 to 10 years. The Bank's return on these investments ranges from 4.6% to 13.1% per annum (2008: 4.6% to 6.3% per annum) with maturities from June 2013 to September 2019.																												
11.2.3	Ijara sukuk bonds have tenures of three years with maturities upto September 2012.																												
11.2.4	This includes 154,923,195 NIT Units (2008: 150,268,315 NIT units) in NI(U)T LOC Holders' Fund. The Letter of Comfort (LOC) dated June 30, 2009 issued by the Federal Government expired on December 31, 2009. The Ministry of Finance vide letter reference No. F.4(2)-Inv.III/2000 dated December 3, 2009, advised NIT to settle the NI(U)T LOC Holders' fund by distributing all the underlying assets to the respective LOC Holders except for shares held in Pakistan State Oil (PSO) and Sui Nothern Gas Pipelines Limited (SNGPL) which will be taken over by the National Bank of Pakistan (NBP) and cash received from NBP will be paid to the other LOC Holders. In terms of the said letter, the LOC Holders, NIT and National Bank of Pakistan (NBP) have entered into an agreement dated January 13, 2010 for settlement of the NI(U)T LOC Holders' Fund. Under the agreement the underlying net assets of the NI(U)T LOC Holders' Fund after charging agreed premium of 2.5% have been apportioned between LOC Holders according to their respective units. As at December 31, 2009, the unrealised gain on these NI(U)T LOC units net off tax shown below equity amounts to Rs. 1,770 million.																												
11.2.5	This includes advance in respect of Pre IPO issue of listed Term Finance Certificates (TFCs) of Dewan Cement Ltd which have not yet been issued. The old TFCs have been repaid by Dewan Cement Ltd during 2008. However, as per the directives of the State Bank of Pakistan vide letter No. BPD/PU-22/22.03/15749/2005/8720 dated July 14, 2005, the advance has been classified as investment.																												
11.3	Particulars of provision for diminution in the value of investments																												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Note</th> <th style="text-align: right;">2009</th> <th style="text-align: right;">2008</th> </tr> <tr> <td></td> <td></td> <th colspan="2" style="text-align: center;">Rupees '000</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td></td> <td style="text-align: right;">887,890</td> <td style="text-align: right;">280,313</td> </tr> <tr> <td>Charge for the year</td> <td style="text-align: center;">11.3.1</td> <td style="text-align: right;">528,403</td> <td style="text-align: right;">768,076</td> </tr> <tr> <td>Reversals</td> <td></td> <td style="text-align: right;">(276,211)</td> <td style="text-align: right;">(160,499)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">252,192</td> <td style="text-align: right;">607,577</td> </tr> <tr> <td>Closing balance</td> <td></td> <td style="text-align: right;">1,140,082</td> <td style="text-align: right;">887,890</td> </tr> </tbody> </table>		Note	2009	2008			Rupees '000		Opening balance		887,890	280,313	Charge for the year	11.3.1	528,403	768,076	Reversals		(276,211)	(160,499)			252,192	607,577	Closing balance		1,140,082	887,890
	Note	2009	2008																										
		Rupees '000																											
Opening balance		887,890	280,313																										
Charge for the year	11.3.1	528,403	768,076																										
Reversals		(276,211)	(160,499)																										
		252,192	607,577																										
Closing balance		1,140,082	887,890																										
11.3.1	This includes provision of Rs. 162.664 million recognised on account of difference in carrying value and breakup value of one of strategic investment.																												

	2009	2008
	Rupees '000	
11.3.2 Particulars of provision in respect of type and segment		
Available for sale securities		
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed ended Mutual Fund Units		
- Listed companies / modarabas / mutual funds	196,436	291,357
- Unlisted companies	242,588	102,516
Fully Paid up Preference Shares		
- Listed companies	132,564	59,274
Open ended Mutual Fund Units	156,425	162,415
Term Finance Certificates		
- Listed TFCs	5,919	5,919
- Unlisted TFCs	300,000	250,000
Held to maturity securities		
Term Finance Certificates		
- Unlisted TFCs	31,150	16,409
Other Investments		
- Sukuk certificates	75,000	-
	<u>1,140,082</u>	<u>887,890</u>

11.4 Quality of available for sale securities

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

	2009	2008
	Rupees '000	
11.5 Unrealized loss on revaluation of investments classified as held for trading		
Market Treasury Bills	(92)	-
Fully Paid up Ordinary Shares	(48,992)	(3,410)
	<u>(49,084)</u>	<u>(3,410)</u>
12. ADVANCES		
Loans, cash credits, running finances, etc. -In Pakistan	85,056,738	73,509,851
Net investment in finance lease - In Pakistan	11,112,580	13,212,735
	<u>96,169,318</u>	<u>86,722,586</u>
Bills discounted and purchased (excluding government treasury bills)		
Payable in Pakistan	438,472	675,771
Payable outside Pakistan	1,438,480	596,917
	<u>1,876,952</u>	<u>1,272,688</u>
Margin Financing / reverse repo transactions	338,200	625,367
Gross Advances	<u>98,384,470</u>	<u>88,620,641</u>
Provision for non-performing advances	(6,848,394)	(4,891,775)
Provision for consumer loans - general	(190,075)	(216,798)
	<u>91,346,001</u>	<u>83,512,068</u>
12.1 Particulars of advances (Gross)		
12.1.1 In local currency	94,585,866	83,802,807
In foreign currency	3,798,604	4,817,834
	<u>98,384,470</u>	<u>88,620,641</u>

		2009	2008
		Rupees '000	
12.1.2	Short term (for upto one year)	61,236,117	37,992,137
	Long term (for over one year)	37,148,353	50,628,504
		<u>98,384,470</u>	<u>88,620,641</u>

12.2 Net investment in finance lease

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one	Later than one and less than five years	Over five years	Total
Rupees '000								
Lease rentals receivable	4,507,793	4,947,192	-	9,454,985	5,280,636	6,350,315	-	11,630,951
Residual value	938,017	2,337,952	-	3,275,969	1,016,575	2,559,573	-	3,576,148
Minimum lease payment	5,445,810	7,285,144	-	12,730,954	6,297,211	8,909,888	-	15,207,099
Finance charge for future period	(820,439)	(797,935)	-	(1,618,374)	(1,010,978)	(983,386)	-	(1,994,364)
Present value of minimum lease payment	<u>4,625,371</u>	<u>6,487,209</u>	-	<u>11,112,580</u>	<u>5,286,233</u>	<u>7,926,502</u>	-	<u>13,212,735</u>

12.3 Advances includes Rs. 10.671 billion (2008: Rs. 7.446 billion) which have been placed under non-performing status as detailed below:

Category of classification	2009								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees '000									
Other assets especially mentioned (Agri)	277,202	-	277,202	-	-	-	-	-	-
Substandard	1,756,150	-	1,756,150	334,776	-	334,776	334,776	-	334,776
Doubtful	2,112,776	-	2,112,776	800,237	-	800,237	800,237	-	800,237
Loss	6,524,902	-	6,524,902	5,529,323	-	5,529,323	5,529,323	-	5,529,323
	<u>10,671,030</u>	<u>-</u>	<u>10,671,030</u>	<u>6,664,336</u>	<u>-</u>	<u>6,664,336</u>	<u>6,664,336</u>	<u>-</u>	<u>6,664,336</u>

Category of classification	2008								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees '000									
Other assets especially mentioned (Agri)	242,329	-	242,329	-	-	-	-	-	-
Substandard	1,882,120	-	1,882,120	655,627	-	655,627	655,627	-	655,627
Doubtful	1,520,190	-	1,520,190	642,427	-	642,427	642,427	-	642,427
Loss	3,801,842	-	3,801,842	3,535,045	-	3,535,045	3,535,045	-	3,535,045
	<u>7,446,481</u>	<u>-</u>	<u>7,446,481</u>	<u>4,833,099</u>	<u>-</u>	<u>4,833,099</u>	<u>4,833,099</u>	<u>-</u>	<u>4,833,099</u>

12.3.1 Change in accounting estimate

During the year the Bank has revised its accounting estimate in accordance with the directives issued by SBP, and has considered the benefit of 40% (2008: 30%) of FSV of pledged stocks and mortgaged residential, commercial and industrial properties (land and building only) (2008: pledged stocks and mortgaged residential and commercial properties) held as collateral against all Non Performing Loans (NPLs), except consumer financing, for three years from the date of classification for calculating provisioning requirements. Benefit of FSV, calculated in accordance with these directives has resulted in reversal of provision of Rs. 637.461 million during the year. Total accumulated benefit as at December 31, 2009 amounts to Rs. 773.592 million. The additional impact on profitability from this benefit is not available for payment of cash or stock dividend. For Non Performing Loans in respect of consumer financing, benefit of 50% of the FSV of mortgage property is considered.

12.4 Particulars of provision for non-performing advances - in local currency

	2009			2008		
	Specific	General	Total	Specific	General	Total
----- Rupees '000 -----						
Opening balance	4,833,099	58,676	4,891,775	3,199,581	148,676	3,348,257
Charge for the year	2,570,287	183,382	2,753,669	1,956,600	-	1,956,600
Transfer to specific provision from general provision	-	-	-	90,000	(90,000)	-
Reversals	(729,255)	(58,000)	(787,255)	(411,993)	-	(411,993)
	1,841,032	125,382	1,966,414	1,634,607	(90,000)	1,544,607
Amounts written off - note 12.7	(9,795)	-	(9,795)	(1,089)	-	(1,089)
Closing balance	<u>6,664,336</u>	<u>184,058</u>	<u>6,848,394</u>	<u>4,833,099</u>	<u>58,676</u>	<u>4,891,775</u>

12.4.1 Particulars of provision for non-performing advances:

	2009			2008		
	Specific	General	Total	Specific	General	Total
----- Rupees '000 -----						
In local currency	<u>6,664,336</u>	<u>184,058</u>	<u>6,848,394</u>	<u>4,833,099</u>	<u>58,676</u>	<u>4,891,775</u>

12.4.2 General provision represents provision made for potential losses and has been determined on the basis of management's best estimate.

12.5 Particulars of provision for consumer loans - general - in local currency

	2009	2008
	Rupees '000	
Opening balance	216,798	321,620
Charge for the year	-	-
Reversals	(26,723)	(104,822)
Closing balance	<u>190,075</u>	<u>216,798</u>

12.5.1 General provision against consumer loans has been determined in accordance with the requirements of the Prudential Regulations issued by SBP (i.e. 1.5% of secured loans and 5% of unsecured loans).

12.6 Particulars of write-off

	Note	2009	2008
Rupees '000			
12.6.1 Against provisions Directly charged to profit and loss account	12.4	9,795	1,089
		<u>-</u>	<u>-</u>
		<u>9,795</u>	<u>1,089</u>
12.6.2 Write offs of Rs. 500,000 and above Write offs below Rs. 500,000	12.7	9,795	1,089
		<u>-</u>	<u>-</u>
		<u>9,795</u>	<u>1,089</u>

12.7 Details of loans written off of Rs. 500,000 and above

The statement in respect of write-offs or any other financial relief of five hundred thousand rupees or above as required under sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 is given as "Annexure II" to these financial statements.

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

	2009	2008
Rupees '000		
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 year	504,926	407,271
Loans granted during the year	297,198	259,903
Repayments	(182,667)	(162,248)
Balance at end of year	<u>619,457</u>	<u>504,926</u>
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members		
Balance at beginning of year	731,564	806,989
Loans granted during the year	72,735	529
Repayments	(1,741)	(75,954)
Balance at end of year	<u>802,558</u>	<u>731,564</u>
	<u>1,422,015</u>	<u>1,236,490</u>

	Note	2009	2008
		Rupees '000	
12.8.1 Maximum total amount of advances including temporary advances granted during the year			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		619,457	504,926
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		802,558	806,989
		1,422,015	1,311,915
13. OPERATING FIXED ASSETS			
Capital work-in-progress	13.1	65,033	241,253
Property and equipments	13.2	2,495,798	2,250,594
Intangible assets	13.3	226,786	155,131
		2,787,617	2,646,978
13.1 Capital work-in-progress			
Civil works		18,578	32,911
Equipment		20,705	64,022
Advances to suppliers and contractors		25,750	144,320
		65,033	241,253

13.2 Property and equipment

	COST					ACCUMULATED DEPRECIATION					Book value at		Rate of depreciation % per annum
	As at January 1, 2008	Additions / (deletions)	As at January 1, 2009	Additions / (deletions)	As at December 31, 2009	As at January 1, 2008	Charge / (on deletions)	As at January 1, 2009	Charge / (on deletions)	As at December 31, 2009	December 31, 2009	December 31, 2008	
	Rupees '000												
Owned													
Freehold land	40,184	-	40,184	-	40,184	-	-	-	-	-	40,184	40,184	-
Leasehold land	417,008	-	417,008	50,756	467,764	19,206	-	19,206	-	19,206	448,558	397,802	-
Building on freehold land - note 13.2.2 & 13.2.3	41,648	-	41,648	-	41,648	14,598	833	15,431	578	16,009	25,639	26,217	5
Leasehold property and improvement note - 13.2.3	1,066,367	238,680 (49)	1,304,998	144,821	1,449,819	196,096	96,285 (7)	292,374	128,450	420,824	1,028,995	1,012,624	5 to 20
Office furniture, fixtures, equipments and computers note - 13.2.4	1,113,133	316,807 (14,987)	1,414,953	481,269 (22,988)	1,873,234	637,445	250,236 (5,260)	882,421	332,139 (19,409)	1,195,151	678,083	532,532	20 to 33.33
Vehicles	241,648	144,035 (40,699)	344,984	113,252 (52,826)	405,410	83,059	44,628 (20,094)	107,593	52,672 (29,194)	131,071	274,339	237,391	20
	2,919,988	699,522 (55,735)	3,563,775	790,098 (75,814)	4,278,059	950,404	391,982 (25,361)	1,317,025	513,839 (48,603)	1,782,261	2,495,798	2,246,750	
Assets subject to finance lease													
Vehicles	15,999	- (1,169)	14,830	- (14,830)	-	9,488	1,498 -	10,986	- (10,986)	-	-	3,844	20
	2,935,987	699,522 (56,904)	3,578,605	790,098 (90,644)	4,278,059	959,892	393,480 (25,361)	1,328,011	513,839 (59,589)	1,782,261	2,495,798	2,250,594	

- 13.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 683.744 million (2008: Rs. 505.945 million).
- 13.2.2** One of these properties is encumbered to the extent of Rs. 34 million on account of a claim by a local bank in settlement of its second charge. Furthermore, two floors of the said property have been restricted from sale by the High Court.
- 13.2.3 Change in accounting estimate**
- During the year, the Bank reviewed the useful life of "leasehold property and improvements". Previously, useful life was estimated at 50 years, which has been revised to 20 years. This has and will result in an increase in depreciation charge by Rs. 13 million in current and in each of the future years respectively.
- 13.2.4** During the year 100 used personal computers having cost of Rs. 7.741 million and book value of Rs. 0.469 million were donated to "The Citizens' Foundation" a non-profit organisation. Further, another 83 used personal computers having nil book value were donated to various NGOs namely; Layton Rahmatullah Benevolent Trust (25), Behbud Association (25), Mashal Trust (3) and Teach a Child School Systems (30).

13.3 Intangible assets

	COST				ACCUMULATED AMORTISATION				Book value at		Rate of amortisation % per annum		
	As at	Additions/	As at	Additions/	As at	Charge/ (on	As at	Charge/ (on	As at	December 31,		December 31,	
	January 1,	(deletions)	January 1,	(deletions)	December 31,	January 1,	deletions)	January 1,	deletions)	December 31,		December 31,	
	2008	2009	2009	2008	2009	2009	2008	2009	2009	2009	2008		
	----- Rupees '000 -----												
Computer software	165,390	67,901	233,291	168,493	401,784	24,011	54,149	78,160	96,838	174,998	226,786	155,131	20 to 33.33

- 13.3.1** Intangible assets include fully amortised items still in use having cost of Rs. 10.336 million (2008: Rs. 8.777 million).

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
----- Rupees '000 -----						
Owned - Vehicles						
Mercedes Benz	5,116	3,325	1,791	1,791	Policy	Mr. Khalid Siddique Tirmizey (Ex employee)
Honda Civic	886	343	543	538	Policy	Mr. Masood Jafferri (Employee)
Honda Civic	1,381	221	1,160	1,160	Policy	Mr. Mohammad Siddique Memon (Ex employee)
Kia Sportage	1,169	733	436	479	Bid	Mr. Waheed Ahmed (Individual) Lahore
Honda Accord	2,410	1,253	1,157	1,465	Policy	Mr. Syed Mustafa Aftab (Employee)
Mercedes Benz	10,478	6,427	4,051	4,500	Negotiation	Eye Television Network Limited
Honda Civic VTI	1,169	764	405	421	Policy	Mr. Siddique Memon (Ex employee)
Honda Accord	2,410	1,542	868	1,725	Policy	Mr. Jameel Irshad (Employee)
Suzuki Cultus	585	226	359	555	Policy	Ms. Mariyam Khalid (Employee)
Toyota Corolla	1,387	129	1,258	1,260	Policy	Mr. Rizwan Karamat (Employee)
Toyota Corolla	1,169	639	530	745	Policy	Mr. Salman Altaf (Employee)
Toyota Corolla	1,209	774	435	435	Policy	Mr. Irfan Uddin (Employee)
Honda Civic VTI	1,237	693	544	425	Policy	Mr. Tanwir-Ul-Hassan (Employee)
Suzuki Cultus	560	306	254	509	Bid	Mr. Imran Ahmed (Individual), House No-219, Sector-35B, Korangi No. 4, Karachi.
Suzuki Cultus	555	252	303	583	Policy	Mr. Arshad Mehmud (Employee)
Suzuki Cultus	625	283	342	610	Policy	Mr. Koser Niazi (Employee)
Honda City	560	217	343	544	Policy	Mr. Sarmad Ijaz (Employee)
Toyota Corolla	905	543	362	380	Policy	Mr. Ashraf Ali (Employee)
Suzuki Cultus	598	287	311	475	Bid	Mr. Sultan Hasan Khan (Individual), House No. A-908/12, F.B. Area Gulberg, Karachi.
Suzuki Cultus	663	186	477	424	Policy	Mr. Mustafa Aftab (Employee)
Honda Civic VTI	1,405	918	487	506	Policy	Mr. Iqbal A. Zuberi (Employee)
Suzuki Cultus	652	122	530	652	Insurance Claim	EFU General Insurance Ltd, Karachi.
Honda Civic	1,237	792	445	445	Policy	Ms. Seemi Shafi (Employee)
Suzuki Cultus	600	216	384	384	Policy	Mr. Imran Siraj (Employee)
Honda Civic	1,208	644	564	556	Policy	Ms. Farah Naz (Employee)
Suzuki Cultus	617	173	444	456	Policy	Mr. Faysal A. Lehri (Employee)
Honda City	885	566	319	319	Policy	Mr. Anjum Siddiqui (Employee)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
----- Rupees '000 -----						
Owned - Vehicles						
Honda Civic	1,237	792	445	445	Policy	Mr. Ahmed Hemani (Employee)
Suzuki Cultus	612	188	424	445	Policy	Mr. Syed Saquib Imam Zaidi (Employee)
Toyota Corolla	1,199	144	1,055	1,079	Insurance Claim	EFU General Insurance Ltd, Karachi.
Suzuki Cultus	510	197	313	524	Policy	Ms. Sadia Hayat (Employee)
Suzuki Cultus	555	259	296	550	Bid	Mr. Khurram Mehboob (Individual), 14 A/B-1, Satellite Town, Rawalpindi.
Suzuki Cultus	595	270	325	643	Bid	Mr. Rizwan Mazhar (Individual), House No. 148, Mahallah Asghar Mall Scheme, Rawalpindi.
Suzuki Cultus	600	232	368	368	Policy	Mr. Abid R. Abbas (Employee)
Honda Civic	1,382	332	1,050	1,050	Policy	Mr. Mohammad Abadullah (Employee)
Suzuki Cultus	555	252	303	303	Policy	Mr. Nadeem S. Rathore (Employee)
Honda City	835	534	301	301	Policy	Mr. Iqbal A. Zubairi (Employee)
Suzuki Cultus	560	306	254	254	Policy	Mr. Imran Ali (Employee)
Honda City	949	632	317	768	Bid	Mr. Malik Ishaq (Individual), SA. 1063, Sadiqabad Chowk Road, Rawalpindi.
Toyota Corolla	1,050	840	210	807	Bid	M/S Car Corporation Company 111/B, Block-2, Khalid Bin Waleed Road, P.E.C.H.S, Karachi.
Honda City	930	508	422	649	Insurance Claim	EFU General Insurance Ltd, Karachi.

14. DEFERRED TAX ASSETS / (LIABILITIES) - NET

	2009			
	Opening Balance	Recognised in profit and loss	Recognised in surplus on revaluation	Closing Balance
-----Rupees '000-----				
Deferred credits arising in respect of:				
- Finance lease arrangements	(2,833,019)	2,078,624	-	(754,395)
- Accelerated depreciation allowance	(194,081)	(3,376)	-	(197,457)
- Surplus on revaluation of securities	(76,260)	-	(78,628)	(154,888)
Deferred debits arising in respect of:				
- Provision against non-performing advances	(7,431)	1,931,256	-	1,923,825
- Provision for diminution in the value of investments	73,962	294,900	-	368,862
- Taxable business losses	420,811	(420,811)	-	-
- Deficit on revaluation of government securities	132,663	-	(38,692)	93,971
	(2,483,355)	3,880,593	(117,320)	1,279,918
-----Rupees '000-----				
	2008			
	Opening Balance	Recognised in profit and loss	Recognised in surplus on revaluation	Closing Balance
-----Rupees '000-----				
Deferred credits arising in respect of:				
- Finance lease arrangements	(2,378,019)	(455,000)	-	(2,833,019)
- Accelerated depreciation allowance	(173,055)	(21,026)	-	(194,081)
- Surplus on revaluation of securities	(663,666)	-	587,406	(76,260)
Deferred debits arising in respect of:				
- Provision against non-performing advances	29,258	(36,689)	-	(7,431)
- Provision for diminution in the value of investments	51,958	22,004	-	73,962
- Taxable business losses	355,729	65,082	-	420,811
- Deficit on revaluation of government securities	86,329	-	46,334	132,663
	(2,691,466)	(425,629)	633,740	(2,483,355)

15. OTHER ASSETS	Note	2009 Rupees '000	2008
Income / mark-up accrued in local currency		2,938,935	2,200,808
Income / mark-up accrued in foreign currency		2,719	42,475
Advances, deposits, advance rent and other prepayments		254,774	216,155
Non-banking assets acquired in satisfaction of claims	15.1	1,258,578	307,376
Suspense account		28,506	22,181
Unrealised gain on revaluation of forward foreign exchange contracts		10,004	-
Dividend receivable		62,995	40,270
Receivable from brokers - secured	15.2	369,243	2,899
Others		142,551	540,067
		<u>5,068,305</u>	<u>3,372,231</u>
Less: Provision held against other assets	15.3	<u>(101,589)</u>	<u>(108,033)</u>
Other assets (net of provision)		<u>4,966,716</u>	<u>3,264,198</u>
15.1 Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuer		<u>1,400,965</u>	<u>596,964</u>
15.2 This represents amount receivable from brokers against sale of shares.			
15.3 Provision against other assets			
Opening balance		108,033	11,169
Charge for the year		12,648	96,864
Reversals		(19,092)	-
		<u>(6,444)</u>	<u>96,864</u>
Closing balance		<u>101,589</u>	<u>108,033</u>
16. BILLS PAYABLE			
In Pakistan		1,451,976	1,523,430
Outside Pakistan		13,475	13,087
		<u>1,465,451</u>	<u>1,536,517</u>

17. BORROWINGS FROM FINANCIAL INSTITUTIONS	Note	2009 Rupees '000	2008
In Pakistan		34,964,216	13,019,090
Outside Pakistan		21,550	8,378
		<u>34,985,766</u>	<u>13,027,468</u>
17.1 Particulars of borrowings with respect to currencies			
In local currency		34,753,612	12,860,893
In foreign currencies		232,154	166,575
		<u>34,985,766</u>	<u>13,027,468</u>
17.2 Details of borrowings from financial institutions			
Secured			
Borrowings from the State Bank of Pakistan			
- Under Export Refinance Scheme - Part I and II	17.3	8,671,912	7,568,725
- Under scheme for Long Term Financing of Export Projects - (LTF-EOP)	17.4	1,968,740	2,086,845
- Under Long Term Financing Facility (LTFF)	17.5	166,581	95,002
Repurchase agreement borrowings	17.6	17,206,379	1,110,321
		<u>28,013,612</u>	<u>10,860,893</u>
Unsecured			
Call borrowings	17.7	6,950,604	2,158,197
Overdrawn nostro accounts		21,550	8,378
		<u>6,972,154</u>	<u>2,166,575</u>
		<u>34,985,766</u>	<u>13,027,468</u>
17.3 These represent borrowings from SBP under export refinance scheme at 7.00% per annum (2008: 6.50% per annum) maturing up to 2010. As per the terms of the agreement, the Bank has granted SBP a right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account of the Bank maintained with SBP.			
17.4 These represent borrowings from SBP under scheme for Long Term Financing of Export Oriented Projects at rates ranging from 4.00% to 5.00% per annum (2008: 4.00% to 5.00% per annum), and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the Bank has granted SBP a right to recover the outstanding amount from the Bank at the respective date of maturity of finances by directly debiting the current account of the Bank maintained with SBP.			

17.5 This represents borrowings from SBP under scheme for Long Term Financing facility at rates ranging from 7.20% to 7.70% per annum (2008: 6.50% to 7.00% per annum), and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the Bank has granted SBP a right to recover the outstanding amount from the Bank at the respective date of maturity of finances by directly debiting the current account of the Bank maintained with SBP.

17.6 This represents collateralized borrowings against market treasury bills and Pakistan investment bonds at rates ranging from 11.00% to 12.15% per annum (2008: 12.75% to 14.90% per annum) maturing upto January 2010.

17.7 These borrowings are from various institutions in the interbank market, made at rates ranging from 11.25% to 12.40% per annum (2008: 6.00% to 14.10% per annum) maturing up to June 2010.

18. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
 Saving deposits
 Current accounts - Remunerative
 Current accounts - Non-remunerative
 Margin accounts

Financial Institutions

Remunerative deposits
 Non-remunerative deposits

	2009	2008
	Rupees '000	
Fixed deposits	53,096,526	52,580,898
Saving deposits	40,443,955	25,317,608
Current accounts - Remunerative	-	-
Current accounts - Non-remunerative	21,147,284	18,472,499
Margin accounts	1,733,746	2,018,677
	116,421,511	98,389,682
Remunerative deposits	7,223,895	4,349,693
Non-remunerative deposits	9,782	37,418
	7,233,677	4,387,111
	123,655,188	102,776,793

18.1 Particulars of deposits

In local currency
 In foreign currencies

In local currency	116,326,199	94,971,578
In foreign currencies	7,328,989	7,805,215
	123,655,188	102,776,793

18.2 The above includes deposits of related parties amounting to Rs. 2.787 billion (2008: Rs. 1.542 billion).

19. SUB-ORDINATED LOANS

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

	2009	2008
	Rupees '000	
Outstanding amount	999,200	999,600
Total Issue Amount	1,000,000	1,000,000
Rating	"AA-" (Double A Minus) by JCR-VIS	
Rate	Base Rate Plus 1.40% The Base Rate is defined as the Ask Side of Six Months Karachi Inter-bank Offered Rate (KIBOR) prevailing on the base rate setting date.	
Subordination	The TFCs are subordinated to all other indebtedness of the Bank including deposits.	
Tenure and maturity	7 years from the date of issue	
Principal Repayment	0-60 months: 0.2% 66-84 months: 24.95%	
Profit Payment	Profit is payable semi-annually in arrears.	

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	----- Rupees '000 -----					
Not later than one year	-	-	-	4,147	44	4,103
Later than one year and not later than five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,147</u>	<u>44</u>	<u>4,103</u>

20.1 The Bank had entered into agreements with a modaraba for lease of vehicles on commercial terms which was settled on maturity during the year.

21. OTHER LIABILITIES

	Note	2009	2008
		Rupees '000	
Mark-up / return payable in local currency		1,688,553	1,418,833
Mark-up / return payable in foreign currencies		26,324	48,651
Unearned commission / income		23,249	75,277
Accrued expenses		434,640	299,487
Current taxation (provisions less payments)		664,024	460,904
Unclaimed dividends		42,788	43,128
Branch adjustment account		139	3,776
Unrealised loss on revaluation of forward foreign exchange contracts		-	23,849
Withholding tax payable		48,290	66,089
Federal Excise Duty payable		14,782	9,266
Security deposits against finance leases		3,275,969	3,576,148
Payable to brokers	21.1	73,841	8,517
Others		684,470	607,617
		<u>6,977,069</u>	<u>6,641,542</u>

21.1 This represents amounts payable to brokers against purchase of shares.

22. SHARE CAPITAL

22.1 Authorised capital

	2009	2008		2009	2008
	Number of Shares			Rupees '000	
	<u>1,200,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs. 10 each	<u>12,000,000</u>	<u>6,000,000</u>

22.2 Issued, subscribed and paid-up capital

	2009	2008	Ordinary shares	2009	2008
	Number of Shares			Rupees '000	
	<u>201,451,420</u>	201,451,420	Fully paid in cash	<u>2,014,514</u>	2,014,514
	<u>391,979,722</u>	312,533,051	Issued as bonus shares	<u>3,919,797</u>	3,125,331
	<u>15,660,000</u>	15,660,000	Issued for consideration other than cash	<u>156,600</u>	156,600
	<u>609,091,142</u>	<u>529,644,471</u>		<u>6,090,911</u>	<u>5,296,445</u>

As at December 31, 2009, Ithmaar Bank (the ultimate holding company of the Bank) through its subsidiaries and nominees held 407,742,454 ordinary shares of Rs. 10 each (2008: 354,558,660 ordinary shares).

23. RESERVES

	Note	2009	2008
		Rupees '000	
Statutory reserve	23.1	3,640,514	3,400,481
Capital market reserve	23.2	<u>389,542</u>	<u>389,542</u>
		<u>4,030,056</u>	<u>3,790,023</u>

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

23.2 This represents reserve created to meet unforeseen future contingencies in the capital market.

	Note	2009 Rupees '000	2008
24. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - BY TYPE AND SEGMENT			
Available for sale securities			
Federal Government Securities			
- Market Treasury Bills		(45,557)	(27,831)
- Pakistan Investment Bonds		(218,161)	(351,207)
- Ijara Sukuk Bonds		(2,113)	-
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units			
- Listed companies / modarabas / mutual funds		28,237	(32,402)
Fully Paid up Preference Shares			
- Listed companies		4,048	(2,586)
Term Finance Certificates			
- Listed TFCs		(75,147)	(79,836)
Open end Mutual Fund Units		1,818,859	1,073,580
Other Investments			
- Sukuk certificates		(2,656)	-
Deferred tax (liability) / asset	24.1	1,507,510	579,718
		(60,917)	56,403
		<u>1,446,593</u>	<u>636,121</u>

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

	2009 Rupees '000	2008
25. CONTINGENCIES AND COMMITMENTS		
25.1 Direct credit substitutes		
Contingent liability in respect of guarantees favouring:		
i) Government	-	-
ii) Banking companies and other financial institutions	7,819	11,314
iii) Others	-	2,298,364
	7,819	2,309,678
Acceptances		
i) Government	-	8,903
ii) Banking companies and other financial institutions	-	-
iii) Others	1,471,261	2,115,242
	1,471,261	2,124,145
25.2 Transaction-related contingent liabilities		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
i) Government	4,454,789	3,940,271
ii) Banking companies and other financial institutions	41,492	121,645
iii) Others	9,910,872	13,053,502
	14,407,153	17,115,418
25.3 Trade-related contingent liabilities		
Letters of credit		
i) Government	2,695,731	302,870
ii) Banking companies and other financial institutions	-	115,210
iii) Others	7,279,003	8,378,903
	9,974,734	8,796,983

25.4 Other Contingencies

	2009	2008
	Rupees '000	
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 Holding Company has a strong case	2,500,000	2,500,000
ii) Indemnity issued favouring the High Court in above case	457,543	457,543
iii) Claims against the Bank not acknowledged as debt	1,641,661	1,126,990
iv) Income tax assessments of the Bank have been finalised upto the tax year 2008 (Accounting year 2007). Return for the tax year 2009 has also been filed.		

The department and the Bank have disagreements on various matters for tax years from 1994 to 2008. These include disallowance of initial depreciation on leases, disallowance of provision for bad debts, bad debts written off, taxability of NIT dividend, status of AFIBL, excess perquisites and others. The Bank and the department have filed appeals with CIT (Appeals), ITAT and the High Court in the aforementioned matters. The management and the tax consultant are confident that the decision in respect of these matters will be received in the Bank's favour.

25.5 Commitments in respect of forward lending / purchase

	2009	2008
	Rupees '000	
Commitment to extend credit - advances	2,000,000	3,179,852
Commitment to invest in securities	210,000	330,000

25.6 Commitments in respect of forward exchange contracts

	2009	2008
	Rupees '000	
Purchase		
- Customers	1,745,536	1,103,966
- Banks	6,390,515	4,905,443
	8,136,051	6,009,409
Sale		
- Customers	4,840	-
- Banks	6,522,648	3,224,281
	6,527,488	3,224,281

	2009	2008
	Rupees '000	

25.7 Commitments for the acquisition of operating fixed assets

84,787 196,637

25.8 Commitments in respect of repo transactions

Repurchase	17,250,582	1,122,184
Resale	15,088,857	3,448,631

26. DERIVATIVE INSTRUMENTS

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The principal derivatives used by the Bank are forward foreign exchange contracts and equity futures. The Bank at this stage does not engage in Interest Rate Swaps, Forward Rate Agreements and FX Options.

A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. The Bank enters into these contracts for the purposes of squaring currency positions.

All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations. The principal amount of the derivative contract does not represent real exposure to credit risk, which is limited to the positive fair value of instruments.

The details of commitments under forward foreign exchange contracts outstanding at year-end have been given in note 25. There was no equity futures position at the year end.

	2009	2008
	Rupees '000	
27. MARK-UP / RETURN / INTEREST EARNED		
a) On financing to:		
i) customers	11,293,342	9,508,383
ii) financial institutions	103,439	131,226
b) On investments in:		
i) held for trading securities	1,689	-
ii) available for sale securities	4,028,665	1,766,069
iii) held to maturity securities	1,259,364	837,144
c) On deposits with treasury bank and financial institutions	65,236	364,823
d) On securities purchased under resale agreements	206,140	796,487
	<u>16,957,875</u>	<u>13,404,132</u>
28. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	9,321,454	7,205,154
Securities sold under repurchase agreements	1,289,906	306,768
Other short term borrowings	1,102,721	695,823
Long term borrowings	105,800	116,209
Sub-ordinated debt	148,004	130,801
	<u>11,967,885</u>	<u>8,454,755</u>
29. GAIN / (LOSS) ON SALE OF SECURITIES		
Federal Government Securities		
- Market Treasury Bills	8,220	-
- Pakistan Investment Bonds	46,415	-
Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed End Mutual Fund	449,755	(130,829)
Units of Open End Mutual Fund	320,231	(3,052)
	<u>824,621</u>	<u>(133,881)</u>

	2009	2008
	Rupees '000	
30. OTHER INCOME		
Rent on property	50,284	52,670
Maintenance charges on property rented	11,095	15,972
Net profit on sale of property and equipment	5,788	10,761
Recovery of amount written off previously invested in COIs	12,500	-
Others	924	-
	<u>80,591</u>	<u>79,403</u>
31. ADMINISTRATIVE EXPENSES		
Salaries, allowances and other employee benefits	1,931,364	1,529,231
Charge for defined benefit plan	58,854	30,195
Contribution to defined contribution plan	61,261	42,816
Non-executive directors' fees	1,450	-
Rent, taxes, insurance, electricity, etc.	547,737	456,511
Legal and professional charges	80,534	33,721
Communications	78,182	79,760
Repairs and maintenance	168,505	99,997
Finance charge on leased assets	22	208
Stationery and printing	80,307	74,899
Advertisement and publicity	107,854	38,925
Donations	2,085	160
Auditors' remuneration	5,650	4,700
Depreciation	513,839	393,480
Amortisation	96,838	54,149
License and technical fee	72,128	19,969
Traveling, conveyance and entertainment	52,198	34,663
Vehicle running expenses	71,451	69,378
Books, periodicals and subscription	38,002	54,977
Brokerage and commission	40,983	18,453
Others	274,842	221,651
	<u>4,284,086</u>	<u>3,257,843</u>

31.1 Donations made in the year were as follows:	Note	2009	2008
		Rupees '000	Rupees '000
Donee			
The Aga Khan University		100	-
SWAT Refugee Relief Fund		1,036	-
The Helppcare Society		480	-
The Citizens Foundation	13.2.4	469	-
Others	13.2.4	-	-
Health Oriented Preventive Education (HOPE)		-	50
All Pakistan Women's Association (APWA)		-	10
Rotary Metropolitan Trust (President & CEO of the Bank is the President of the Trust)		-	100
		<u>2,085</u>	<u>160</u>
31.2 Auditors' remuneration			
Audit fee		1,825	1,825
Review of half yearly financial statements		350	350
Special certifications and sundry advisory services		3,200	2,250
Out-of-pocket expenses		275	275
		<u>5,650</u>	<u>4,700</u>
32. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		<u>33,029</u>	<u>61,364</u>
33. TAXATION			
For the year			
Current		1,157,443	155,956
Deferred		(439,983)	425,629
		<u>717,460</u>	<u>581,585</u>
For prior year			
Current		2,823,492	100,000
Deferred		(3,440,610)	-
		<u>(617,118)</u>	<u>100,000</u>
		<u>100,342</u>	<u>681,585</u>

33.1 Relationship between tax expense and accounting profit	Note	2009	2008
		Rupees '000	Rupees '000
Profit before tax		<u>1,300,501</u>	<u>1,796,537</u>
Tax calculated at the rate of 35% (2008: 35%)		455,175	628,788
Effect of:			
- permanent differences		84,531	57,407
- income chargeable to tax at reduced rate		(166,981)	(154,050)
- prior year (reversal) / charge		(617,118)	100,000
- additional charge on lease assets		317,341	-
- others		27,394	49,440
Tax charge for the year		<u>100,342</u>	<u>681,585</u>
34. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after tax for the year		<u>1,200,159</u>	<u>1,114,952</u>
		In thousands	
Weighted average number of ordinary shares		<u>609,091</u>	<u>609,091</u>
		Rupees	
Basic and diluted earnings per share		<u>1.97</u>	<u>1.83</u>
35. CASH AND CASH EQUIVALENTS			
		2009	2008
		Rupees '000	Rupees '000
Cash and balance with treasury banks	8	8,427,202	8,927,524
Balances with other banks	9	508,795	876,780
Call money lendings	10	300,000	-
		<u>9,235,997</u>	<u>9,804,304</u>

	Note	2009	2008
		In Numbers	
36. STAFF STRENGTH			
Permanent		1,931	1,749
Temporary / on contractual basis		111	180
Bank's own staff strength at the end of the year		<u>2,042</u>	1,929
Outsourced	36.1	<u>976</u>	990
Total Staff Strength		<u><u>3,018</u></u>	<u><u>2,919</u></u>

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

37. DEFINED BENEFIT PLAN

37.1 General description

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 lumpsum. 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 the 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, 2009.

37.2 Principal actuarial assumptions

	2009	2008
Discount factor used (% per annum)	12.75	15
Expected long term rate of return on plan assets (% per annum)	12.75	15
Salary increase (% per annum)	12.75	15
Normal retirement age (Years)	60	60

	Note	2009	2008
		Rupees '000	
37.3 Reconciliation of receivable from defined benefit plan			
Present value of defined benefit obligations	37.4	229,961	167,125
Fair value of plan assets	37.5	<u>(168,135)</u>	<u>(107,351)</u>
		61,826	59,774
Net actuarial loss not recognized		<u>(62,165)</u>	<u>(60,113)</u>
		<u><u>(339)</u></u>	<u><u>(339)</u></u>

37.4 Movement in present value of defined benefit obligation

Opening balance	167,125	123,141
Current service cost	46,493	22,567
Interest cost	27,979	12,829
Loss on defined benefit obligation	6,124	30,928
Actual benefits paid during the year	<u>(17,760)</u>	<u>(25,862)</u>
Past service cost - contract employees	-	3,522
Closing balance	<u><u>229,961</u></u>	<u><u>167,125</u></u>

37.5 Movement in fair value of plan assets

Opening balance	107,351	97,739
Expected return on plan assets	19,626	10,417
Contribution made	58,854	30,534
Benefits paid by the fund	<u>(17,760)</u>	<u>(25,862)</u>
Gain / (loss) on plan assets	64	(5,477)
Closing balance	<u><u>168,135</u></u>	<u><u>107,351</u></u>

37.5.1 Plan assets consist of the following:

Balances with banks and financial institutions	104,740	31,753
Units of open ended mutual funds	40,421	60,994
Term finance certificates	<u>22,974</u>	<u>14,604</u>
	<u><u>168,135</u></u>	<u><u>107,351</u></u>

	Note	2009	2008			
		Rupees '000				
37.6 Movement in receivable from defined benefit plan						
Opening balance		(339)	-			
Charge for the year	37.7	58,854	30,195			
Contribution to fund made during the year		(58,854)	(30,534)			
Closing balance		<u>(339)</u>	<u>(339)</u>			
37.7 Charge for defined benefit plan						
Current service cost		46,493	22,567			
Interest cost		27,979	12,829			
Expected return on plan assets		(19,626)	(10,417)			
Amortization of loss		4,008	1,694			
Vested past service cost - contractual employees		-	3,522			
		<u>58,854</u>	<u>30,195</u>			
37.8 Actual return on plan assets		<u>15,637</u>	<u>5,093</u>			
37.9 Historical information						
		2009	2008	2007	2006	2005
		----- Rupees '000 -----				
Defined Benefit Obligation		(229,961)	(167,125)	(123,141)	(118,509)	(93,553)
Fair value of plan assets		168,135	107,351	97,739	97,253	79,134
Deficit		<u>(61,826)</u>	<u>(59,774)</u>	<u>(25,402)</u>	<u>(21,256)</u>	<u>(14,419)</u>
Experience adjustments on plan liabilities		<u>(6,124)</u>	<u>(30,928)</u>	<u>(2,818)</u>	<u>(4,231)</u>	<u>581</u>
Experience adjustments on plan assets		<u>64</u>	<u>(5,477)</u>	<u>(2,745)</u>	<u>888</u>	<u>767</u>

38. DEFINED CONTRIBUTION PLAN

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

39. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2009	2008*	2009	2008	2009	2008
	----- Rupees '000 -----					
Managerial remuneration	99,875	60,577	-	-	332,091	228,249
Fees	-	-	1,450	-	-	-
Charge for defined benefit plan	800	1,861	-	-	22,889	12,481
Contribution to defined contribution plan	2,688	2,219	-	-	26,827	14,939
Rent and house maintenance	6,145	1,161	-	-	124,262	74,699
Utilities	163	243	-	-	28,568	14,004
Medical	278	107	-	-	17,848	10,727
Leave fare assistance	-	1,545	-	-	44,735	24,769
Others	2,215	4,602	-	-	49,799	30,150
	<u>112,164</u>	<u>72,315</u>	<u>1,450</u>	<u>-</u>	<u>647,019</u>	<u>410,018</u>
Number of persons	<u>1</u>	<u>2*</u>	<u>7</u>	<u>7</u>	<u>267</u>	<u>167</u>

* Includes remuneration of Ex-Acting Chief Executive Officer and present President & CEO.

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

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

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Book value		Fair value	
	2009	2008	2009	2008
----- Rupees '000 -----				
Assets				
Cash and balances with treasury banks	8,427,202	8,927,524	8,427,202	8,927,524
Balances with other banks	508,795	876,780	508,795	876,780
Lending to financial institutions	15,017,826	2,861,401	15,017,826	2,861,401
Investments	56,531,338	36,152,537	56,531,338	36,152,537
Advances	91,346,001	83,512,068	91,346,001	83,512,068
Other assets	3,393,795	2,373,420	3,393,795	2,373,420
	175,224,957	134,703,730	175,224,957	134,703,730
Liabilities				
Bills payable	1,465,451	1,536,517	1,465,451	1,536,517
Borrowings	34,985,766	13,027,468	34,985,766	13,027,468
Deposits and other accounts	123,655,188	102,776,793	123,655,188	102,776,793
Sub-ordinated loans	999,200	999,600	999,200	999,600
Liabilities against assets subject to finance lease	-	4,103	-	4,103
Other liabilities	6,226,585	6,026,231	6,226,585	6,026,231
	167,332,190	124,370,712	167,332,190	124,370,712
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	8,136,051	6,009,409	8,136,051	6,009,409
Forward agreements for borrowing	17,250,582	1,122,184	17,250,582	1,122,184
Forward sale of foreign exchange	6,527,488	3,224,281	6,527,488	3,224,281
Forward agreements for lending	15,088,857	3,448,631	15,088,857	3,448,631

The fair value of traded investments is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of advances has been calculated in accordance with the Bank's accounting policy as stated in note 7.6 of these financial statements.

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

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

41. ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Some of the critical accounting estimates and judgments are as follows:

41.1 Provision against advances portfolio

The Bank reviews its advances portfolio to assess amount of non-performing advances and provision required there against on a quarterly basis. The provision is made in accordance with Prudential Regulations issued by the State Bank of Pakistan (SBP). The SBP vide BSD circular No. 10 of 2009 dated October 20, 2009 has allowed banks to avail the benefit of 40% of FSV of pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against all Non Performing Loans (NPLs), except consumer financing, for three years from the date of classification for calculating provision w.e.f. December 31, 2009. Further, as per SBP directives, for non performing loans in respect of consumer financing, benefit of 50% of FSV of mortgaged property is considered. The management has revised its accounting estimate for determining provisions in the light of the State Bank of Pakistan's directives, the impact of which is given in note 12.3.1. The forced sale values in respect of collaterals in the case of home mortgage loans are estimated by independent valuations of the assets mortgaged / pledged.

41.2 Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax law and the decisions of appellate authorities on disputed issues in the past. However, the Bank has made adequate provision in this respect. The allocation of expenses between income chargeable to tax under final tax regime (FTR) and normal tax regime (NTR) is based on the assessment order of the Bank.

The Finance Act, 2009, has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as OAEM (in agriculture) and Substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognised deferred tax asset on such provision amounting to Rs. 872 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2007 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F.No. 4(1)ITP/2008-49 dated December 23, 2009 has informed ICAP that it has decided to insert a new Rule 8(a) to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on advise of its tax consultant has treated the FBR commitment as effective. Accordingly, the tax charge for the current and prior period and deferred tax has been recognized on the basis of amendments agreed by FBR vide its above referred letter.

41.3 Impairment in respect of listed securities

The Bank determines that listed AFS securities are impaired when there has been a significant or prolonged decline in fair value below its cost. In making this judgment, the Bank evaluates among other factors volatility in share prices in normal course.

If the Bank considers that a deficit is temporary, it is classified as a revaluation loss / (deficit) and if the impairment is considered of a permanent nature, it is treated as provision for diminution in value of investments.

41.4 Gratuity / Fixed assets

The Bank has adopted certain actuarial assumptions as disclosed in note 37.2 to the financial statements for determining present value of defined benefit obligations and fair value of plan assets, based on actuarial advice. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses. For fixed assets refer note 13.2.3.

41.5 Segmentation

As per the requirements of the State Bank of Pakistan, the management has divided the Bank into four functional segments. The basis of segmentation and related assumptions are disclosed in note 7.18.

42. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

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

Corporate Finance;
 Trading and Sales;
 Retail Banking; and
 Commercial Banking.

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.

2009

Total income - net
 Total expenses
 Net income

Segment assets (Gross)
 Segment non performing assets
 Segment provision required
 Segment liabilities

Segment return on assets (ROA) (%)

Segment cost of funds (%)

2008

Total income - net
 Total expenses
 Net income

Segment assets (Gross)
 Segment non performing assets
 Segment provision required
 Segment liabilities

Segment return on assets (ROA) (%) *

Segment cost of funds (%) *

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	----- Rupees '000 -----			
2009				
Total income - net	113,880	719,586	2,860,306	4,109,283
Total expenses	(58,895)	(293,474)	(2,834,996)	(3,415,531)
Net income	54,985	426,112	25,310	693,752
Segment assets (Gross)	-	51,119,347	73,079,622	64,946,583
Segment non performing assets	-	2,842,742	6,693,223	3,977,807
Segment provision required	-	(1,140,082)	(3,778,916)	(3,361,141)
Segment liabilities	-	(48,391,126)	(95,523,015)	(24,168,533)
Segment return on assets (ROA) (%)	-	12.20%	11.20%	13.60%
Segment cost of funds (%)	-	4.20%	7.70%	6.90%
2008				
Total income - net	375,106	1,116,798	2,163,624	3,604,442
Total expenses	(278,032)	(973,665)	(1,815,071)	(3,078,250)
Net income	97,074	143,133	348,553	526,192
Segment assets (Gross)	-	41,352,986	37,250,078	65,742,918
Segment non performing assets	-	2,075,732	4,253,634	3,192,847
Segment provision required	-	(887,890)	(2,576,728)	(2,639,878)
Segment liabilities	-	(38,768,953)	32,997,331	55,703,094
Segment return on assets (ROA) (%) *	-	12.22%	10.59%	11.49%
Segment cost of funds (%) *	-	9.41%	2.12%	7.29%

43. TRUST ACTIVITIES

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

44. RELATED PARTY TRANSACTIONS

The Bank has related party relations with its associated undertaking, subsidiary company (refer note 11.1), group companies, retirement benefit plans (refer note 7.12), directors, key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

Banking transactions with the related parties are executed substantially on the same terms, except transaction with directors and key management personnel that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Details of advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members are given in note 12.8 to these financial statements.

Contributions to and accruals in respect of retirement benefit plans are made in accordance with the actuarial valuations / terms of contribution plan (refer notes 7.12, 37 and 38 to these financial statements for the details of the plans). Remuneration of key management personnel, including salaries and other short-term employee benefits and post-employment benefits is given below. Remuneration to executives (including key management personnel) of the Bank is disclosed in note 39 to these financial statements. Such remuneration is determined in accordance with the terms of their appointment.

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

	2008					
	Directors and Key Management Personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies	Strategic Investments
	----- Rupees '000 -----					
Deposits						
Balance at the beginning of the year	48,487	102,998	8,218	73	2,028	135,480
Placements during the year	560,812	757,198	2,536,663	235,824	60,476,240	859,183
Withdrawals during the year	(588,218)	(711,308)	(2,360,830)	(234,939)	(59,303,812)	(981,251)
Balance at end of the year	<u>21,081</u>	<u>148,888</u>	<u>184,051</u>	<u>958</u>	<u>1,174,456</u>	<u>13,412</u>
Advances						
Balance at the beginning of the year	4,146	-	-	-	-	806,989
Disbursement during the year	74,641	-	-	-	-	529
Repayment during the year	(6,980)	-	-	-	-	(75,954)
Balance at end of the year	<u>71,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>731,564</u>

Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through the movement presented above.

	2009	2008
	Rupees '000	
Foreign Currency Placement of funds / Nostro balances with group companies	16,215	15,238
Transactions involving Sale / Purchase of investments with related parties		
Shares / Units purchased during the year	2,376,766	550,383
Shares / Units / Term Finance Certificates sold during the year	2,810,645	428,411
Profit paid / accrued	204,903	152,937
Profit return / earned	2,686	86,537
Dividend income from subsidiaries	8,370	9,504
Dividend paid to holding company and associates	-	870,266
Remuneration of key management personnel		
- Salaries and other short-term employee benefits	134,010	122,177
- Post-employment benefits	9,406	35,056
Contribution to staff retirement benefits	120,115	73,350

Disposal of vehicles to key management personnel and other executives is disclosed in note 13.4 to these financial statements.

45. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

45.1 Capital Management

Basel II capital adequacy framework applies to all Banks and DFIs on stand-alone as well consolidated basis. Capital Adequacy Ratio (CAR) has been calculated in accordance with the guidelines given by SBP through BSD Circular No. 8 dated June 27, 2006. The Bank has adopted Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The Bank's objectives when managing its capital are:

- To comply with the capital requirements set by the State Bank of Pakistan;
- To safeguard 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
- To maintain a strong capital base to support the development of its business.

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

The State Bank of Pakistan requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 10% as prescribed for the year 2009.

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

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

Book value of goodwill, other intangible assets including software, brand value etc, are deducted from Tier 1 capital whereas Investments in associates and subsidiary as disclosed in Note 11.1 are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

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

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

Vide BSD Circular No. 07 of 2009, the State Bank of Pakistan has prescribed a minimum paid-up capital requirement (net of losses) of Rs. 6 billion for all Banks to be achieved by December 31, 2009. The required minimum Capital Adequacy Ratio (CAR), on consolidated as well as on stand alone basis is 10%.

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

45.2 Capital Structure

Tier I Capital

Share Capital
 Reserves
 Unappropriated / unremitted profits (net of losses)

Less: Book value of Intangible assets
 Other deductions (50% of the amount as calculated on CAP 2)

Total Tier I Capital

Tier II Capital

Subordinated Debt (upto 50% of total Tier I Capital)
 General Provisions subject to 1.25% of Total Risk Weighted Assets
 Revaluation Reserve (upto 45%)

Less: Other deductions (50% of the amount as calculated on CAP 2)

Total Tier II Capital

Eligible Tier III Capital

Total Regulatory Capital Base

2009
 Rupees '000

2008

6,090,911	5,296,445
4,030,056	3,790,023
1,215,179	1,049,519
11,336,146	10,135,987

(226,786)	(155,131)
(76,500)	(76,500)
(303,286)	(231,631)
11,032,860	9,904,356

799,360	999,600
374,133	275,474
650,967	286,254
1,824,460	1,561,328

(76,500)	(76,500)
1,747,960	1,484,828

-	-
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12,780,820	11,389,184
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45.3 Capital Adequacy

	Note	Capital Requirements		Risk Weighted Assets	
		2009	2008	2009	2008
----- Rupees in '000 -----					
Credit Risk					
Sovereign		-	2,470	-	27,440
Public Sector Enterprise		223,521	242,141	2,235,208	2,690,457
Financial Institution		78,254	60,426	782,542	671,395
Corporate		5,446,829	5,558,535	54,468,285	61,761,498
Retail		1,298,542	1,449,666	12,985,422	16,107,403
Past Due Loans		433,659	377,381	4,336,587	4,193,126
Other		820,537	451,065	8,205,369	5,011,833
Total Credit Risk		8,301,342	8,141,684	83,013,413	90,463,152
Market Risk					
Capital requirement for portfolios subject to Standardized Approach					
Interest rate risk		438,787	13,211	4,387,871	146,789
Equity position risk		354,471	175,421	3,544,712	1,949,125
Foreign exchange risk		1,662	3,968	16,617	44,094
Total Market Risk		794,920	192,600	7,949,200	2,140,008
Operational Risk					
Capital requirement for operational risks					
Total Operational Risk		1,245,756	1,121,181	12,457,562	12,457,562
		10,342,018	9,455,465	103,420,175	105,060,722
Capital Adequacy Ratio					
Total eligible regulatory capital held	45.2	12,780,820	11,389,184		
Total Risk Weighted Assets		103,420,175	105,060,722		
Capital Adequacy Ratio		12.36%	10.84%		

45.3.1 The Bank has carried out credit ratings of prime customers, which has resulted in a reduction of total Risk Weighted Assets.

46. RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. The management's aim is to achieve an appropriate balance between risk and return, and minimize potential adverse effects on its financial performance.

The Bank's risk management policies are designed to identify and analyze financial and non-financial risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to risk limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Bank under policies approved by the Board of Directors. The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk.

The Bank is focused to further refine its risk management processes in line with the changing economic scenario and Bank's business expansions. FBL continuously review and assess its risk management methodology and is determined to improve it as a continuing process. The Bank has specialized risk management units for risk management.

46.1 Credit Risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit exposures arise principally in lending activities that lead to loans and advances. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

Credit risk management and control are carried out by credit risk management teams, which report to the Board of Directors through risk management committee. The Bank has well defined credit structures under which credit committees, comprising of senior officers with requisite credit background, critically scrutinize and sanction financing. The Bank's exposure to credit is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential of risk concentration, counter party limits, group exposure limits, and industry limits are established and monitored in light of changing counterparty and market conditions.

Besides financial, industry and transaction analysis, the credit evaluation also includes risk rating systems, which gauge risk rating of all customers. This rating process encompasses relevant criteria including macro factors enabling the Bank to factor in the dynamics and influence of operating environment as well. More specifically, due consideration is given to industry sector (growing/saturated/decline), other competitors and threats / vulnerability to changes in environment such as changes in government policy, tariff structure, taxation rates, etc.

46.1.1 Segment by class of business

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

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

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

	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and Pharmaceuticals	5,930,622	6.69	1,664,015	1.62	2,299,415	7.46
Agribusiness	3,646,143	4.11	2,901,940	2.82	87,394	0.28
Textile	15,363,589	17.34	888,011	0.86	1,385,165	4.50
Cement	3,773,980	4.26	351,138	0.34	563,411	1.83
Telecommunication	431,283	0.49	3,018,489	2.94	1,438,728	4.67
Sugar	1,857,503	2.10	35,958	0.03	15,924	0.05
Construction	2,399,638	2.71	2,033,544	1.98	2,784,768	9.04
Ready made garments	2,314,375	2.61	247,763	0.24	246,645	0.80
Shoes and leather garments	1,177,402	1.33	204,694	0.20	145,504	0.47
Automobile and transportation equipment	673,343	0.76	799,902	0.78	226,863	0.74
Transportation, Road and Air	2,672,869	3.02	22,659	0.02	292,264	0.95
Financial	1,040,300	1.17	5,574,602	5.42	964,594	3.13
Oil Refining / Marketing	140,461	0.16	16,655,678	16.21	1,931,310	6.27
Distribution / Trading	5,324,262	6.01	1,985,012	1.93	584,988	1.90
Electronics and electrical appliances	3,861,218	4.36	849,693	0.83	951,559	3.09
Production and transmission of energy	7,069,279	7.98	2,846,412	2.77	10,150,425	32.95
Iron and Steel	806,772	0.91	566,888	0.55	2,345,450	7.61
Synthetic and Rayon	-	-	102,094	0.10	-	-
Food Industries	1,786,714	2.02	273,678	0.27	97,093	0.32
Mining and Quarrying	-	-	40,072	0.04	-	-
Paper and Board	521,836	0.59	56,073	0.05	24,394	0.08
Individuals	14,709,095	16.60	35,664,466	34.70	73,820	0.24
Others	13,119,957	14.80	25,994,012	25.30	4,194,053	13.62
	<u>88,620,641</u>	<u>100.00</u>	<u>102,776,793</u>	<u>100.00</u>	<u>30,803,767</u>	<u>100.00</u>

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

46.1.2 Segment by sector

	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	1,786,700	4.78	3,998,961	3.89	11,992,200	38.93
Private	86,833,941	95.22	98,777,832	96.11	18,811,567	61.07
	<u>88,620,641</u>	<u>100.00</u>	<u>102,776,793</u>	<u>100.00</u>	<u>30,803,767</u>	<u>100.00</u>

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

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees '000			
Chemical and Pharmaceuticals	775,233	727,967	822,855	738,069
Agribusiness	623,871	167,299	325,491	23,813
Textile	1,220,495	1,068,749	1,642,258	1,210,950
Transportation, Road and Air	-	-	356,856	200,578
Construction	529,490	105,283	273,023	120,686
Ready Made Garments	36,992	14,560	143,755	109,561
Shoes and leather garments	7,339	992	8,836	1,398
Telecommunication	-	-	736	440
Automobile and Transport Equipment	124,505	89,617	150,202	115,653
Financial	62,221	6,687	-	-
Distribution / Trading	502,178	305,165	545,661	384,018
Electronics and electrical appliances	-	-	662,871	497,287
Production and transmission of energy	1,076,982	995,260	149,538	149,538
Iron and Steel	150,647	148,786	143,949	71,974
Food and Industry	77,532	23,922	123,154	106,396
Paper and Board	75,351	62,547	54,993	54,993
Individuals	1,485,642	648,582	935,943	373,855
Cement	560,545	168,842	-	-
Sugar	58,000	58,000	-	-
Synthetic and Rayon	372,630	372,630	-	-
Others (including manufacturing and real estate)	2,931,377	1,699,448	1,106,360	673,890
	<u>10,671,030</u>	<u>6,664,336</u>	<u>7,446,481</u>	<u>4,833,099</u>

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

Public / Government	-	-	-	-
Private	<u>10,671,030</u>	<u>6,664,336</u>	<u>7,446,481</u>	<u>4,833,099</u>
	<u>10,671,030</u>	<u>6,664,336</u>	<u>7,446,481</u>	<u>4,833,099</u>

46.1.5 Geographical segment analysis

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

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees '000			
Pakistan	1,796,537	138,241,486	10,772,108	30,803,767
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,796,537</u>	<u>138,241,486</u>	<u>10,772,108</u>	<u>30,803,767</u>

Total assets employed shown above mean total assets shown on the balance sheet and intra group items. Net assets employed mean net assets shown on the balance sheet.

46.2 Credit Risk: General disclosures Basel II specific

Basel II Standardised Approach is used for calculating the capital adequacy for credit and market risks, whereas, Basic Indicator Approach (BIA) is used for operational risk capital adequacy calculation purposes.

46.2.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach

For domestic claims, Export Credit Agencies (ECAs) recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used. For claims on foreign entities, rating of S&P, Moody's and Fitch Ratings were 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, 2009;

Exposures	JCR-VIS	PACRA	Others
Corporate	Yes	Yes	-
Banks	Yes	Yes	S&P, Moddys & Fitch
Sovereigns	-	-	-
SMEs	-	-	-

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

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

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

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	10,247,680	-	10,247,680
	2	13,697,186	16,779	13,680,407
	3,4	2,407,957	2,023	2,405,934
	5,6	385,424	3,559	381,865
	1	6,343,333	-	6,343,333
PSE Banks	1,2,3	16,720,025	14,717,584	2,002,441
	4,5	91,601	-	91,601
Unrated		91,570,456	4,420,799	87,149,657
Total		141,463,662	19,160,744	122,302,918

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

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

46.3 Market Risk

Market risk is the risk of loss due to unfavorable movements in market factors such as interest rates, exchange rates and equity prices. Market risks arise generally from trading activities due open positions in currency, 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 rate, price, and spread movements of its earning assets, liabilities and trading activities. Treasury Front Office, Market Risk Management and Treasury Middle Office perform market risk management activities within the Bank. The Bank has Enterprise Risk Management Committee which is responsible for reviewing and approving market risk policies, strategies. The details of market risk faced by the Bank are discussed in the following notes.

46.4 Foreign Exchange Risk / Currency Risk

Currency risk is the risk of loss resulting from fluctuations in foreign exchange rates. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect revenues from foreign exchange dealing.

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

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

46.4.1 Currency Risk

	2009			
	Assets	Liabilities and share holders' equity	Off-balance sheet items	Net currency exposure
	----- Rupees '000 -----			
Pakistan rupee	174,802,789	173,236,216	1,582,956	3,149,529
United States dollar	5,457,197	5,967,507	(525,116)	(1,035,426)
Great Britain pound	132,705	1,030,639	(897,700)	(1,795,634)
Japanese yen	31	1,574	(1,825)	(3,368)
Euro	471,422	629,469	(158,315)	(316,362)
Other currencies	1,269	8	-	1,261
	<u>180,865,413</u>	<u>180,865,413</u>	<u>-</u>	<u>-</u>

	2008			
	Assets	Liabilities and share holders' equity	Off-balance sheet items	Net currency exposure
	----- Rupees '000 -----			
Pakistan rupee	130,555,685	130,103,064	425,349	877,970
United States dollar	6,989,917	6,334,032	680,312	1,336,197
Great Britain pound	174,805	979,128	(803,251)	(1,607,574)
Japanese yen	20,272	6	14,022	34,288
Euro	428,078	739,611	(316,432)	(627,965)
Other currencies	(6,839)	6,077	-	(12,916)
	<u>138,161,918</u>	<u>138,161,918</u>	<u>-</u>	<u>-</u>

46.5 Equity position risk

Equity position risk is the risk arising from unfavorable fluctuations in prices of shares in which the Bank carries long and/or short positions, in its trading book. This results from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock or a defined basket of stocks.

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

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

	Effective Yield / Interest rate	2009										Non interest bearing financial instruments
		Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	
		----- Rupees in '000 -----										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		8,427,202	-	-	-	-	-	-	-	-	-	8,427,202
Balances with other banks		508,795	-	-	-	-	-	-	-	-	-	508,795
Lending to financial institutions	12.66	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-	-
Investments	12.29	56,531,338	1,719,914	9,800,470	20,680,576	10,032,741	89,172	166,944	1,245,018	4,491,019	-	8,305,484
Advances	13.83	91,346,001	20,440,376	30,135,710	25,432,177	6,531,702	2,453,769	1,464,386	1,101,566	218,131	391,342	3,176,842
Other assets		3,393,795	-	-	-	-	-	-	-	-	-	3,393,795
		<u>175,224,957</u>	<u>36,402,751</u>	<u>40,711,545</u>	<u>46,112,753</u>	<u>16,564,443</u>	<u>2,542,941</u>	<u>1,631,330</u>	<u>2,346,584</u>	<u>4,709,150</u>	<u>391,342</u>	<u>23,812,118</u>
Liabilities												
Bills payable		1,465,451	-	-	-	-	-	-	-	-	-	1,465,451
Borrowings from financial institutions	9.87	34,985,766	20,387,801	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-	21,550
Deposits and other accounts	8.81	123,655,188	63,157,425	21,214,332	5,408,698	10,335,183	473,435	149,990	49,209	-	-	22,866,916
Sub-ordinated loans	15.02	999,200	-	-	200	999,000	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		6,226,585	-	-	-	-	-	-	-	-	-	6,226,585
		<u>167,332,190</u>	<u>83,545,226</u>	<u>31,178,468</u>	<u>8,164,571</u>	<u>11,806,760</u>	<u>892,699</u>	<u>455,747</u>	<u>560,279</u>	<u>147,938</u>	<u>-</u>	<u>30,580,502</u>
On-balance sheet gap		<u>7,892,767</u>	<u>(47,142,475)</u>	<u>9,533,077</u>	<u>37,948,182</u>	<u>4,757,683</u>	<u>1,650,242</u>	<u>1,175,583</u>	<u>1,786,305</u>	<u>4,561,212</u>	<u>391,342</u>	<u>(6,768,384)</u>
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		(2,210,000)	2,210,000	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		<u>(2,210,000)</u>	<u>2,210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Yield / Interest Risk Sensitivity Gap			<u>(44,932,475)</u>	<u>9,533,077</u>	<u>37,948,182</u>	<u>4,757,683</u>	<u>1,650,242</u>	<u>1,175,583</u>	<u>1,786,305</u>	<u>4,561,212</u>	<u>391,342</u>	
Cumulative Yield / Interest Risk Sensitivity Gap			<u>(44,932,475)</u>	<u>(35,399,398)</u>	<u>2,548,784</u>	<u>7,306,467</u>	<u>8,956,709</u>	<u>10,132,292</u>	<u>11,918,597</u>	<u>16,479,809</u>	<u>16,871,151</u>	

2008

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 -----											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	3.50	8,927,524	1,214,245	-	-	-	-	-	-	-	7,713,279
Balances with other banks	-	876,780	-	-	-	-	-	-	-	-	876,780
Lendings to financial institutions	10.81	2,861,401	2,861,401	-	-	-	-	-	-	-	(0)
Investments	11.88	36,152,536	3,342,637	22,584,229	1,151,545	1,231,031	4,030	87,405	1,074,695	-	6,676,964
Advances	11.98	83,512,068	16,334,884	31,611,593	18,429,609	5,410,314	3,557,712	2,683,656	2,360,140	410,177	2,349,439
Other assets		2,373,420	-	-	-	-	-	-	-	-	2,373,420
		<u>134,703,729</u>	<u>23,753,167</u>	<u>54,195,822</u>	<u>19,581,154</u>	<u>6,641,345</u>	<u>3,561,742</u>	<u>2,771,061</u>	<u>3,434,835</u>	<u>410,177</u>	<u>19,989,882</u>
Liabilities											
Bills payable		1,536,517	-	-	-	-	-	-	-	-	1,536,517
Borrowings from financial institutions	8.40	13,027,468	2,806,988	6,181,025	2,232,771	404,956	425,699	288,949	515,207	163,494	8,379
Deposits and other accounts	7.29	102,776,793	42,595,960	19,619,476	6,778,992	10,500,297	2,318,846	282,598	152,029	-	20,528,595
Sub-ordinated loans	13.08	999,600	-	-	200	200	400	400	499,400	499,000	-
Liabilities against assets subject to finance lease	8.00	4,103	267	641	926	2,269	-	-	-	-	-
Other liabilities		6,026,231	-	-	-	-	-	-	-	-	6,026,231
		<u>124,370,712</u>	<u>45,403,215</u>	<u>25,801,142</u>	<u>9,012,889</u>	<u>10,907,722</u>	<u>2,744,945</u>	<u>571,947</u>	<u>1,166,636</u>	<u>662,494</u>	<u>28,099,722</u>
On-balance sheet gap		<u>10,333,017</u>	<u>(21,650,048)</u>	<u>28,394,680</u>	<u>10,568,265</u>	<u>(4,266,377)</u>	<u>816,797</u>	<u>2,199,114</u>	<u>2,268,199</u>	<u>(252,317)</u>	<u>364,544</u>
Off-balance sheet financial instruments											
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		(3,509,852)	3,509,852	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		<u>(3,509,852)</u>	<u>3,509,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Yield / Interest Risk Sensitivity Gap			<u>(18,140,196)</u>	<u>28,394,680</u>	<u>10,568,265</u>	<u>(4,266,377)</u>	<u>816,797</u>	<u>2,199,114</u>	<u>2,268,199</u>	<u>(252,317)</u>	<u>364,544</u>
Cumulative Yield / Interest Risk Sensitivity Gap			<u>(18,140,196)</u>	<u>10,254,484</u>	<u>20,822,749</u>	<u>16,556,372</u>	<u>17,373,169</u>	<u>19,572,283</u>	<u>21,840,482</u>	<u>21,588,165</u>	<u>21,952,709</u>

46.6.1 Yield / interest rate risk is the risk of deviations in earnings or economic value due to adverse movement of the yield curve. It is inherent primarily to the banking book mainly through advances and deposits portfolio.

46.6.2 The interest rate exposure of the Bank arises due to mismatches between contractual maturities or re-pricing of on- and off-balance sheet assets and liabilities. It is addressed by an Asset and Liability Management Committee that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities ensuring that the spread of the Bank remains at an acceptable level.

46.7 Liquidity Risk

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

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

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or 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; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting of treasury and capital market maturities is done through monitoring of daily maturities. Similarly the overall liquidity maintenance is done through monthly maturity gap analysis at balance sheet level. Hence, monitoring and reporting takes the form of regular and periodic cash flow measurement and projections.

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

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

	2009									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks *	8,427,202	8,427,202	-	-	-	-	-	-	-	-
Balances with other banks	508,795	508,795	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-
Investments	56,531,338	359,262	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-
Advances	91,346,001	13,853,009	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666
Operating fixed assets	2,787,617	2,926	2,478	4,851	52,636	89,732	520,340	485,806	10,595	1,618,253
Deferred tax assets - net	1,279,918	-	-	-	-	-	-	1,279,918	-	-
Other assets	4,966,716	486,196	-	2,445,367	811,575	-	1,223,578	-	-	-
	180,865,413	37,879,851	20,879,961	37,940,047	21,547,931	14,642,276	12,069,352	16,355,471	15,070,605	4,479,919
Liabilities										
Bills payable	1,465,451	1,465,451	-	-	-	-	-	-	-	-
Borrowings from financial institutions	34,985,766	20,409,351	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-
Deposits and other accounts **	123,655,188	86,024,339	21,214,333	5,408,698	10,335,183	473,435	149,991	49,209	-	-
Sub-ordinated loans	999,200	-	-	200	200	400	400	998,000	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,977,069	1,617,756	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-
	168,082,674	109,516,897	31,429,224	8,446,724	11,991,104	1,803,004	1,323,483	3,424,300	147,938	-
Net assets	12,782,739	(71,637,046)	(10,549,263)	29,493,323	9,556,827	12,839,272	10,745,869	12,931,171	14,922,667	4,479,919
Share capital	6,090,911									
Reserves	4,030,056									
Unappropriated profit	1,215,179									
Surplus on revaluation of assets	1,446,593									
	12,782,739									

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

	2008									
	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 -----										
Cash and balances with treasury banks *	8,927,524	8,927,524	-	-	-	-	-	-	-	-
Balances with other banks	876,780	876,780	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,861,401	2,861,401	-	-	-	-	-	-	-	-
Investments	36,152,537	2,536,512	18,845,929	448,647	2,078,968	5,553,857	1,459,983	3,599,770	1,628,871	-
Advances	83,512,068	11,261,441	17,680,295	10,191,104	10,360,835	10,294,009	6,805,411	6,174,272	5,629,232	5,115,469
Operating fixed assets	2,646,978	1,865	1,370	4,670	29,076	165,876	306,633	557,049	-	1,580,439
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	3,264,198	864,076	-	1,780,435	347,312	-	272,375	-	-	-
	138,241,486	27,329,599	36,527,594	12,424,856	12,816,191	16,013,742	8,844,402	10,331,091	7,258,103	6,695,908

Liabilities

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

Bills payable	1,536,517	1,536,517	-	-	-	-	-	-	-	-
Borrowings from financial institutions	13,027,468	2,815,367	6,181,025	2,232,771	404,956	425,699	288,949	515,207	163,494	-
Deposits and other accounts **	102,776,793	63,124,555	19,619,476	6,778,992	10,500,297	2,318,846	282,598	152,029	-	-
Sub-ordinated loans	999,600	-	-	200	200	400	400	499,400	499,000	-
Liabilities against assets subject to finance lease	4,103	266	642	926	2,269	-	-	-	-	-
Deferred tax liabilities - net	2,483,355	-	-	-	-	-	-	2,483,355	-	-
Other liabilities	6,641,542	1,692,941	295,850	363,549	1,105,860	861,559	956,454	1,365,329	662,494	-
	127,469,378	69,169,646	26,096,993	9,376,438	12,013,582	3,606,504	1,528,401	5,015,320	662,494	-

Net assets

Share capital
 Reserves
 Unappropriated profit
 Surplus on revaluation of assets

	10,772,108	(41,840,047)	10,430,601	3,048,418	802,609	12,407,238	7,316,001	5,315,771	6,595,609	6,695,908
Share capital	5,296,445									
Reserves	3,790,023									
Unappropriated profit	1,049,519									
Surplus on revaluation of assets	636,121									
	10,772,108									

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

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

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

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

	2009									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	8,427,202	3,792,077	1,167,072	511,364	765,678	228,641	541,401	487,604	459,847	473,518
Balances with other banks	508,795	508,795	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-
Investments	56,531,338	359,262	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-
Advances	91,346,001	13,853,009	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666
Operating fixed assets	2,787,617	2,926	2,478	4,851	52,636	89,732	520,340	485,806	10,595	1,618,253
Deferred tax assets - net	1,279,918	-	-	-	-	-	-	1,279,918	-	-
Other assets	4,966,716	486,196	-	2,445,367	811,575	-	1,223,578	-	-	-
	180,865,413	33,244,726	22,047,033	38,451,411	22,313,609	14,870,917	12,610,753	16,843,075	15,530,452	4,953,437
Liabilities										
Bills payable	1,465,451	1,465,451	-	-	-	-	-	-	-	-
Borrowings from financial institutions	34,985,766	20,409,351	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-
Deposits and other accounts	123,655,188	27,968,049	25,644,080	10,517,585	16,757,188	4,488,642	9,922,531	9,407,208	9,357,999	9,591,906
Sub-ordinated loans	999,200	-	-	200	200	400	400	998,000	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,977,069	1,617,756	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-
	168,082,674	51,460,607	35,858,971	13,555,611	18,413,109	5,818,211	11,096,023	12,782,299	9,505,937	9,591,906
Net assets	12,782,739	(18,215,881)	(13,811,938)	24,895,800	3,900,500	9,052,706	1,514,730	4,060,776	6,024,515	(4,638,469)
Share capital	6,090,911									
Reserves	4,030,056									
Unappropriated profit	1,215,179									
Surplus on revaluation of assets	1,446,593									
	12,782,739									

46.8 Operational Risk

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

The Bank has implemented risk controls and loss mitigation actions for curtailing operational risk. Each division has processes and systems in place to address operational risks within their area. These include key controls and the provision of business continuity plans to protect against major disruptions.

47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 23, 2010 by the Board of Directors of the Bank.

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There were no appropriations or distributions, except for transfer to statutory reserve, approved by the Board of Directors in their meeting held on February 23, 2010 (2008: 15% bonus issue).

49. GENERAL

49.1 Standards or Interpretations not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than increase in disclosures in certain cases.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value or at its proportionate interest in the identifiable assets and liabilities of an acquiree on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Bank's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Bank's financial statements.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Bank's operations.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Bank does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Bank's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements. These amendments are unlikely to have an impact on the Bank's financial statements.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro-rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Bank's financial statements.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 1 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's financial statements.

Improvements to IFRSs 2008 - Amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - (effective for annual periods beginning on or after 1 July 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Bank's Financial Statements.

49.2 Comparatives

49.2.1 Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major changes made in the comparative figures which are not disclosed in the relevant notes are as follows:

Reclassification from		Reclassification from		Reason for reclassification	Rupees in '000
Note	Component	Note	Component		
12	Advances - Net investment in finance lease – In Pakistan	15	Other Assets - Income/mark-up accrued in local currency	Comparative amounts have been reclassified to conform with current year's presentation.	280,353
12	Advances - Loans, cash credits, running finances, etc. – In Pakistan	11	Investments - Held to maturity Securities	Comparative amounts have been reclassified to conform with current year's presentation.	5,982,777
12.4	Advances - Provision for non-performing advances	11.3	Investments - Provision for diminution in the value of investments	Comparative amounts have been reclassified to conform with current year's presentation.	16,409

49.3 Figure have been rounded off to the nearest thousand rupees unless other wise stated.

49.4 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 for in the balance sheet and the profit and loss account.


 President & CEO


 Director


 Director


 Director

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 11 to the financial statements.

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

Ordinary shares / certificates of Rs. 10 each	Name of company/ modaraba/ mutual fund	2009		2008		Quality of Available for Sale Securities	
		2009	2008	2009	2008	2009	2008
		At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
		Rupees '000		Rupees '000			
	Closed end Mutual funds						
3,994,715	Al-Meezan Mutual Fund	35,263	35,263	26,365	14,301	A	4-Star
1,999,950	NAMCO Balanced Fund	20,000	20,000	9,440	18,900	AM3-	
-	Pakistan Premier Fund	-	31	-	38		5-Star
-	Pakistan Strategic Allocation Fund	-	3,485	-	741		4-Star
2,812,895	JS Large CAP Fund (Formerly UTP Large CAP Fund)	27,888	27,888	12,939	6,470	5-Star	5-Star
-	Golden Arrow Selected Fund **	-	279	-	128		
-	Picic Growth Fund	-	46	-	37		
-	JS Value Fund Limited	-	61	-	99		
	Modarabas						
2,990,000	First Habib Modaraba **	22,656	22,656	17,432	16,953	AA+	AA
-	First HBL Modaraba	-	1	-	1		AA-
1,001	First Prudential Modaraba	1	1,307	1	1,072		
	Leasing Companies						
-	Pakistan Industrial & Commercial Leasing Limited ***	-	1	-	1		
	Commercial / Investment Banks / Investment Companies						
-	Atlas Bank Limited (Formerly Dawood Bank Limited)	-	21,751	-	7,221		A-
1,709,700	Prudential Investment Bank Limited ***	12,528	12,528	-	-		
-	Askari Commercial Bank	-	4,872	-	1,964		AA
-	Allied Bank Limited	-	88	-	82		AA
-	Arif Habib Bank Limited	-	3,008	-	3,623		A
-	Dawood Equities Limited	-	24	-	22		
-	Bank Alfalah Limited	-	4,468	-	4,115		AA
-	Bank Al Habib Limited	-	310	-	316		AA
-	Javed Omer Vohra & Company	-	1,270	-	1,007		BB+
-	JS Bank Limited	-	1,049	-	1,711		A-
-	Jahangir Siddiqui & Co Ltd	-	8,271	-	7,702		AA+
-	JS Investment Limited	-	110	-	119		AA-
202,834	Habib Bank Limited	25,201	1,946	25,038	1,812	AA+	AA+
-	MCB Bank Limited	-	19,485	-	17,671		AA+
-	Pervez Ahmed Securities	-	1,155	-	626		
2,893,534	The Bank of Punjab	43,914	624	56,424	547	AA-	AA-
-	Arif Habib Securities Limited	-	5,079	-	4,728		A+
3,520,050	First Credit & Investment Bank Limited	35,192	46,104	11,792	13,785	A-	
-	SPCBL	-	1,827	-	602		A-
-	NBP	-	68,526	-	56,513		AAA
25,008,000	NIB	166,365	2,371	120,038	2,183	AA-	AA-
-	UBL	-	16,850	-	7,997		AA+
-	Bank Islami Pakistan Limited	-	871	-	1,244		A-
-	Soneri Bank Limited	-	61	-	80		AA-
-	Meezan Bank Limited	-	79	-	78		A+
-	HMB	-	6	-	5		AA+
-	First National Equities Limited	-	25	-	28		
-	Investment & Finance Securities Ltd	-	1	-	2		
	Balance carried forward	389,008	333,777	279,469	194,524		

Ordinary shares / certificates of Rs. 10 each	Name of company/ modaraba/ mutual fund	2009		2008		Quality of Available for Sale Securities	
		At Cost		Market Values		2009	2008
		Rupees '000		Rupees '000		Medium to Long Term Rating Assigned (where available)	
		2009	2008	2009	2008		
	Balance brought forward	389,008	333,777	279,469	194,524		
	Textile Spinning						
127,045	Crown Textile Mills Limited ***	1,238	1,238	-	-		
-	Dewan Farooq Spinning Mills Limited	-	994	-	159		
-	Hira Textile Mills Limited	-	4,188	-	757		
-	D.S. Industries	-	439	-	502		
	Textile Composite						
-	Azgard Nine Limited	-	2,697	-	2,473		A+
-	Dawood Lawarencapur Ltd	-	53	-	61		
-	Nishat (Chunio) Ltd	-	51	-	67		A+
160,500	Nishat Mills Limited	11,564	3,687	11,219	3,794		A+
2,500,000	Zahur Textile Mills Limited ***	2,500	2,500	-	-		
	Cement						
-	Maple Leaf Cement	-	67	-	102		BBB+
4,964,530	Fauji Cement Ltd	39,373	122	30,582	164		
-	Pakistan Cement Co Ltd	-	255	-	411		
-	Pioneer Cement Ltd	-	265	-	303		BBB
-	Lucky Cement	-	19,884	-	8,050		
-	D.G. Khan Cement	-	29,126	-	16,252		
-	Attock Cement	-	75	-	38		AA
-	Al Abbas Cement	-	40	-	55		
-	Thatta Cement Limited	-	2	-	2		
-	Dewan Cement Limited	-	42	-	38		
	Power Generation and Distribution						
891,361	Hub Power Company Limited	30,000	32,048	27,703	15,021		AA+
939,372	Ideal Energy Limited *	28,182	28,181	-	14,090		
723,000	Kohinoor Energy Limited	23,174	23,174	22,413	13,918		
-	PPL	-	42,280	-	29,309		
21,825	PSO	6,463	25,230	6,492	13,036		AA+
-	POL	-	30,523	-	30,309		AAA
-	Bosicor Pakistan Limited	-	487	-	686		
-	Attock Petroleum Limited	-	596	-	555		
-	Attock Refinery Limited	-	3,074	-	2,862		AA
55,213	Pakistan Refinery Limited	6,500	1,071	6,664	1,224		
114,489	National Refinery Limited	26,183	24	20,244	22		AAA
-	Mari Gas Company Limited	-	181	-	168		
1,664,059	SNGPL	55,857	550	41,269	728		AA
-	SSGC	-	4,104	-	3,687		AA-
-	KAPCO	-	730	-	989		
-	OGDCL	-	106,004	-	80,229		AAA
1,000,000	Nishat Power Limited	14,985	-	12,730	-		AA
	Balance carried forward	635,027	697,759	458,785	434,585		

Ordinary shares / certificates of Rs. 10 each	Name of company/ modaraba/ mutual fund	2009		2008		Quality of Available for Sale Securities	
		At Cost		Market Values		2009	2008
		Rupees '000		Rupees '000		Medium to Long Term Rating Assigned (where available)	
		2009	2008	2009	2008		
	Balance brought forward	635,027	697,754	458,785	434,585		
	Technology & Communication						
7,297,581	Pakistan Telecommunication Company Limited	155,070	443	128,802	409		
-	Eye Television Network	-	30	-	37		
-	TRG	-	406	-	586		BBB+
-	Netsol Technologies	-	182	-	169		
-	Telecard	-	98	-	147		
-	World Call	-	666	-	702		
	Fertilizer						
1,374,615	Fauji Fertilizer Company Limited	100,000	115,015	141,489	96,550		
-	Fauji Fertilizer Bin Qasim	-	4,859	-	2,956		
-	Engro Chemical	-	46,285	-	19,830		AA
	Insurance						
-	Adamjee Insurance Company Limited	-	204	-	190		AA
-	EFU General Insurance Limited	-	62	-	68		AA
-	Pakistan Reinsurance Co Ltd	-	250	-	233		
	Engineering						
-	Crescent Steel and Allied Products Ltd	-	118	-	117		
-	Dost Steel Limited	-	127	-	124		
-	Intern'l Industries Limited	-	17	-	14		
-	Siemens Pakistan Eng Ltd	-	113	-	113		
	Automobiles Parts & Accessories						
-	Honda Atlas Cars Ltd	-	272	-	232		
18,358	Indus Motor Company Ltd	3,691	165	3,608	170		
70,000	Al-Ghazi Tractors **	17,607	-	16,663	-		
66,900	Millat Tractors	23,772	-	25,409	-		
	Cables & Electrical Goods						
-	Pak Electron	-	25,244	-	11,851		A
	Chemical						
-	BOC Pakistan Limited	-	32	-	31		
943,584	Sitara Peroxide Limited	22,150	164	14,937	185		
-	ICI	-	19,025	-	17,726		
-	Pakistan PTA Limited	-	216	-	299		
	Balance carried forward	957,317	911,752	789,693	587,324		

Ordinary shares / certificates of Rs. 10 each	Name of company/ modaraba/ mutual fund	2009		2008		Quality of Available for Sale Securities	
		At Cost Rupees '000	Market Values Rupees '000	2009	2008	2009	2008
	Balance brought forward	957,317		789,693	587,324		
-	Synthetic & Rayon Dewan Salman Fibre Ltd	-	92	-	141		
-	Transport Pakistan Intl Container Terminal	-	259	-	267		A-
480,000	Pharmaceuticals Searle Pakistan Limited	30,463	8	29,928	9	BBB	BBB
60,800	Abbott Lab	7,086	-	7,370	-		
43,555	Glaxo	4,725	-	4,759	-		
-	Paper & Board Packages Limited	-	589	-	581		AA
100,000	Jute Thall Limited **	10,578	-	8,487	-		
1,530	Leather & Tanneries Bata Pakistan	1,426	-	1,498	-		
225	Others VISA Incorporation	-	-	1,671	907		
-	Pace Pakistam Limited	-	1,483	-	1,197		A+
-	Tri - Pak Filims	-	24	-	25		A+
		1,011,595	914,207	843,406	590,451		

* The bank holds more than 10% of investees' capital in the following:
- Ideal Energy Limited - 11.74% (2008: 11.74%)
- Prudential Investment Bank Limited - 17.10% (2008: 17.10%)

** Certificates of Rs 5 each
*** Delisted companies

2.	Details of investments in unlisted companies are as follows:	2009		2008		Quality of Available for Sale Securities	
		At Cost Rupees '000	Market Values Rupees '000	2009	2008	2009	2008
	Faysal Asset Management Limited 4,500,000 (2008: 4,500,000) ordinary shares of Rs. 10 each The bank holds 30% (2008: 30%) of investee's capital. Chief Executive: Mr. Salman Haider Shaikh Break up value of share: Rs. 17.36 (2008: Rs. 15.22) Period of financial statements: June 30, 2009	45,000	45,000	Not Applicable		AM3+	AM3+
	Faysal Management Services (Private) Limited 1,080,000 (2008: 1,080,000) ordinary shares of Rs. 100 each The bank holds 60% (2008: 60%) of investee's capital. Chief Executive: Mr. Taimur Afzal Break up value of share: Rs. 102.77 (2008: Rs. 102.37) Period of financial statements: December 31, 2009	108,000	108,000	Not Applicable			
	Al Hamra Avenue (Private) Limited 24,375,000 (2008: 24,375,000) ordinary shares of Rs. 10 each The bank holds 15.22% (2008: 15.22%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.54 (2008: Rs. 9.76) Period of financial statements: June 30, 2009	243,750	243,750	Not Applicable			
	Al Hamra Hills (Private) Limited 12,500,000 (2008: 12,500,000) ordinary shares of Rs. 10 each The bank holds 14.13% (2008: 14.13%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.47 (2008: Rs. 9.71) Period of financial statements: June 30, 2009	125,000	125,000	Not Applicable			
	DHA Cogen Limited 32,500,000 (2008: 32,500,000) ordinary shares of Rs. 10 each The bank holds 11.52% (2008: 18.52%) of investee's capital. Chief Executive: Mr. Azam Mehmood Break up value per share: Rs. 4.99 (2008: Rs. 10.73) Period of financial statements: June 30, 2009	325,000	325,000	Not Applicable			
	First Capital Investment (Private) Limited* 150,000 (2008: 150,000) ordinary shares of Rs. 10 each	750	750	Not Applicable		AM4+	AM4+
	Himont Chemical (Private) Limited * 810,000 (2008: 810,000) ordinary shares of Rs. 10 each	1,037	1,037	Not Applicable			
	Sukhchayn Gardens (Private) Limited 250,758 (2008: 386,531) ordinary shares of Rs. 100 each The bank holds 5.70% (2008: 8.78%) of investee's capital. Chief Executive: Mr. Shujaat Azeem Break up value per share: Rs. 171.39 (2008: 162.61) Period of financial statements: June 30, 2009	103,800	160,000	Not Applicable			
		952,337	1,008,537				

* Fully provided for investments

3. Preference shares – Listed companies

Share of each Rs. 10	Name of Company	Rate	2009		2008		Quality of Available for Sale Securities	
			At Cost	Market Values	At Cost	Market Values	2009	2008
2009	2008		Rupees '000	Rupees '000			Medium to Long Term Rating Assigned (where available)	
2,249,000	2,249,000	Azgard Nine Limited	22,490	22,490	22,040	19,904	A+	A+
24,394,111	24,394,111	Maple Leaf Cement Factory Limited	243,937	243,937	115,872	184,663	SD	BBB+
			<u>266,427</u>	<u>266,427</u>	<u>137,912</u>	<u>204,567</u>		

4. Preference shares – Unlisted companies

Share of each Rs. 10	Name of Company	Rate	2009		2008		Quality of Available for Sale Securities	
			At Cost	Market Values	At Cost	Market Values	2009	2008
2009	2008		Rupees '000	Rupees '000			Medium to Long Term Rating Assigned (where available)	
2,500,000	2,500,000	Fazal Cloth Mills (Pvt) Limited Chief Executive: Mr. Sheikh Naseem Ahmad The bank holds 10% (2008: 10.00%) of investee's capital.	25,000	25,000	Not Applicable			
7,500,000	7,500,000	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The bank holds 14.25% (2008: 14.25%) of Class A preference shares in investee's capital.	75,000	75,000	Not Applicable		A	A
12,625,000	12,625,000	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol Class B preference shares.	126,250	126,250	Not Applicable		A	A
			<u>226,250</u>	<u>226,250</u>				

5. Details of investments in open ended mutual funds:

2009	2008	Open ended Mutual funds	2009	2008	2009	2008	2009	2008
1,310,292	1,310,292	Faysal Balanced Growth Fund	80,374	80,374	130,033	87,698	3 Star	MFR-3 Star
1,873,887	1,873,887	Faysal Income & Growth Fund	200,000	200,000	198,951	193,160	A+(f)	A+(f)
2,100,000	2,100,000	Faysal Savings Growth Fund	207,411	207,411	216,111	217,518	A(f)	A(f)
-	234,258	First Habib Income Fund	-	25,000	-	22,730		
-	4,727,507	NAFA Cash Fund	-	50,000	-	45,305		A(f)
154,923,195	194,073,089	National Investment (Unit) Trust	2,671,422	3,475,056	4,299,119	4,388,852	2-Star	5-Star
5,000,000	-	National Investment Trust Govt. Bond Fund	50,000	-	50,668	-		
-	234,307	United Money Market Fund	-	25,000	-	22,454		
-	65,505	Atlas Income Fund	-	35,000	-	31,291		A(f)
			<u>3,209,207</u>	<u>4,097,841</u>	<u>4,894,882</u>	<u>5,009,008</u>		

6. Term Finance Certificates - Listed, Secured

Al Zamin Leasing Modaraba - Second Tranche

9,942 (2008: 9,942) certificates of Rs. 5,000 each
Mark-up: Minimum 9.5% on PLS Basis (4% above six months KIBOR - Floor 11%)
Redemption: Three annual installments commencing May 2008
Maturity: May 2010
Modaraba Management Company: Al Zamin Modaraba Management (Private) Limited
CEO of Management Company : Mr. Basheer Ahmed Chowdry

Azgard Nine

31,640 (2008: 31,640) certificates of Rs. 5,000 each
Mark-up: 2.40% above six months KIBOR rate with no floor and cap
Redemption: 10 unequal semi-annual installments commencing from the 30th month
Maturity: September 2012
Chief Executive Officer: Mr. Ahmad Shaikh

Bank Al Habib Limited - Unsecured

20,000 (2008: 20,000) certificates of Rs. 5,000 each
Mark-up: 1.5% above six months KIBOR, with floor-3.50% & cap-10%
Redemption: 0.25% per annum in first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month.
Maturity: July 2012
Chief Executive Officer: Mr. Abbas D. Habib

Jahangir Siddiqui & Co. Limited - Fourth Tranche

10,000 (2008: 10,000) certificates of Rs. 5,000 each
Mark-up: 2.5% above six months KIBOR
Floor-6 % per annum; Cap-16% per annum
Redemption: 0.18% of principal in the first 54 months, remaining 99.82% in equal installments in 60th & 66th month
Maturity: May 2012
Chief Executive Officer: Mr. Munaf Ibrahim

Trust Leasing & Investment Bank Limited - First Tranche

Nil (2008: 16,507) certificates of Rs. 5,000 each
Mark-up: 3% above six months KIBOR rate; Floor-6% per annum
Cap-10% per annum
Redemption: Ten semi - annual installments commencing 6 months from date of issue
Maturity: July 2009
Chief Executive Officer: Mr. Jawaid B. Shaikh

Trust Leasing & Investment Bank Limited - Second Tranche

24,450 (2008: 24,450) certificates of Rs. 5,000 each
Mark-up: 2% above six months KIBOR rate; with no floor and no cap
Redemption: Ten semi - annual installments commencing 6 months from date of issue
Maturity: November 2010
Chief Executive Officer: Mr. Jawaid B. Shaikh

Balance carried forward

2009	2008	2009	2008	Quality of Available for Sale Securities	
				2009	2008
At Cost	At Cost	Market Values	Market Values	2009	2008
Rupees '000	Rupees '000	Rupees '000	Rupees '000	Medium to Long Term Rating Assigned (where available)	Medium to Long Term Rating Assigned (where available)
16,901	33,803	14,746	30,900		A
118,489	144,857	118,113	149,246		AA-
99,800	99,840	87,760	91,619		AA
49,940	49,960	51,147	50,225		AA+
-	16,507	-	16,454		A
24,450	48,900	23,433	49,242		BBB
<u>309,580</u>	<u>393,867</u>	<u>295,199</u>	<u>387,686</u>		

	2009		2008		Quality of Available for Sale Securities
	At Cost	Market Values	At Cost	Market Values	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Medium to Long Term Rating Assigned (where available)
Balance brought forward	309,580	393,867	295,199	387,686	
United Bank Limited - First Issue 50,000 (2008: 50,000) certificates of Rs. 5,000 each Mark-up: 8.45% per annum Redemption: 0.25% per annum is first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month. Maturity: July 2012 Chief Executive Officer: Mr. Atif R. Bokhari	249,520	249,616	221,419	218,414	AA
United Bank Limited - Second Issue 20,000 (2008: 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	99,982	99,986	86,073	88,817	AA
United Bank Limited - Fourth Issue 50,000 (2008: Nil) certificates of Rs. 5,000 each Mark-up: For 1 - 5 years, 0.85% above six months KIBOR rate with no floor and cap. For 6 - 10 years, 1.35% above six months KIBOR rate with no floor and cap. Redemption: At maturity or at the exercise of call option or partial call option. Maturity: February 2018 Chief Executive Officer: Mr. Atif R. Bokhari	226,589	-	220,304	-	AA
Financial Receivables Securitization Co. Ltd. 20,000 (2008: 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. S. M. Nasir Raza	82,591	94,171	80,613	94,764	A+
Tele Card Limited 70,233 (2008: 70,233) certificates of Rs. 5,000 each Mark-up: 3.75% above six months KIBOR rate, with no floor and no cap Redemption: Ten unequal semi-annual installments commencing 18 months from the last date of public subscription. Maturity: November 2013 Chief Executive Officer: Mr. Aamir Niazi	160,026	203,219	143,615	165,420	BBB
	1,128,288	1,040,859	1,047,223	955,101	

	2009		2008		Quality of Available for Sale Securities
	At Cost	Market Values	At Cost	Market Values	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Medium to Long Term Rating Assigned (where available)
7. Term Finance Certificates - Unlisted					
Dewan Cement Ltd. (formerly Pakland Cement Limited) The TFC has not currently been issued. Chief Executive Officer: Mr. Dewan M. Yousuf Farooqi	500,000	500,000	Not applicable	-	
Bank Alfalah Limited - Fourth Issue 40,000 (2008 : Nil) certificates of Rs. 5,000 each Mark-up: 2.50% above six months KIBOR rate with no floor and cap Redemption: 0.260% semi annually in first 78 months, balance of 33.247% each starting from 84th month. Maturity: September 2017 Chief Executive Officer: Mr. Sirajuddin Aziiz	200,000	-	Not applicable	-	AA-
	700,000	500,000			
8. Sukuk Certificates					
		Rate	Maturity		
Maple Leaf Cement Limited	6 months KIBOR plus 1.7% p.a	December 3, 2013	10,000	-	8,500
Sui Southern Gas Company Limited	3 months KIBOR plus 0.2% p.a	December 13, 2012	75,000	-	72,853
			85,000	-	81,353
					AA

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provide during the year ended December 31, 2009 as referred to in note 12.7 to these financial statements.

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Accrued Interest Not Debited	Total				
1	2	3	4	5	6	7	8	9	10	11	12
-----Rupees in '000-----											
1	Subscribers Of Southern Networks Ltd. 6th Floor, Razia Sharif Plaza, Blue Area, Islamabad	Nisar Ahmed 42201-7057126-3 Tahir A Khan 42301-7870622-3 Muhammad Zaki 42201-0770679-9 Nizhat Shahban 61101-1561932-0 Amjad Awan 61101-4309037-5 Salman Rahim 61101-7883533-1 Zainab Omar 61101-8084663-8	Abdul Aziz Hawas Khan Muhamamd Afzal Iqbal Shahban A. B. Awan S.A. Rahim Saleem Omar	49,795	8,850	-	58,645	9,795	8,850.00	-	18,645
				<u>49,795</u>	<u>8,850</u>	<u>-</u>	<u>58,645</u>	<u>9,795</u>	<u>8,850</u>	<u>-</u>	<u>18,645</u>

2009
Rupees '000

ASSETS

Cash and balances with treasury banks
Balances with and Due from Financial Institutions
Investments
Financing and Receivables
- Murahaba
- Ijara
- Musharaka
- Diminishing Musharaka
- Salam
Other assets

27,270
20,159
535,877
-
-
-
-
-
38,665
<u>621,971</u>

LIABILITIES

Bills payable
Due to Financial Institutions
Deposits and other accounts
- Current Accounts
- Saving Accounts
- Term Deposits
- Others
- Deposit from Financial Institutions -Remunerative
- Deposits from Financial Institutions-Non-Remunerative
Due to Head Office
Other liabilities

6,601
-
-
32,482
81,575
-
-
-
-
5,108
125,766
<u>496,205</u>

NET ASSETS REPRESENTED BY

Islamic Banking Fund
Reserves
Unappropriated / Unremitted loss

Deficit on revaluation of assets

500,000
-
(943)
499,057
(2,852)
<u>496,205</u>

Remuneration to Shariah Advisor / Board

1,750

CHARITY FUND

Opening Balance
Additions during the period
Payments/Utilization during the period
Closing Balance

-
-
-
-

The Bank started its Islamic Banking Operations during the year, therefore comparative figures have not been shown.

Annexure III to the Financial Statements

PROFIT AND LOSS ACCOUNT - ISLAMIC BANKING BRANCHES

For the year ended December 31, 2009

	2009 Rupees '000
Profit / return earned on investments	16,423
Return on deposits and other dues expensed	777
Net spread earned	15,646
Provision against non-performing financings	-
Provision against consumer financings	-
Provision for diminution in the value of investments	-
Bad debts written off directly	-
Income after provisions	15,646
Other Income	
Fee, commission and brokerage income	40
Dividend income	-
Income from dealing in foreign currencies	-
Capital gain on sale of securities	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-
Other income	-
Total other income	40
	15,686
Other expenses	
Administrative expenses	16,629
Other provision / write-offs	-
Other charges	-
Total other expenses	16,629
	(943)
Extraordinary items / unusual items	-
Loss for the year	(943)

The Bank started its Islamic Banking Operations during the year, therefore comparative figures have not been shown.

SHARIAH ADVISOR'S REPORT 2009

Alhamdulillah, Faysal Bank Ltd has opened six Stand-Alone Islamic Banking Branches (IBBs) during the year 2009.

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

1. as per Shariah requirements, special care has been taken to ensure that the affairs of IBBs of FBL are managed separately from the conventional Bank and have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as specific fatawas and rulings issued by me.
2. the allocation of funds, weightages, profit sharing ratios, profits and charging of losses (if any) relating to PLS accounts conform to the basis vetted by me in accordance with Shariah rules and principles.
3. there were no earnings that have been realized from any source prohibited in Shariah and therefore there is no amount to be spent in charity.

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

Karachi: February 23, 2010

MUFTI ABU BAKER SIDDIQ
Shariah Advisor
Faysal Bank Ltd.
Islamic Banking Division

On behalf of the Board of Directors, I am pleased to present the audited consolidated Annual Financial Statements of Faysal Bank Limited for the year ended December 31, 2009.

The Group consists of Faysal Bank Limited as the holding company, and its subsidiary Faysal Management Services (Private) Limited (FMSL). FMSL was formed to float and manage modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

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

The Group was able to post remarkable growth of 31.2% in total assets from Rs. 138 billion in 2008 to Rs. 181 billion in 2009.

	2009	2008
	Rupees in millions	
Operating Profit	3,513	3,855
Provision for non performing advances	1,940	1,439
Provision for diminution in value of investments	252	608
	<u>2,192</u>	<u>2,047</u>
Profit before tax	1,321	1,808
Provision for taxation	108	682
Profit after tax	<u>1,213</u>	<u>1,126</u>
Minority Interest	5	5
Profit after tax attributable to equity holders	1,208	1,121
Unappropriated Profit brought forward	1,079	1,505
	<u>2,287</u>	<u>2,626</u>
Appropriations		
Transfer to statutory reserve	240	223
Bonus shares issued - Final 2008 @ 15%	795	-
Final cash dividend for 2007 at Rs.2.50 per share (paid subsequent to year end)	-	1,324
	<u>1,035</u>	<u>1,547</u>
Unappropriated Profit carried forward	1,252	1,079
Earning per share - Rupees	<u>1.98</u>	<u>1.84</u>

Advances grew by 9.4% over 2008 to Rs. 91.34 billion. Keeping in view the prevailing volatile

economic conditions, the Group focused on growing its assets book in a profitable and prudent manner. On the liability side, deposits grew by an impressive 20.4% over 2008 to Rs. 123.47 billion. The Bank focused on low cost core deposits, resultantly current and savings deposits grew by 37.6% during the year.

The Group was able to post remarkable growth of 31.2% in total assets from Rs. 138 billion in 2008 to Rs. 181 billion in 2009.

Profit after tax for the year of Rs. 1,213 million was higher than previous year's profit of Rs. 1,126 million. The markup earned during the year increased by Rs. 3,554 million mainly due to higher level of investment in government securities. This increase was however, partly offset by higher markup expense on deposits and inter bank borrowings.

Non-performing loans have increased by Rs. 3.2 billion resulting in an increase in charge of provision for bad debts of Rs. 422 million.

The revamping of Equity Capital Market department on professional lines has started yielding benefits to the Group in the shape of capital gain on sale of equity securities of Rs. 770 million. Accordingly, despite significant decline of Rs. 622 million in dividend income from NIT, non markup income rose by Rs. 504 million or 22% over last year.

Administrative expenses have increased by 31% over the last year. This increase is attributable to opening of 15 branches of the holding company in 2008, higher inflation and investment in high quality HR and stabilizing IT infrastructure.

Share of income from associate was Rs. 7.9 million, Rs. 1.3 million lower than last year.

Various tax planning initiatives undertaken during the year and finalization of assessments by tax authorities for five years have resulted in reversal of provision for tax amounting to Rs. 488 million.

Credit Rating of the Holding Company:

JCR-VIS Credit Rating Company Limited has re-affirmed the following entity ratings as on June 30, 2009:

Long-Term	AA
Short-Term	A1+

PACRA (Pakistan Credit Rating Agency Limited) has also assigned the same entity rating to the Bank.

During the year, in view of the prevailing economic environment and its potential impact on the banking industry, the outlook on the rating was changed from stable to negative.

Corporate Governance:

- i. The Group has implemented the requirements of the Code of Corporate Governance (the Code) relevant to the year ended December 31, 2009. A prescribed statement by the management along with the auditors' review report thereon forms part of this Annual Report.
- ii. Statement under clause xix of the code:

a. The financial statement prepared by the management of the Group present fairly the state of affairs, the results of its operations;

b. Proper books of account of the Group have been maintained;

c. Appropriate accounting policies have consistently been applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;

d. International Financial Reporting Standard, as applicable to banks in Pakistan, have been followed in preparation of financial statements without any material departure;

e. The system of internal control is sound in design and has been effectively implemented and monitored. Measures are being considered to further strengthen it;

f. There are no doubts about the Group 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. 399 million and Rs. 168 million respectively as per the unaudited financial statements;

j. The details of Board Meetings held and attended by the directors forms part of this Annual Report;

k. The prescribed pattern of shareholding is given as part of this Annual Report. The movement in the directors' shareholding if any is disclosed in the footnote to the pattern of shareholding.

Acknowledgement:

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

On behalf of the Board of Directors



President & CEO
Naved A. Khan

Date: February 23, 2010
Karachi

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Faysal Bank Limited and its subsidiary (the "Group") as at 31 December 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 25 branches, which have been audited by us. The financial statements of subsidiary company, Faysal Management Services Limited was audited by other firm of Chartered Accountants whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Group as at 31 December 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Date: February 23, 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain

ASSETS

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

LIABILITIES

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

NET ASSETS

REPRESENTED BY

Share capital
Reserves
Unappropriated profit
Non-controlling interest
Surplus on revaluation of assets

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

President & CEO

Director

Director

Director

Note	2009	2008
	Rupees '000	
9	8,427,202	8,927,524
10	508,795	876,780
11	15,017,826	2,861,401
12	56,459,447	36,072,667
13	91,346,001	83,512,068
14	2,787,617	2,646,978
15	1,278,849	-
16	4,966,716	3,264,500
	180,792,453	138,161,918
17	1,465,451	1,536,517
18	34,985,766	13,027,468
19	123,469,683	102,592,473
20	999,200	999,600
21	-	4,103
15	-	2,484,227
22	6,979,304	6,641,902
	167,899,404	127,286,290
	12,893,049	10,875,628
23	6,090,911	5,296,445
24	4,030,056	3,790,023
	1,252,180	1,079,333
	11,373,147	10,165,801
	73,309	73,706
	11,446,456	10,239,507
25	1,446,593	636,121
	12,893,049	10,875,628
26		

	Note	2009	2008
		Rupees '000	
Mark-up / return / interest earned	28	16,957,875	13,404,132
Mark-up / return / interest expensed	29	11,946,579	8,436,136
Net mark-up / interest income		5,011,296	4,967,996
Provision against non-performing loans and advances - net	13.4	1,966,414	1,544,607
Reversal of provision for consumer loans - general	13.5	(26,723)	(104,822)
Provision for diminution in the value of investments	12.3	252,192	607,577
Bad debts written off directly	13.7	-	-
Net mark-up / interest income after provisions		2,191,883	2,047,362
		2,819,413	2,920,634
Non mark-up / interest income			
Fee, commission and brokerage income		885,124	814,001
Dividend income		659,556	1,197,862
Income from dealing in foreign currencies		400,477	347,114
Gain / (loss) on sale of securities	30	824,621	(133,881)
Unrealised (loss) on revaluation of investments classified as held for trading		(45,674)	(3,410)
Other income	31	80,591	79,403
Total non mark-up / interest income		2,804,695	2,301,089
		5,624,108	5,221,723
Non mark-up / interest expenses			
Administrative expenses	32	4,285,459	3,264,693
Other provisions	16.3	(6,444)	96,864
Other charges	33	33,029	61,364
Total non mark-up / interest expenses		4,312,044	3,422,921
		1,312,064	1,798,802
Extraordinary / unusual items		-	-
Share of income from associates		7,979	9,245
Profit before taxation		1,320,043	1,808,047
Taxation - Current	34	1,164,420	155,956
- Prior years		2,823,492	100,000
- Deferred		(3,880,396)	426,001
		107,516	681,957
Profit after taxation		1,212,527	1,126,090
Profit attributable to non-controlling interest		5,182	4,709
Profit attributable to equity holders		1,207,345	1,121,381
		1,212,527	1,126,090
Basic and diluted earnings per share - Rupees	35	1.98	1.84

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.


 President & CEO


 Director


 Director


 Director

	2009	2008
	Rupees '000	
PROFIT FOR THE YEAR	1,212,527	1,126,090
OTHER COMPREHENSIVE INCOME - RECOGNISED BELOW EQUITY		
Net change in fair value of available for sale investments	927,792	(5,808,976)
Income tax	(117,320)	633,740
Other comprehensive income / (loss) for the year	810,472	(5,175,236)
Total comprehensive income / (loss) for the year	2,022,999	(4,049,146)
PROFIT FOR THE YEAR ATTRIBUTABLE TO:		
Non-controlling interest	5,182	4,709
Owners of the Company	1,207,345	1,121,381
	1,212,527	1,126,090

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.


 President & CEO


 Director


 Director


 Director

Faysal Bank Limited and its Subsidiary
CONSOLIDATED CASH FLOW STATEMENT
 For the year ended December 31, 2009

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
 Less: Dividend income
 Less: Markup / return / interest earned on available for sale securities

Adjustments for:
 Depreciation
 Amortisation
 Provision against non-performing loans and advances - net
 Reversal of provision for consumer loans - general
 Provision for diminution in value of investments
 Provision for other assets
 Unrealised loss on revaluation of investments classified as held for trading
 Net profit on sale of property and equipment
 Finance charges on leased assets
 Exchange gain

(Increase) / Decrease in operating assets
 Lendings to financial institutions
 Held for trading securities
 Advances
 Other assets

Increase / (Decrease) in operating liabilities
 Bills payable
 Borrowings
 Deposits
 Other liabilities (excluding current taxation)

Income tax paid
 Net cash flow from operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available for sale securities and associate
 Net investments in held to maturity securities
 Dividends received
 Markup / interest received on available for sale securities
 Investments in operating fixed assets
 Sale proceeds from disposal of fixed assets
 Net cash flow from investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Payments of sub-ordinated loan
 Payments of lease obligations
 Dividend paid to minority shareholders
 Dividends paid
 Net cash used in financing activities

Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year as previously reported
 Effects of exchange rate changes on cash and cash equivalents
 Cash and cash equivalents at beginning of the year as restated

Cash and cash equivalents at end of the year

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.


 President & CEO


 Director


 Director


 Director

Faysal Bank Limited and its Subsidiary
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the year ended December 31, 2009

Share capital	Attributable to the equity holders					Total	Non-controlling interest	Total Equity
	Reserves							
	Share premium	Reserve for issue of bonus shares	Statutory reserve	Capital market reserve	Unappropriated profit			
Rupees ' 000								
5,296,445	-	-	3,177,491	389,542	1,505,053	10,368,531	75,333	10,443,864
-	-	-	-	-	(1,324,111)	(1,324,111)	-	(1,324,111)
-	-	-	222,990	-	(222,990)	-	-	-
-	-	-	222,990	-	(1,547,101)	(1,324,111)	-	(1,324,111)
-	-	-	-	-	1,121,381	1,121,381	4,709	1,126,090
-	-	-	-	-	-	-	(6,336)	(6,336)
5,296,445	-	-	3,400,481	389,542	1,079,333	10,165,801	73,706	10,239,507
-	-	794,466	-	-	(794,466)	-	-	-
794,466	-	(794,466)	-	-	-	-	-	-
794,466	-	-	240,033	-	(240,033)	-	-	-
794,466	-	-	240,033	-	(1,034,499)	-	-	-
-	-	-	-	-	1,207,346	1,207,346	5,182	1,212,528
-	-	-	-	-	-	-	(5,579)	(5,579)
6,090,911	-	-	3,640,514	389,542	1,252,180	11,373,147	73,309	11,446,456

Balance as at January 1, 2008

Final cash dividend for the year ended December 31, 2007
 at Rs. 2.50 per share approved subsequent to the year end

Transfer to statutory reserve
Transaction with owners, recorded directly in equity

Comprehensive Income for the year:
 Profit after tax for the year ended December 31, 2008

Dividend paid

Balance at December 31, 2008

Transfer to reserve for issue of bonus shares

Bonus shares issued

Transfer to statutory reserve
Transaction with owners, recorded directly in equity

Comprehensive Income for the year:
 Profit after tax for the year ended December 31, 2009

Dividend paid

Balance at December 31, 2009

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.


 President & CEO


 Director


 Director


 Director

1. THE GROUP AND ITS OPERATIONS

The Group consists of following entities:

Holding Company

Faysal Bank Limited (FBL, the bank)

Subsidiary Company

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

Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in Commercial, Consumer and Corporate banking activities. The Bank has a branch network of 133 branches (2008: 129 branches); including 6 Islamic Banking branches (2008: Nil); and operates Nil (2008: 2) service centres.

The Registered Office (Head Office) of the bank is located at Shahra-e-Faisal, Karachi.

Ithmaar Bank B.S.C., an Investment Bank listed in Bahrain, is the ultimate holding company of Faysal Bank Limited.

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

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 has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such and in substance are restricted to the amount of facility actually utilized 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 transaction and balances have been eliminated. In accordance with the directives issued by the State Bank of Pakistan, balance sheet, profit and loss account and cash flow statement of Islamic branches are disclosed in Annexure III to these consolidated financial statements.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include Faysal Bank Limited and its subsidiary, Faysal Management Services (Private) Limited.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which the Group acquires the effective control and are excluded from consolidation from the date of disposal.

The financial statements of the subsidiary have been consolidated on a line by line basis.

Minority interest is that part of the net results of operations and of the net assets of subsidiary company which is not owned by the Group.

Associates are entities over which the Group has a significant influence but not control over the financial and operating policies. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post acquisition change in the Group's share of net assets of the associates. The consolidated financial statements include the Group's share of income and expenses of associates from the date that significant influence commences until the date that such influence ceases.

All material intra group transactions, balances and unrealised surplus / deficit on transactions between Group entities have been eliminated.

4. STATEMENT OF COMPLIANCE

These consolidated financial statements are 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan shall prevail.

The State Bank of Pakistan as per BSD Circular Letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40). Accordingly, the requirements of these standards and their relevant interpretations (issued by the Standards Interpretation Committee - SICs, and the International Financial Reporting Interpretations Committee - IFRICs) have not been considered in the preparation of these financial statements. However, the investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan through various circulars.

5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for the following financial instruments:

- Derivative financial instruments are measured at fair value; and
- Investments classified as held for trading and available for sale are also measured at fair values.

6. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements have been presented in Pakistani Rupee, which is the Group's functional as well as the reporting currency.

7. USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with the approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the current and future reporting periods. The actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements made by the management that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 42 to these consolidated financial statements.

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**8.1 Changes in accounting policies**

Starting January 1, 2009, the Group has changed its accounting policies in the following areas:

The Group has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from January 1, 2009. This standard required the Group to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

The Group has applied "IFRS 8 Operating Segments" from January 1, 2009. As a result, additional disclosures have been made relating to financial and descriptive information with respect to individual operating segments and on an enterprise-wide basis. The Group determines and presents operating segments based on the information that is internally provided to the President / Chief Executive Officer, who is the Group's chief operating decision maker which is in detail and has been aggregated in line with the format issued by SBP. The new accounting policy disclosed in note 8.18 has no impact on segments previously disclosed, except for some additional disclosure in the same segments.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the changes in accounting policies only affect presentation of financial statements, there is no impact on earnings per share.

8.2 Financial assets and liabilities

The Group initially recognises financial assets and liabilities on the date at which they are originated except investments which are recognized on the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are transferred. The Group also enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or part of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet.

Financial liabilities are derecognised when the contractual obligations expire, or are discharged or cancelled.

8.3 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash, money at call and balances with treasury and other banks.

8.4 Lendings to / borrowings from financial institutions

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

(a) Sale under repurchase obligation

Securities sold subject to a re-purchase agreement (repo) are retained in the consolidated financial statements as investments and the counter party liability is included in borrowings. The differential in sale and re-purchase value is accrued over the period of the contract and recorded as an expense.

(b) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or financing as appropriate. The underlying security is not recognised as a separate asset in the consolidated financial statements. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income.

(c) Other borrowings

These are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on accrual basis.

8.5 Investments

Investments in securities, other than investments in associates are classified as follows:

(a) Held for trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices 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 in respect of which the Group has the positive intent and ability to hold till maturity.

(c) Available for sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

Investments other than those classified as held for trading and investments in associates, are initially recognised at fair value including transaction costs associated with such investments. Investments classified as held for trading are initially recognised at fair value. Subsequently, aforesaid quoted securities are stated at market value. Held to maturity investments are carried at amortised cost as per the requirements laid down in BSD Circular No. 14 dated September 24, 2004, issued by the State Bank of Pakistan. As per SBP directives, the surplus / deficit arising on revaluation is taken to the profit and loss account for trading securities, while for available for sale securities, it is reported below equity / other comprehensive income.

In accordance with SBP's BSD Circular No. 11 of 2004 and BSD Circular No. 06 of 2007, investments in subsidiaries and associates, as defined in approved accounting standards are stated at cost less impairment losses (if any) and are not subject to mark to market.

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date the Group commits to purchase or sell the investment.

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

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying values are recognised in the profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Provision for diminution in the value of securities (except term finance certificates) is made for permanent impairment, if any. Provision for diminution in value of term finance certificates is made as per the guidelines prescribed by the Prudential Regulations issued by the State Bank of Pakistan.

8.6 Advances

These are stated net of specific and general provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by SBP. The Group also maintains general provision in accordance with the requirements of the Prudential Regulations and for present potential losses on performing loans, finance leases and consumer loan portfolio.

Finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset are recognized at an amount equal to the present value of the minimum lease payment including any guaranteed residual value.

Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Group determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 of 2007 dated June 05, 2007.

8.7 Operating fixed assets*Owned*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (if any) except freehold and leasehold land which are stated at cost.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Capital work in progress is stated at cost.

Assets subject to finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as assets subject to finance lease. These are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (if any). Financial charges are allocated over the period of the lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

Intangibles

Intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses (if any). Intangible assets with indefinite lives are stated at cost less impairment losses (if any).

Subsequent costs

Renewals and improvements are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenses are charged to income during the financial period in which they are incurred.

Depreciation and amortisation

Depreciation on property and equipment other than freehold and leasehold land, and amortisation on intangibles is charged to income using the straight-line method so as to write off the depreciable amount of an asset over its estimated useful lives at the rates given in notes 14.2 and 14.3. The residual value is assessed annually.

A full month's depreciation / amortisation is charged in the month of addition and no depreciation / amortisation is charged in the month of disposal.

Impairment of operating fixed assets

The carrying amounts of the Group's operating fixed assets are regularly reviewed to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Such losses are recognised directly in the profit and loss account.

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

8.8 Operating leases

Lease payments under operating leases are charged to income on straight line basis over the lease term.

8.9 Taxation

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

Current

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

Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts appearing in the consolidated financial statements. No deferred tax is provided on the initial recognition of assets and liabilities that affect neither accounting nor taxable profits. A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

8.10 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognised separately as part of other liabilities

and is charged to the profit and loss account over the period.

8.11 Provisions and Impairment

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and 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.

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. For an investment in an equity security, a significant and prolonged decline in fair value below its cost is an objective evidence of impairment. If any such indication exists, the recoverable amount of the relevant asset is estimated and an impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss is recognised.

8.12 Staff retirement benefits

The Group operates:

- a) an approved funded gratuity scheme for all its permanent employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Cumulative net unrecognised actuarial gains and losses at the end of the previous year are charged or credited to income over the expected average remaining working lives of the employees.
- b) an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the group and the employees at the rate of 10 percent of basic salary.

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

8.13 Revenue recognition

- a) Interest / mark-up and return on regular advances and investments is recognised on time proportion basis. Interest / mark-up on classified advances and investments is recognised on receipt basis. Gains and losses on termination and documentation charges are recognised on receipt basis.
- b) Fee, commission and brokerage income is recognised when earned.
- c) Dividend income from investments is recognised when the Group's right to receive the dividend is established.
- d) Gains and losses on sale of investments and operating fixed assets are recognised in the profit and loss account, when the risks and rewards of ownership are transferred.

e) Income from finance lease is recognised over the term of the lease so as to produce a constant periodic rate of return on the net investment. Unrealised income is suspended on classified leases. Repossessed vehicles on account of loan default are recorded in memorandum account.

f) All exchange differences are recognised in income.

8.14 Dividends and appropriation to reserves

Dividend and appropriation to reserves are recognised in the year in which these are approved, except appropriations required by the law, which are recorded in the period to which they pertain.

8.15 Derivative financial instruments

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

8.16 Foreign currencies

All monetary assets, liabilities and commitments for letters of credit, acceptances and guarantees in foreign currencies are translated at rates of exchange approximating those prevailing at the balance sheet date. Foreign currency transactions are recorded at the rates prevailing on the transaction date.

Foreign bills purchased, forward contracts and swaps are valued at forward rates applicable to the respective maturities of the relevant contracts.

8.17 Off Setting

Financial assets and liabilities are set off and the net amount is reported in the balance sheet when and only when, the Group has a legal right to set off the amounts and it intends either to settle on a net basis or to realise the asset and to settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards, or for gains and losses arising from a Group of similar transactions.

8.18 Segment Reporting

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

8.18.1 Business Segments

Corporate finance

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

Trading and Sales

This segment undertakes the holding company's treasury, money market and capital market activities.

Retail banking

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

Commercial banking

This includes loans, deposits, other transactions and balances with corporate customers. Subsidiaries are included as part of this segment for the purpose of business segmentation.

8.18.2 Geographical segment

The Group conducts all its operations in Pakistan.

9. CASH AND BALANCES WITH TREASURY BANKS

In hand

- local currency
- foreign currency

With State Bank of Pakistan in

- local currency current account
- foreign currency current account
- foreign currency deposit account

With National Bank of Pakistan in

- local currency current account

National Prize Bonds

Note	2009 Rupees '000	2008
	1,784,440	2,331,104
	324,187	425,575
	4,367,938	4,061,066
9.1	365,765	400,691
9.2	1,145,480	1,214,245
9.3		
	431,642	493,628
	7,750	1,215
	8,427,202	8,927,524

9.1 This represents current accounts maintained with SBP under the requirements of section 22 (Cash Reserve Requirement) of the Banking Companies Ordinance, 1962.

9.2 This comprises of current accounts maintained with SBP to meet cash reserve requirement of 5% on FE 25 deposits, under the requirements of BSD Circular No. 18 dated March 31, 2001 and OSED Circular No. 1 dated November 13, 2006 and 6% special cash reserve requirement on FE 25 deposits maintained by Islamic Banking branches.

9.3 This represents special cash reserve requirement maintained with SBP 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. Profit rates on these balances are fixed on monthly basis by SBP. During the year 0% rate of remuneration (2008: ranging from 0.90% to 3.60%) was notified by SBP on these balances.

10. BALANCES WITH OTHER BANKS

In Pakistan

- Current accounts

Outside Pakistan

- Current accounts

11. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings

Repurchase agreement lendings (Reverse Repo)

11.1 PARTICULARS OF LENDING

In local currency

11.2 Call money lendings have been extended to banks at rates ranging from 12.40% to 12.65% per annum (2008: Nil), maturing upto January 2010.

11.3 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees '000 -----					
Market Treasury Bills - note 11.3.1	14,717,826	-	14,717,826	2,861,401	-	2,861,401

11.3.1 Market Treasury Bills have been purchased under resale agreements at rates ranging from 12.05% to 12.40% (2008: 14.0% to 14.9% per annum) with maturities up to February 2010. The market value of these securities is Rs. 14.73 billion (2008: Rs 2.9 billion).

12. INVESTMENTS

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

12.1 Investments by type

	2009			2008		
	Held by Bank	Given as collateral	Total	Given as collateral	Held by Bank	Total
	Rupees '000					
Held for trading securities						
Market Treasury Bills	618,471	-	618,471	-	-	-
Fully paid up ordinary shares	811,223	-	811,223	19,104	-	19,104
	1,429,694	-	1,429,694	19,104	-	19,104
Available for sale securities						
Market Treasury Bills - note 12.2.1	14,192,378	17,165,757	31,358,135	11,345,480	1,122,183	12,467,663
Pakistan Investment Bonds - note 12.2.2	5,748,485	97,570	5,846,055	1,154,312	-	1,154,312
Ijara Sukuk Bonds - note 12.2.3	462,000	-	462,000	-	-	-
Units of open ended mutual funds						
- National Investment (Unit) Trust - note 12.2.4	2,671,422	-	2,671,422	3,475,056	-	3,475,056
- NIT Government Bond 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	207,411	-	207,411	207,411	-	207,411
- First Habib Income Fund	-	-	-	25,000	-	25,000
- NAFA Cash Fund	-	-	-	50,000	-	50,000
- Atlas Income Fund	-	-	-	35,000	-	35,000
- United Money Market Fund	-	-	-	25,000	-	25,000
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	1,810,932	-	1,810,932	1,750,640	-	1,750,640
Fully paid up preference shares	492,677	-	492,677	492,677	-	492,677
Sukuk certificates	85,000	-	85,000	-	-	-
Term finance certificates	1,828,288	-	1,828,288	1,540,859	-	1,540,858
	27,828,967	17,263,327	45,092,294	20,381,809	1,122,183	21,503,991
Held to maturity securities						
Market Treasury Bills	-	-	-	8,805,245	-	8,805,245
Term finance certificates	7,127,929	-	7,127,929	4,232,779	-	4,232,779
Sukuk certificates	2,410,077	-	2,410,077	1,750,000	-	1,750,000
	9,538,006	-	9,538,006	14,788,024	-	14,788,024
Associates						
Fully paid up ordinary shares of Faysal Asset Management Ltd.	81,109	-	81,109	73,130	-	73,130
Investments at cost	38,877,776	17,263,327	56,141,103	35,262,067	1,122,183	36,384,249
Provision for diminution in the value of investments - note 12.3	(1,140,082)	-	(1,140,082)	(887,890)	-	(887,890)
Investments (Net of Provisions)	37,737,694	17,263,327	55,001,021	34,374,177	1,122,183	35,496,359
Deficit on revaluation of held for trading securities - note 12.5	(49,084)	-	(49,084)	(3,410)	-	(3,410)
Surplus / (Deficit) on revaluation of available for sale securities (net) - note 25	1,535,296	(27,786)	1,507,510	579,718	-	579,718
Total investments at market value	39,223,906	17,235,541	56,459,447	34,950,485	1,122,183	36,072,667

12.1.1 Strategic Investments

2009
 Rupees '000
 2008

Available for sale securities - Listed

Fully paid up ordinary shares / modarba certificates / units of closed end mutual funds	238,981	238,981
Units of open ended mutual funds	80,374	80,374

Available for sale securities - Unlisted

Fully paid up ordinary shares	797,549	853,750
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Associate

	81,109	73,130
	<u>1,198,013</u>	<u>1,246,235</u>

Provision for diminution in the value of investments

	(287,903)	(175,517)
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Surplus / (Deficit) on revaluation of investments

	910,110	1,070,718
	106,114	(11,945)
	<u>1,016,224</u>	<u>1,058,773</u>

Strategic investments are those which the Group makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to fulfillment of criteria prescribed by SBP in the Prudential Regulations. The overall exposure limit for equity investments prescribed by SBP does not apply to these investments. Further, as per 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. During 2008 the Group entered into an agreement for sale of one of strategic investment after taking approval from SBP. Part of that investment has been disposed off and proportionate provision against the investment has been derecognized.

12.2	Investments by segment	Note	2009	2008
			Rupees '000	
	Federal Government Securities			
	- Market Treasury Bills	12.2.1	31,976,606	21,272,908
	- Pakistan Investment Bonds	12.2.2	5,846,055	1,154,312
	- Ijara Sukuk Bonds	12.2.3	462,000	-
	Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units			
	- Listed companies / modarabas / mutual funds		1,822,818	914,207
	- Unlisted companies		880,446	928,667
	Fully Paid up Preference Shares			
	- Listed companies		266,427	266,427
	- Unlisted companies		226,250	226,250
	Term Finance Certificates			
	- Listed TFCs		3,483,168	1,240,818
	- Unlisted TFCs	12.2.5	5,473,049	4,532,819
	Open ended Mutual Fund Units	12.2.4	3,209,207	4,097,841
	Other Investments			
	- Sukuk certificates		2,495,077	1,750,000
	Total investments at cost		56,141,103	36,384,249
	Less: Provision for diminution in the value of investments	12.3	(1,140,082)	(887,890)
	Investment (Net of provision)		55,001,021	35,496,359
	Deficit on revaluation of held for trading securities	12.5	(49,084)	(3,410)
	Surplus on revaluation of available for sale securities	25	1,507,510	579,718
	Total Investment at market value		56,459,447	36,072,667

12.2.1 Market Treasury Bills have tenures of three months to one year. The Group's yield on these instruments ranges from 11.4% to 13.4% per annum (2008: 10.1% to 13.6% per annum) with maturities up to September 2010.

12.2.2 Pakistan Investment Bonds have tenures of 5 to 10 years. The Group's return on these investments ranges from 4.6% to 13.1% per annum (2008: 4.6% to 6.3% per annum) with maturities from June 30, 2013 to September 03, 2019.

12.2.3 Ijara sukuk bonds have tenures of three years with maturities upto September 2012.

12.2.4 This includes 154,923,195 NIT Units (2008: 150,268,315 NIT units) in NI(U)T LOC Holders' Fund. The Letter of Comfort (LOC) dated June 30, 2009 issued by the Federal Government expired on December 31, 2009.

The Ministry of Finance vide letter reference No. F.4(2)-Inv.III/2000 dated December 3, 2009, advised NIT to settle the NI(U)T LOC Holders' fund by distributing all the underlying assets to the respective LOC Holders, except for shares held in Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) which will be taken over by the National Bank of Pakistan (NBP) and cash received from NBP will be paid to the other LOC Holders.

In terms of the said letter, the LOC Holders, NIT and National Bank of Pakistan (NBP) have entered into an agreement dated January 13, 2010 for settlement of the NI(U)T LOC Holders' Fund. Under the agreement the underlying net assets of the NI(U)T LOC Holders' Fund after charging agreed premium of 2.5% have been apportioned between LOC Holders according to their respective units.

As at December 31, 2009, the unrealised gain on these NI(U)T LOC units net off tax shown below equity amounts to Rs. 1,770 million.

12.2.5 This includes advance in respect of Pre IPO issue of listed Term Finance Certificates (TFCs) of Dewan Cement Ltd which have not yet been issued. The old TFCs have been repaid by Dewan Cement Ltd during 2008. However, as per the directives of the State Bank of Pakistan vide letter No. BPD/PU-22/22.03/15749/2005/8720 dated July 14, 2005, the advance has been classified as investment.

12.3 Particulars of provision for diminution in the value of investments

	Note	2009	2008
		Rupees '000	
Opening balance		887,890	280,313
Charge for the year	12.3.1	528,403	768,076
Reversals		(276,211)	(160,499)
		252,192	607,577
Closing balance		1,140,082	887,890

12.3.1 This includes provision of Rs. 162.664 million recognised on account of difference in carrying value and breakup value of one of strategic investment.

12.3.2 Particulars of provision in respect of type and segment	2009	2008
	Rupees '000	
Available for sale securities		
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units		
- Listed companies / modarabas / mutual funds	196,436	291,357
- Unlisted companies	242,588	102,516
Fully Paid up Preference Shares		
- Listed companies	132,564	59,274
Open ended Mutual Fund Units	156,425	162,415
Term Finance Certificates		
- Listed TFCs	5,919	5,919
- Unlisted TFCs	300,000	250,000
Held to maturity securities		
Term Finance Certificates		
- Unlisted TFCs	31,150	16,409
Other Investments		
- Sukuk certificates	75,000	-
	<u>1,140,082</u>	<u>887,890</u>
12.4 Quality of available for sale securities		
The details regarding the quality of available for sale securities and their markup/interest and other terms are contained in Annexure I , which forms an integral part of these consolidated financial statements.		
12.5 Unrealized loss on revaluation of investments classified as held for trading		
Market Treasury Bills	(92)	-
Fully Paid up Ordinary Shares	(48,992)	(3,410)
	<u>(49,084)</u>	<u>(3,410)</u>

12.6 Key financial information of subsidiary and associate company as at December 31, 2009 is as follows :

	2009				
	Assets	Liabilities	Revenues	Profit / Loss	% Holding
	Rupees '000				
Subsidiary					
Faysal Management Services (Private) Limited	185,776	2,506	-	12,957	60%
Associate					
Faysal Asset Management Limited	301,944	28,813	136,834	26,599	30%
	2008				
	Assets	Liabilities	Revenues	Profit / Loss	% Holding
	Rupees '000				
Subsidiary					
Faysal Management Services (Private) Limited	184,620	357	-	11,772	60%
Associate					
Faysal Asset Management Limited	279,953	31,819	135,742	30,817	30%

12.7 Investment in associate

12.7.1 Investment in Faysal Asset Management Limited (FAML) is accounted for using the equity method of accounting. The Group's share of the profit and loss of the entity and its carrying amount as at December 31, 2009 is as follows:

	2009	2008
	Rupees '000	
Balance at the beginning of the year	73,130	33,885
Investment made during the year	-	30,000
Share of profit	7,979	9,245
Dividends paid	-	-
Exchange differences	-	-
	<u>81,109</u>	<u>73,130</u>

	Note	2009	2008
		Rupees '000	
13. ADVANCES			
Loans, cash credits, running finances, etc. - In Pakistan		85,056,738	73,509,851
Net investment in finance lease - In Pakistan	13.2	11,112,580	13,212,735
		<u>96,169,318</u>	<u>86,722,586</u>
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		438,472	675,771
Payable outside Pakistan		1,438,480	596,917
		<u>1,876,952</u>	<u>1,272,688</u>
Margin financing / reverse repo transactions		338,200	625,367
Gross Advances		<u>98,384,470</u>	<u>88,620,641</u>
Provision for non-performing advances	13.4	(6,848,394)	(4,891,775)
Provision for consumer loans - general	13.5	(190,075)	(216,798)
		<u>91,346,001</u>	<u>83,512,068</u>
13.1 Particulars of advances (Gross)			
13.1.1 In local currency		94,585,866	83,802,807
In foreign currency		3,798,604	4,817,834
		<u>98,384,470</u>	<u>88,620,641</u>
13.1.2 Short term (for upto one year)		61,236,117	37,992,137
Long term (for over one year)		37,148,353	50,628,504
		<u>98,384,470</u>	<u>88,620,641</u>

13.2 Net investment in finance lease	2009				2008				
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one	Later than one and year five years	Over five years less than	Total	
	----- Rupees '000 -----								
Lease rentals receivable	4,507,793	4,947,192	-	9,454,985	5,280,636	6,350,315	-	11,630,951	
Residual value	938,017	2,337,952	-	3,275,969	1,016,575	2,559,573	-	3,576,148	
Minimum lease payment	5,445,810	7,285,144	-	12,730,954	6,297,211	8,909,888	-	15,207,099	
Finance charge for future period	(820,439)	(797,935)	-	(1,618,374)	(1,010,978)	(983,386)	-	(1,994,364)	
Present value of minimum lease payment	4,625,371	6,487,209	-	11,112,580	5,286,233	7,926,502	-	13,212,735	
13.3 Advances includes Rs. 10.671 billion (2008: Rs. 7.446 billion) which have been placed under non-performing status as detailed below:									
	----- Rupees '000 -----								
	2009			2009			2009		
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
Other assets especially mentioned (Agri)	277,202	-	277,202	-	-	-	-	-	-
Substandard	1,756,150	-	1,756,150	334,776	-	334,776	334,776	-	334,776
Doubtful	2,112,776	-	2,112,776	800,237	-	800,237	800,237	-	800,237
Loss	6,524,902	-	6,524,902	5,529,323	-	5,529,323	5,529,323	-	5,529,323
	<u>10,671,030</u>	<u>-</u>	<u>10,671,030</u>	<u>6,664,336</u>	<u>-</u>	<u>6,664,336</u>	<u>6,664,336</u>	<u>-</u>	<u>6,664,336</u>

Category of classification	2008								
	Classified Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees '000								
Other assets especially mentioned (Agri)	242,329	-	242,329	-	-	-	-	-	-
Substandard	1,882,120	-	1,882,120	655,627	-	655,627	655,627	-	655,627
Doubtful	1,520,190	-	1,520,190	642,427	-	642,427	642,427	-	642,427
Loss	3,801,842	-	3,801,842	3,535,045	-	3,535,045	3,535,045	-	3,535,045
	<u>7,446,481</u>	<u>-</u>	<u>7,446,481</u>	<u>4,833,099</u>	<u>-</u>	<u>4,833,099</u>	<u>4,833,099</u>	<u>-</u>	<u>4,833,099</u>

13.3.1 Change in accounting estimate

During the year the Group has revised its accounting estimate in accordance with the directives issued by SBP, and has considered the benefit of 40% (2008: 30%) of FSV of pledged stocks and mortgaged residential, commercial and industrial properties (land and building only) (2008: pledged stocks and mortgaged residential and commercial properties) held as collateral against all Non Performing Loans (NPLs), except consumer financing, for three years from the date of classification for calculating provisioning requirements. Benefit of FSV, calculated in accordance with these directives has resulted in reversal of provision of Rs. 637.461 million during the year. Total accumulated benefit as at December 31, 2009 amounts to Rs. 773.592 million. The additional impact on profitability from this benefit is not available for payment of cash or stock dividend. For Non Performing Loans in respect of consumer financing, benefit of 50% of the FSV of mortgage property is considered.

13.4 Particulars of provision for non-performing advances - in local currency

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees '000					
Opening balance	<u>4,833,099</u>	<u>58,676</u>	<u>4,891,775</u>	3,199,581	148,676	3,348,257
Charge for the year	<u>2,570,287</u>	<u>183,382</u>	<u>2,753,669</u>	1,956,600	-	1,956,600
Transfer to specific provision from general provision	-	-	-	90,000	(90,000)	-
Reversals	<u>(729,255)</u>	<u>(58,000)</u>	<u>(787,255)</u>	(411,993)	-	(411,993)
	<u>1,841,032</u>	<u>125,382</u>	<u>1,966,414</u>	1,634,607	(90,000)	1,544,607
Amounts written off -note 13.7	<u>(9,795)</u>	-	<u>(9,795)</u>	(1,089)	-	(1,089)
Closing balance	<u>6,664,336</u>	<u>184,058</u>	<u>6,848,394</u>	4,833,099	58,676	4,891,775

	2009			2008		
	Specific	General	Total	Specific	General	Total

Rupees '000

13.4.1 Particulars of provision for non-performing advances:

In local currency

	<u>6,664,336</u>	<u>184,058</u>	<u>6,848,394</u>	4,833,099	58,676	4,891,775
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13.4.2

General provision represents provision made for potential losses and has been determined on the basis of management's best estimate.

13.5**Particulars of provision for consumer loans - general - in local currency**

2009

Rupees '000

2008

Opening balance

216,798

321,620

Charge for the year

-

-

Reversals

(26,723)

(104,822)

Closing balance

190,075216,798**13.5.1**

General provision against consumer loans has been determined in accordance with the requirements of the Prudential Regulations issued by SBP (i.e. 1.5% of secured loans and 5% of unsecured loans).

13.6**Particulars of write-off****Note**

2009

Rupees '000

2008

13.6.1Against provisions
Directly charged to profit and loss account

13.4

9,795

1,089

-

-

9,7951,089**13.6.2**Write offs of Rs 500,000 and above
Write offs below Rs 500,000

13.7

9,795

1,089

-

-

9,7951,089**13.7****Details of loans written off of Rs. 500,000 and above**

The statement in respect of write-offs or any other financial relief of five hundred thousand rupees or above as required under sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 is given as "Annexure II" to these consolidated financial statements.

	Note	2009	2008
		Rupees '000	
13.8 Particulars of loans and advances to directors, associated companies, etc.			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		504,926	407,271
Loans granted during the year		297,198	259,903
Repayments		(182,667)	(162,248)
Balance at end of year		619,457	504,926
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		731,564	806,989
Loans granted during the year		72,735	529
Repayments		(1,741)	(75,954)
Balance at end of year		802,558	731,564
		1,422,015	1,236,490
13.8.1 Maximum total amount of advances including temporary advances granted during the year			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons		619,457	504,926
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members		802,558	806,989
		1,422,015	1,311,915
14. OPERATING FIXED ASSETS			
Capital work-in-progress	14.1	65,033	241,253
Property and equipment	14.2	2,495,798	2,250,594
Intangible assets	14.3	226,786	155,131
		2,787,617	2,646,978
14.1 Capital work-in-progress			
Civil works		18,578	32,911
Equipment		20,705	64,022
Advances to suppliers and contractors		25,750	144,320
		65,033	241,253

14.2 Property and equipment

	COST					ACCUMULATED DEPRECIATION					Book value at		Rate of depreciation % per annum
	As at January 1, 2008	Additions / (deletions)	As at January 1, 2009	Additions / (deletions)	As at December 31, 2009	As at January 1, 2008	Charge / (on deletions)	As at January 1, 2009	Charge / (on deletions)	As at December 31, 2009	December 31, 2009	December 31, 2008	
	Rupees '000												
Owned													
Freehold land	40,184	-	40,184	-	40,184	-	-	-	-	-	40,184	40,184	-
Leasehold land	417,008	-	417,008	50,756	467,764	19,206	-	19,206	-	19,206	448,558	397,802	-
Building on freehold land - note 14.2.2 & 14.2.3	41,648	-	41,648	-	41,648	14,598	833	15,431	578	16,009	25,639	26,217	5
Leasehold property and improvement note - 14.2.3	1,066,367	238,680 (49)	1,304,998	144,821	1,449,819	196,096	96,285 (7)	292,374	128,450	420,824	1,028,995	1,012,624	5 to 20
Office furniture, fixtures, equipments and computers note - 14.2.4	1,113,133	316,807 (14,987)	1,414,953	481,269 (22,988)	1,873,234	637,445	250,236 (5,260)	882,421	332,139 (19,409)	1,195,151	678,083	532,532	20 to 33.33
Vehicles	241,648	144,035 (40,699)	344,984	113,252 (52,826)	405,410	83,059	44,628 (20,094)	107,593	52,672 (29,194)	131,071	274,339	237,391	20
	2,919,988	699,522 (55,735)	3,563,775	790,098 (75,814)	4,278,059	950,404	391,982 (25,361)	1,317,025	513,839 (48,603)	1,782,261	2,495,798	2,246,750	
Assets subject to finance lease													
Vehicles	15,999	- (1,169)	14,830	- (14,830)	-	9,488	1,498 -	10,986	- (10,986)	-	-	3,844	20
	2,935,987	699,522 (56,904)	3,578,605	790,098 (90,644)	4,278,059	959,892	393,480 (25,361)	1,328,011	513,839 (59,589)	1,782,261	2,495,798	2,250,594	

14.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 683.744 million (2008: Rs. 505.945 million).

14.2.2 One of these properties is encumbered to the extent of Rs. 34 million on account of a claim by a local bank in settlement of its second charge. Furthermore, two floors of the said property have been restricted from sale by the High Court.

14.2.3 Change in accounting estimate

During the year, the Group reviewed the useful life of "leasehold property and improvements". Previously, useful life was estimated at 50 years, which has been revised to 20 years. This has and will result in an increase in depreciation charge by Rs. 13 million in current and in each of the future years respectively.

14.2.4 During the year 100 used personal computers having cost of Rs. 7.741 million and book value of Rs. 0.469 million were donated to "The Citizens' Foundation" a non-profit organisation. Further, another 83 used personal computers having nil book value were donated to various NGOs namely; Layton Rahmatullah Benevolent Trust (25), Behbud Association (25), Mashal Trust (3) and Teach a Child School Systems (30).

14.3 Intangible assets

	COST					ACCUMULATED AMORTISATION					Book value at		Rate of amortisation % per annum
	As at	Additions/	As at	Additions/	As at	As at	Charge/ (on	As at	Charge/ (on	As at	December 31,	December 31,	
	January 1,	(deletions)	January 1,	(deletions)	December 31,	January 1,	deletions)	January 1,	deletions)	December 31,	2009	2008	
	2008		2009		2009	2008		2009		2009			
	----- Rupees '000 -----												
Computer software	165,390	67,901	233,291	168,493	401,784	24,011	54,149	78,160	96,838	174,998	226,786	155,131	20 to 33.33

14.3.1 Intangible assets include fully amortised items still in use having cost of Rs. 10.336 million (2008: Rs. 8.777 million).

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
----- Rupees '000 -----						
Owned - Vehicles						
Mercedes Benz	5,116	3,325	1,791	1,791	Policy	Mr. Khalid Siddique Tirmizey (Ex employee)
Honda Civic	886	343	543	538	Policy	Mr. Masood Jafferri (Employee)
Honda Civic	1,381	221	1,160	1,160	Policy	Mr. Mohammad Siddique Memon (Ex employee)
Kia Sportage	1,169	733	436	479	Bid	Mr. Waheed Ahmed (Individual) Lahore
Honda Accord	2,410	1,253	1,157	1,465	Policy	Mr. Syed Mustafa Aftab (Employee)
Mercedes Benz	10,478	6,427	4,051	4,500	Negotiation	Eye Television Network Limited
Honda Civic VTI	1,169	764	405	421	Policy	Mr. Siddique Memon (Ex employee)
Honda Accord	2,410	1,542	868	1,725	Policy	Mr. Jameel Irshad (Employee)
Suzuki Cultus	585	226	359	555	Policy	Ms. Mariyam Khalid (Employee)
Toyota Corolla	1,387	129	1,258	1,260	Policy	Mr. Rizwan Karamat (Employee)
Toyota Corolla	1,169	639	530	745	Policy	Mr. Salman Altaf (Employee)
Toyota Corolla	1,209	774	435	435	Policy	Mr. Irfan Uddin (Employee)
Honda Civic VTI	1,237	693	544	425	Policy	Mr. Tanwir-Ul-Hassan (Employee)
Suzuki Cultus	560	306	254	509	Bid	Mr. Imran Ahmed (Individual), House No. A-908/12, F.B. Area Gulberg, Karachi.
Suzuki Cultus	555	252	303	583	Policy	Mr. Arshad Mehmud (Employee)
Suzuki Cultus	625	283	342	610	Policy	Mr. Koser Niazi (Employee)
Honda City	560	217	343	544	Policy	Mr. Sarmad Ijaz (Employee)
Toyota Corolla	905	543	362	380	Policy	Mr. Ashraf Ali (Employee)
Suzuki Cultus	598	287	311	475	Bid	Mr. Sultan Hasan Khan (Individual), House No. A-908/12, F.B. Area Gulberg Karachi.
Suzuki Cultus	663	186	477	424	Policy	Mr. Mustafa Aftab (Employee)
Honda Civic VTI	1,405	918	487	506	Policy	Mr. Iqbal A. Zuberi (Employee)
Suzuki Cultus	652	122	530	652	Insurance Claim	EFU General Insurance Ltd, Karachi.
Honda Civic	1,237	792	445	445	Policy	Ms. Seemi Shafi (Employee)
Suzuki Cultus	600	216	384	384	Policy	Mr. Imran Siraj (Employee)
Honda Civic	1,208	644	564	556	Policy	Ms. Farah Naz (Employee)
Suzuki Cultus	617	173	444	456	Policy	Mr. Faysal A. Lehri (Employee)
Honda City	885	566	319	319	Policy	Mr. Anjum Siddiqui (Employee)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser / addresses
----- Rupees '000 -----						
Owned - Vehicles						
Honda Civic	1,237	792	445	445	Policy	Mr. Ahmed Hemani (Employee)
Suzuki Cultus	612	188	424	445	Policy	Mr. Syed Saquib Imam Zaidi (Employee)
Toyota Corolla	1,199	144	1,055	1,079	Insurance Claim	EFU General Insurance Ltd, Karachi.
Suzuki Cultus	510	197	313	524	Policy	Ms. Sadia Hayat (Employee)
Suzuki Cultus	555	259	296	550	Bid	Mr. Khurram Mehboob (Individual), 14 A/B-1, Satellite Town, Rawalpindi.
Suzuki Cultus	595	270	325	643	Bid	Mr. Rizwan Mazhar (Individual), House No. 148, Mahallah Asghar Mall Scheme, Rawalpindi.
Suzuki Cultus	600	232	368	368	Policy	Mr. Abid R. Abbas (Employee)
Honda Civic	1,382	332	1,050	1,050	Policy	Mr. Mohammad Abadullah (Employee)
Suzuki Cultus	555	252	303	303	Policy	Mr. Nadeem S. Rathore (Employee)
Honda City	835	534	301	301	Policy	Mr. Iqbal A. Zubairi (Employee)
Suzuki Cultus	560	306	254	254	Policy	Mr. Imran Ali (Employee)
Honda City	949	632	317	768	Bid	Mr. Malik Ishaq (Individual), SA. 1063, Sadiqabad Chowk Road, Rawalpindi.
Toyota Corolla	1,050	840	210	807	Bid	M/S Car Corporation Company 111/B, Block-2, Khalid Bin Waleed Road, P.E.C.H.S, Karachi.
Honda City	930	508	422	649	Insurance Claim	EFU General Insurance Ltd, Karachi.

15. DEFERRED TAX ASSETS / (LIABILITIES) - NET

	2009			
	Opening Balance	Recognised in profit and loss	Recognised in surplus on revaluation	Closing Balance
-----Rupees '000-----				
Deferred credits arising in respect of:				
- Finance lease arrangements	(2,833,019)	2,078,624	-	(754,395)
- Undistributed income of subsidiaries	(872)	(197)	-	(1,069)
- Accelerated depreciation allowance	(194,081)	(3,376)	-	(197,457)
- Surplus on revaluation of securities	(76,260)	-	(78,628)	(154,888)
Deferred debits arising in respect of:				
- Provision against non-performing advances	(7,431)	1,931,256	-	1,923,825
- Provision for diminution in the value of investments	73,962	294,900	-	368,862
- Taxable business losses	420,811	(420,811)	-	-
- Deficit on revaluation of government securities	132,663	-	(38,692)	93,971
	<u>(2,484,227)</u>	<u>3,880,396</u>	<u>(117,320)</u>	<u>1,278,849</u>
-----Rupees '000-----				
	2008			
	Opening Balance	Recognised in profit and loss	Recognised in surplus on revaluation	Closing Balance
-----Rupees '000-----				
Deferred credits arising in respect of:				
- Finance lease arrangements	(2,378,019)	(455,000)	-	(2,833,019)
- Undistributed income of subsidiaries	(500)	(372)	-	(872)
- Accelerated depreciation allowance	(173,055)	(21,026)	-	(194,081)
- Surplus on revaluation of securities	(663,666)	-	587,406	(76,260)
Deferred debits arising in respect of:				
- Provision against non-performing advances	29,258	(36,689)	-	(7,431)
- Provision for diminution in the value of investments	51,958	22,004	-	73,962
- Taxable business losses	355,729	65,082	-	420,811
- Deficit on revaluation of government securities	86,329	-	46,334	132,663
	<u>(2,691,966)</u>	<u>(426,001)</u>	<u>633,740</u>	<u>(2,484,227)</u>

16. OTHER ASSETS	Note	2009	2008
		Rupees '000	
Income / mark-up accrued in local currency		2,938,935	2,200,809
Income / mark-up accrued in foreign currency		2,719	42,475
Advances, deposits, advance rent and other prepayments		254,774	216,155
Non-banking assets acquired in satisfaction of claims	16.1	1,258,578	307,376
Suspense account		28,506	22,181
Unrealised gain on revaluation of forward foreign exchange contracts		10,004	-
Dividend receivable		62,995	40,270
Receivable from brokers - secured	16.2	369,243	2,899
Others		142,551	540,368
		<u>5,068,305</u>	<u>3,372,533</u>
Less: Provision held against other assets	16.3	(101,589)	(108,033)
Other assets (net of provision)		<u>4,966,716</u>	<u>3,264,500</u>
16.1 Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuer		<u>1,400,965</u>	<u>596,964</u>
16.2 This represents amount receivable from brokers against sale of shares.			
16.3 Provision against other assets			
Opening balance		108,033	11,169
Charge for the year		12,648	96,864
Reversals		(19,092)	-
		<u>(6,444)</u>	<u>96,864</u>
Closing balance		<u>101,589</u>	<u>108,033</u>
17. BILLS PAYABLE			
In Pakistan		1,451,976	1,523,430
Outside Pakistan		13,475	13,087
		<u>1,465,451</u>	<u>1,536,517</u>

18. BORROWINGS FROM FINANCIAL INSTITUTIONS	Note	2009	2008
		Rupees '000	
In Pakistan		34,964,216	13,019,090
Outside Pakistan		21,550	8,378
		<u>34,985,766</u>	<u>13,027,468</u>
18.1 Particulars of borrowings with respect to currencies			
In local currency		34,753,612	12,860,893
In foreign currencies		232,154	166,575
		<u>34,985,766</u>	<u>13,027,468</u>
18.2 Details of borrowings from financial institutions			
Secured			
Borrowings from State Bank of Pakistan			
- Under export refinance scheme - Part I and II	18.3	8,671,912	7,568,725
- Under scheme for Long Term Financing of Export Projects - (LTF-EOP)	18.4	1,968,740	2,086,845
- Under Long Term Financing Facility (LTFF)	18.5	166,581	95,002
Repurchase agreement borrowings	18.6	17,206,379	1,110,321
		<u>28,013,612</u>	<u>10,860,893</u>
Unsecured			
Call borrowings	18.7	6,950,604	2,158,197
Overdrawn nostro accounts		21,550	8,378
		<u>6,972,154</u>	<u>2,166,575</u>
		<u>34,985,766</u>	<u>13,027,468</u>
18.3 These represent borrowings from SBP under export refinance scheme at 7.00% per annum (2008: 6.50% per annum) maturing up to 2010. As per the terms of the agreement, the holding company has granted SBP a right to recover the outstanding amount from the holding company at the date of maturity of finances by directly debiting the current account of the holding company maintained with SBP.			
18.4 These represent borrowings from SBP under scheme for Long Term Financing of Export Oriented Projects at rates ranging from 4.00% to 5.00% per annum (2008: 4.00% to 5.00% per annum), and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the holding company has granted SBP a right to recover the outstanding amount from the holding company at the respective date of maturity of finances by directly debiting the current account of the holding company maintained with SBP.			

18.5 This represents borrowings from SBP under scheme for Long Term Financing facility at rates ranging from 7.20% to 7.70% per annum (2008: 6.50% to 7.00% per annum), and have varying long term maturities stipulated by SBP. As per the terms of the agreement, the holding company has granted SBP a right to recover the outstanding amount from the holding company at the respective date of maturity of finances by directly debiting the current account of the holding company maintained with SBP.

18.6 This represents collateralized borrowings against market treasury bills and Pakistan investment bonds at rates ranging from 11.00% to 12.15% per annum (2008: 12.75% to 14.90% per annum) maturing upto January 2010.

18.7 These borrowings are from various institutions in the interbank market, made at rates ranging from 11.25% to 12.40% per annum (2008: 6.00% to 14.10% per annum) maturing up to June 2010.

19. DEPOSITS AND OTHER ACCOUNTS

2009 2008
Rupees '000

Customers

Fixed deposits
Savings deposits
Current accounts - Remunerative
Current accounts - Non-remunerative
Margin accounts

52,917,024	52,400,612
40,443,955	25,317,608
-	-
21,141,281	18,468,465
1,733,746	2,018,677
116,236,006	98,205,362

Financial Institutions

Remunerative deposits
Non-remunerative deposits

7,223,895	4,349,693
9,782	37,418
7,233,677	4,387,111
123,469,683	102,592,473

19.1 Particulars of deposits

In local currency
In foreign currencies

116,140,694	94,787,258
7,328,989	7,805,215
123,469,683	102,592,473

19.2 The above includes deposits of related parties amounting to Rs. 2.787 billion (2008: Rs. 1.542 billion).

20. SUB-ORDINATED LOANS

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

	2009	2008
	Rupees '000	
Outstanding amount	<u>999,200</u>	<u>999,600</u>
Total Issue Amount	<u>1,000,000</u>	<u>1,000,000</u>
Rating	"AA-" (Double A Minus) by JCR-VIS	
Rate	Base Rate Plus 1.40% The Base Rate is defined as the Ask Side of Six Months Karachi Inter-bank Offered Rate (KIBOR) prevailing on the base rate setting date.	
Subordination	The TFCs are subordinated to all other indebtedness of the Bank including deposits.	
Tenor and maturity	7 years from the date of issue	
Principal Repayment	0-60 months: 0.2% 66-84 months: 24.95%	
Profit Payment	Profit is payable semi-annually in arrears.	

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	----- Rupees '000 -----					
Not later than one year	-	-	-	4,147	44	4,103
Later than one year and not later than five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,147</u>	<u>44</u>	<u>4,103</u>

21.1 The holding company had entered into agreements with a modaraba for lease of vehicles on commercial terms which was settled on maturity during the year.

22. OTHER LIABILITIES	Note	2009	2008
		Rupees '000	
Mark-up / return payable in local currency		1,688,281	1,418,832
Mark-up / return payable in foreign currencies		26,324	48,652
Unearned commission / income		23,249	75,277
Accrued expenses		435,423	299,839
Current taxation (provisions less payments)		665,748	460,908
Unclaimed dividends		42,788	43,128
Branch adjustment account		139	3,776
Unrealised loss on revaluation of forward foreign exchange contracts		-	23,849
Withholding tax payable		48,290	66,089
Federal Excise Duty payable		14,782	9,266
Security deposits against finance leases		3,275,969	3,576,148
Payable to brokers	22.1	73,841	8,519
Others		684,470	607,619
		<u>6,979,304</u>	<u>6,641,902</u>
22.1 This represents amounts payable to brokers against purchase of shares.			
23. SHARE CAPITAL			
23.1 Authorised capital			
		2009	2008
		Number of Shares	
		<u>1,200,000,000</u>	<u>600,000,000</u>
		Ordinary shares of Rs. 10 each	
23.2 Issued, subscribed and paid-up capital			
		2009	2008
		Number of Shares	
		<u>201,451,420</u>	<u>201,451,420</u>
		<u>391,979,722</u>	<u>312,533,051</u>
		<u>15,660,000</u>	<u>15,660,000</u>
		<u>609,091,142</u>	<u>529,644,471</u>
			Ordinary shares
		<u>2,014,514</u>	<u>2,014,514</u>
		<u>3,919,797</u>	<u>3,125,331</u>
		<u>156,600</u>	<u>156,600</u>
		<u>6,090,911</u>	<u>5,296,445</u>

As at December 31, 2009, Ithmaar Bank (the ultimate holding company of FBL) through its subsidiaries and nominees held 407,742,454 ordinary shares of Rs. 10 each (2008: 354,558,660 ordinary shares).

24. RESERVES	Note	2009	2008
		Rupees '000	
Statutory reserve	24.1	3,640,514	3,400,481
Capital market reserve	24.2	389,542	389,542
		<u>4,030,056</u>	<u>3,790,023</u>
24.1 Appropriations are made to statutory reserve as required by section 21 of the Banking Companies Ordinance, 1962, @ 20% of profit after tax for the year.			
24.2 This represents reserve created to meet unforeseen future contingencies in the capital market.			
25. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - BY TYPE AND SEGMENT			
Available for sale securities			
Federal Government Securities			
- Market Treasury Bills		(45,557)	(27,831)
- Pakistan Investment Bonds		(218,161)	(351,207)
- Ijara Sukuk Bonds		(2,113)	-
Fully Paid up Ordinary Shares / Modarba Certificates / Closed end Mutual Fund Units			
- Listed companies / modarabas / mutual funds		28,237	(32,402)
Fully Paid up Preference Shares			
- Listed companies		4,048	(2,586)
Term Finance Certificates			
- Listed TFCs		(75,147)	(79,836)
Open ended Mutual Fund Units			
		1,818,859	1,073,580
Other Investments			
- Sukuk certificates		(2,656)	-
		<u>1,507,510</u>	<u>579,718</u>
Deferred tax (liability) / asset			
	25.1	<u>(60,917)</u>	<u>56,403</u>
		<u>1,446,593</u>	<u>636,121</u>
25.1 This represents deferred tax on surplus / (deficit) on revaluation of securities at applicable tax rates.			

	2009	2008
	Rupees '000	
26. CONTINGENCIES AND COMMITMENTS		
26.1 Direct credit substitutes		
Contingent liability in respect of guarantees favouring:		
i) Government	-	-
ii) Banking companies and other financial institutions	7,819	11,314
iii) Others	-	2,298,364
	7,819	2,309,678
Acceptances		
i) Government	-	8,903
ii) Banking companies and other financial institutions	-	-
iii) Others	1,471,261	2,115,242
	1,471,261	2,124,145
26.2 Transaction-related contingent liabilities		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
i) Government	4,454,789	3,940,271
ii) Banking companies and other financial institutions	41,492	121,645
iii) Others	9,910,872	13,053,502
	14,407,153	17,115,418
26.3 Trade-related contingent liabilities		
Letters of credit		
i) Government	2,695,731	302,870
ii) Banking companies and other financial institutions	-	115,210
iii) Others	7,279,003	8,378,903
	9,974,734	8,796,983

	2009	2008
	Rupees '000	
26.4 Other Contingencies		
i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh; The Holding Company's legal advisors are confident that the Holding Company has a strong case	2,500,000	2,500,000
ii) Indemnity issued favouring the High Court in above case	457,543	457,543
iii) Claims against the Group not acknowledged as debt	1,641,661	1,126,990
iv) Income tax assessments of the Holding Company have been finalised upto the tax year 2008 (Accounting year 2007). Return for the tax year 2009 has also been filed.		
The department and the Holding Company have disagreements on various matters for tax years from 1994 to 2008. These include disallowance of initial depreciation on leases, disallowance of provision for bad debts, bad debts written off, taxability of NIT dividend, status of AFIBL, excess perquisites and others. The Holding Company and the department have filed appeals with CIT (Appeals), ITAT and the High Court in the aforementioned matters. The management and the tax consultant are confident that the decision in respect of these matters will be received in the Holding Company's favour.		
26.5 Commitments in respect of forward lending		
Commitment to extend credit - advances	2,000,000	3,179,852
Commitment to invest in securities	210,000	330,000
26.6 Commitments in respect of forward exchange contracts		
Purchase		
- Customers	1,745,536	1,103,966
- Banks	6,390,515	4,905,443
	8,136,051	6,009,409
Sale		
- Customers	4,840	-
- Banks	6,522,648	3,224,281
	6,527,488	3,224,281

	2009	2008
	Rupees '000	
26.7 Commitments for acquisition of operating fixed assets	84,787	196,637
26.8 Commitments in respect of repo transactions		
Repurchase	17,250,582	1,122,184
Resale	15,088,857	3,448,631

27. DERIVATIVE INSTRUMENTS

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The principal derivatives used by the Group are forward foreign exchange contracts and equity futures. The Group at this stage does not engage in Interest Rate Swaps, Forward Rate Agreements and FX Options.

A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. The Group enters into these contracts for the purposes of squaring currency position.

All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations. The principal amount of the derivative contract does not represent real exposure to credit risk, which is limited to the positive fair value of instruments.

The details of commitments under forward foreign exchange contracts outstanding at year-end have been give in note 26. There was no equity futures position at the year end.

	2009	2008
	Rupees '000	
28. MARK-UP / RETURN / INTEREST EARNED		
a) On financing to:		
i) customers	11,293,342	9,508,383
ii) financial institutions	103,439	131,226
b) On investments in:		
i) held for trading securities	1,689	-
ii) available for sale securities	4,028,665	1,766,069
iii) held to maturity securities	1,259,364	837,144
c) On deposits with treasury bank and financial institutions	65,236	364,823
d) On securities purchased under resale agreements	206,140	796,487
	16,957,875	13,404,132
29. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	9,300,148	7,186,535
Securities sold under repurchase agreements	1,289,906	306,768
Other short term borrowings	1,102,721	695,823
Long term borrowings	105,800	116,209
Sub-ordinated loan	148,004	130,801
	11,946,579	8,436,136
30. GAIN / (LOSS) ON SALE OF SECURITIES		
Federal Government Securities		
- Market Treasury Bills	8,220	-
- Pakistan Investment Bonds	46,415	-
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units	449,755	(130,829)
Units of open end Mutual Fund Units	320,231	(3,052)
	824,621	(133,881)

31. OTHER INCOME	Note	2009	2008
		Rupees '000	
Rent on property		50,284	52,670
Maintenance charges on property rented		11,095	15,972
Net profit on sale of property and equipment		5,788	10,761
Recovery of amount written off previously invested in COIs		12,500	-
Others		924	-
		<u>80,591</u>	<u>79,403</u>
32. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other employee benefits		1,931,364	1,529,231
Charge for defined benefit plan		58,854	30,195
Contribution to defined contribution plan		61,261	42,816
Non-executive directors' fees		1,450	-
Rent, taxes, insurance, electricity, etc.		547,737	456,511
Legal and professional charges		78,484	33,785
Communications		78,182	79,760
Repairs and maintenance		168,505	99,997
Finance charge on leased assets		22	208
Stationery and printing		80,307	74,899
Advertisement and publicity		107,854	38,925
Donations	32.1	2,085	160
Auditors' remuneration	32.2	7,700	4,909
Depreciation	14.2	513,839	393,480
Amortisation	14.3	96,838	54,149
Licence and technical fee		72,128	19,969
Travelling, conveyance and entertainment		52,198	34,663
Vehicle running expenses		71,451	69,378
Books, periodicals and subscription		38,002	54,977
Brokerage and commission		40,983	18,453
Others		276,215	228,228
		<u>4,285,459</u>	<u>3,264,693</u>

32.1 Donations were made in the year are as follows:	Note	2009	2008
		Rupees '000	
Donee			
The Aga Khan University		100	-
SWAT Refugee Relief Fund		1,036	-
The Helppcare Society		480	-
The Citizens Foundation	14.2.4	469	-
Others	14.2.4	-	-
Health Oriented Preventive Education (HOPE)		-	50
All Pakistan Women's Association (APWA)		-	10
Rotary Metropolitan Trust		-	100
(President & CEO of the bank is the President of the Trust)		-	100
		<u>2,085</u>	<u>160</u>
32.2 Auditors' remuneration			
Audit fee		2,105	1,985
Review of half yearly financial statements		450	350
Special certifications and sundry advisory services		4,850	2,280
Out-of-pocket expenses		295	294
		<u>7,700</u>	<u>4,909</u>
33. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		<u>33,029</u>	<u>61,364</u>
34. TAXATION			
For the year			
Current		1,164,420	155,956
Deferred	15	(439,786)	426,001
		<u>724,634</u>	<u>581,957</u>
For prior year			
Current		2,823,492	100,000
Deferred	15	(3,440,610)	-
		<u>(617,118)</u>	<u>100,000</u>
		<u>107,516</u>	<u>681,957</u>

	Note	2009 Rupees '000	2008
34.1 Relationship between tax expense and accounting profit			
Profit before tax		<u>1,320,043</u>	<u>1,808,047</u>
Tax calculated at the rate of 35% (2008: 35%)		<u>462,015</u>	632,817
Effect of :			
- permanent differences		84,531	55,086
- income chargeable to tax at reduced rate		(166,981)	(154,050)
- prior year (reversal) / charge		(617,118)	100,000
- additional charge on lease assets		317,341	-
- others		27,728	48,104
Tax charge for the year		<u>107,516</u>	<u>681,957</u>
35. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after tax for the year		<u>1,207,345</u>	<u>1,121,381</u>
		In thousands	
Weighted average number of ordinary shares		<u>609,091</u>	<u>609,091</u>
		Rupees	
Basic and diluted earnings per share		<u>1.98</u>	<u>1.84</u>
36. CASH AND CASH EQUIVALENTS			
		Rupees '000	
Cash and balances with treasury banks	9	8,427,202	8,927,524
Balances with other banks	10	508,795	876,780
Call money lendings	11.2	300,000	-
		<u>9,235,997</u>	<u>9,804,304</u>

	Note	2009 In Numbers	2008
37. STAFF STRENGTH			
Permanent		1,931	1,749
Temporary / on contractual basis		111	180
Bank's own staff strength at the end of the year		<u>2,042</u>	<u>1,929</u>
Outsourced	37.1	976	990
Total Staff Strength		<u>3,018</u>	<u>2,919</u>
37.1			
Outsourced represent employees hired by an outside contractor / agency and posted in the group to perform various tasks / activities of the Group.			
38. DEFINED BENEFIT PLAN			
38.1 General description			
The Holding Company operates an approved funded gratuity scheme for all its permanent employees and employees who are on contractual service in non-management cadre. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lumpsum. 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 the 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, 2009.			
38.2 Principal actuarial assumptions			
		2009	2008
Discount factor used (% per annum)		12.75	15
Expected long term rate of return on plan assets (% per annum)		12.75	15
Salary increase (% per annum)		12.75	15
Normal retirement age (Years)		60	60

	Note	2009	2008
		Rupees '000	
38.3 Reconciliation of receivable from defined benefit plan			
Present value of defined benefit obligations	38.4	229,961	167,125
Fair value of plan assets	38.5	(168,135)	(107,351)
		61,826	59,774
Net actuarial loss not recognized		(62,165)	(60,113)
		(339)	(339)
38.4 Movement in present value of defined benefit obligation			
Opening balance		167,125	123,141
Current service cost		46,493	22,567
Interest cost		27,979	12,829
Loss on defined benefit obligation		6,124	30,928
Actual benefits paid during the year		(17,760)	(25,862)
Past service cost - contractual employees		-	3,522
Closing balance		229,961	167,125
38.5 Movement in fair value of plan assets			
Opening balance		107,351	97,739
Expected return on plan assets		19,626	10,417
Contribution made		58,854	30,534
Benefits paid by the fund		(17,760)	(25,862)
Gain / (loss) on plan assets		64	(5,477)
Closing balance		168,135	107,351
38.5.1 Plan assets consist of the following:			
Balances with banks and financial institutions		104,740	31,753
Units of open ended mutual funds		40,421	60,994
Term finance certificates		22,974	14,604
		168,135	107,351

	Note	2009	2008			
		Rupees '000				
38.6 Movement in receivable from defined benefit plan						
Opening balance		(339)	-			
Charge for the year	38.7	58,854	30,195			
Contribution to fund made during the year		(58,854)	(30,534)			
Closing balance		(339)	(339)			
38.7 Charge for defined benefit plan						
Current service cost		46,493	22,567			
Interest cost		27,979	12,829			
Expected return on plan assets		(19,626)	(10,417)			
Amortisation of loss		4,008	1,694			
Vested past service cost - contractual employees		-	3,522			
		58,854	30,195			
38.8 Actual return on plan assets		15,637	5,093			
38.9 Historical information						
		2009	2008	2007	2006	2005
		----- Rupees '000 -----				
Defined benefit obligation		(229,961)	(167,125)	(123,141)	(118,509)	(93,553)
Fair value of plan assets		168,135	107,351	97,739	97,253	79,134
Deficit		(61,826)	(59,774)	(25,402)	(21,256)	(14,419)
Experience adjustments on plan liabilities		6,124	30,928	(2,818)	(4,231)	581
Experience adjustments on plan assets		64	(5,477)	(2,745)	888	767

39. DEFINED CONTRIBUTION PLAN

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

40. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2009	2008*	2009	2008	2009	2008
	----- Rupees '000 -----					
Managerial remuneration	99,875	60,577	-	-	332,091	228,249
Payments to Ex President for past services	-	-	1,450	-	-	-
Charge for defined benefit plan	800	1,861	-	-	22,889	12,481
Contribution to defined contribution plan	2,688	2,219	-	-	26,827	14,939
Rent and house maintenance	6,145	1,161	-	-	124,262	74,699
Utilities	163	243	-	-	28,568	14,004
Medical	278	107	-	-	17,848	10,727
Leave fare assistance	-	1,545	-	-	44,735	24,769
Others	2,215	4,602	-	-	49,799	30,150
	<u>112,164</u>	<u>72,315</u>	<u>1,450</u>	<u>-</u>	<u>647,019</u>	<u>410,018</u>
Number of persons	<u>1</u>	<u>2*</u>	<u>7</u>	<u>7</u>	<u>267</u>	<u>167</u>

* Includes remuneration of Ex-Acting Chief Executive Officer and present President & CEO.

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

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

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Book value		Fair value	
	2009	2008	2009	2008
	----- Rupees '000 -----			
Assets				
Cash and balances with treasury banks	8,427,202	8,927,524	8,427,202	8,927,524
Balances with other banks	508,795	876,780	508,795	876,780
Lending to financial institutions	15,017,826	2,861,401	15,017,826	2,861,401
Investments	56,459,447	36,072,667	56,459,447	36,072,667
Advances	91,346,001	83,512,068	91,346,001	83,512,068
Other assets	3,393,795	2,373,420	3,393,795	2,373,420
	<u>175,153,066</u>	<u>134,623,860</u>	<u>175,153,066</u>	<u>134,623,860</u>
Liabilities				
Bills payable	1,465,451	1,536,517	1,465,451	1,536,517
Borrowings	34,985,766	13,027,468	34,985,766	13,027,468
Deposits and other accounts	123,469,683	102,592,473	123,469,683	102,592,473
Sub-ordinated loans	999,200	999,600	999,200	999,600
Liabilities against assets subject to finance lease	-	4,103	-	4,103
Other liabilities	6,227,096	6,026,586	6,227,096	6,026,586
	<u>167,147,196</u>	<u>124,186,747</u>	<u>167,147,196</u>	<u>124,186,747</u>
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	8,136,051	6,009,409	8,136,051	6,009,409
Forward agreements for borrowing	15,088,857	3,448,631	15,088,857	3,448,631
Forward sale of foreign exchange	6,527,488	3,224,281	6,527,488	3,224,281
Forward agreements for lending	17,250,582	1,122,184	17,250,582	1,122,184

The fair value of traded investments is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of advances has been calculated in accordance with Group's accounting policy as stated in note 8.6 of these consolidated financial statements.

The repricing profile and effective rates and maturity are stated in note 47.6 and 47.6.1 respectively.

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

42. ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Some of the critical accounting estimates and judgments are as follows:

42.1 Provision against advances portfolio

The Group reviews its advances portfolio to assess amount of non-performing advances and provision required there against on a quarterly basis. The provision is made in accordance with Prudential Regulations issued by the State Bank of Pakistan (SBP). The SBP vide BSD circular No. 10 of 2009 dated October 20, 2009 has allowed banks to avail the benefit of 40% of FSV of pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against all Non Performing Loans (NPLs), except consumer financing, for three years from the date of classification for calculating provision w.e.f. December 31, 2009. Further, as per SBP directives, for non performing loans in respect of consumer financing, benefit of 50% of FSV of mortgaged property is considered. The management has revised its accounting estimate for determining provisions in the light of the State Bank of Pakistan's directives, the impact of which is given in note 13.3.1. The forced sale values in respect of collaterals in the case of home mortgage loans are estimated by independent valuations of the assets mortgaged / pledged.

42.2 Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on disputed issues in the past. However, the Group has made adequate provision in this respect. The allocation of expenses between income chargeable to tax under final tax regime (FTR) and normal tax regime (NTR) is based on the assessment order of the Group.

The Finance Act, 2009, has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as OAEM (in agriculture) and Substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognised deferred tax asset on such provision amounting to Rs. 872 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2007 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F.No. 4(1)ITP/2008-49 dated December 23, 2009 has informed ICAP that it has decided to insert a new Rule 8(a) to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on advise of its tax consultant has treated the FBR commitment as effective. Accordingly, the tax charge for the current and prior period and deferred tax has been recognized on the basis of amendments agreed by FBR vide its above referred letter.

42.3 Impairment in respect of listed securities

The Group determines that listed AFS securities are impaired when there has been a significant or prolonged decline in fair value below its cost. In making this judgment, the Group evaluates among other factors volatility in share prices in normal course.

If the Group considers that a deficit is temporary, it is classified as a revaluation loss / (deficit) and if the impairment is considered of a permanent nature, it is treated as provision for diminution in value of investments.

42.4 Gratuity / Fixed assets

The holding company has adopted certain actuarial assumptions as disclosed in note 38.2 to the financial statements for determining present value of defined benefit obligations and fair value of plan assets, based on actuarial advice. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses. For fixed assets refer note 14.2.3.

42.5 Segmentation

As per the requirements of the new format of consolidated financial statements issued by State Bank of Pakistan, the management has divided the group into four functional segments. The basis of segmentation and related assumptions are disclosed in note 8.18.

43. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

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

Corporate Finance;
Trading and Sales;
Retail Banking; and
Commercial Banking.

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
----- Rupees '000 -----				
2009				
Total income	113,880	727,765	2,860,306	4,122,019
Total expenses	(59,263)	(301,653)	(2,834,996)	(3,415,531)
Net income	54,617	426,112	25,310	706,488
Segment assets (Gross)	-	51,119,347	72,627,872	65,325,373
Segment non performing assets	-	2,842,742	6,693,223	3,977,807
Segment provision required	-	(1,140,082)	(3,778,916)	(3,361,141)
Segment liabilities	-	(48,391,126)	(95,523,015)	(23,985,263)
Segment return on assets (ROA) (%)	-	12.20%	11.20%	13.60%
Segment cost of funds (%)	-	4.20%	7.70%	6.90%
2008				
Total income	384,221	1,126,043	2,163,624	3,604,442
Total expenses	(268,372)	(973,665)	(1,815,071)	(3,095,132)
Net income	115,849	152,378	348,553	509,310
Segment assets (Gross)	-	38,230,305	40,555,319	65,480,790
Segment non performing assets	-	2,075,732	4,253,634	3,192,847
Segment provision required	-	(887,890)	(2,576,728)	(2,639,878)
Segment liabilities	-	(38,585,865)	(32,997,331)	(55,703,094)
Segment return on assets (ROA) (%) *	-	12.22%	10.59%	11.49%
Segment cost of funds (%) *	-	9.41%	2.12%	7.29%

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

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

44. TRUST ACTIVITIES

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

45. RELATED PARTY TRANSACTIONS

The Group has related party relations with its associated undertaking, group companies, retirement benefit plans (refer note 8.12), directors, key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

Banking transactions with the related parties are executed substantially on the same terms, except transaction with directors and key management personnel that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Details of advances to the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members are given in note 13.8 to these consolidated financial statements.

Contributions to and accruals in respect of retirement benefit plans are made in accordance with the actuarial valuations / terms of contribution plan (refer notes 8.12, 38 and 39 to these consolidated financial statements for the details of the plans). Remuneration of key management personnel, including salaries and other short-term employee benefits and post-employment benefits is given below. Remuneration to executives (including key management personnel) of the Group is disclosed in note 40 to these consolidated financial statements. Such remuneration is determined in accordance with the terms of their appointment.

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

	2008				
	Directors and Key Management Personnel	Retirement Benefit Plans	Associate	Group Companies	Strategic Investments
	----- Rupees '000 -----				
Deposits					
Balance at the beginning of the year	48,487	102,998	73	2,028	135,480
Placements during the year	560,812	757,198	235,824	60,476,240	859,183
Withdrawals during the year	(588,218)	(711,308)	(234,939)	(59,303,812)	(981,251)
Balance at end of the year	<u>21,081</u>	<u>148,888</u>	<u>958</u>	<u>1,174,456</u>	<u>13,412</u>
Advances					
Balance at the beginning of the year	4,146	-	-	-	806,989
Disbursement during the year	74,641	-	-	-	529
Repayment during the year	(6,980)	-	-	-	(75,954)
Balance at the end of the year	<u>71,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>731,564</u>

Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through the movement presented above.

	2009	2008
	Rupees '000	
Foreign Currency Placement of funds / Nostro balances with associates	16,215	15,238
Transactions involving Sale / Purchase of investments with related parties		
Shares / Units purchased during the year	2,376,766	550,383
Shares / Term Finance Certificates sold during the year	2,810,645	428,411
Profit paid/ accrued	204,903	152,937
Profit return/ earned	2,686	86,537
Dividend paid to holding company and associates	-	870,266
Remuneration of key management personnel		
- Salaries and other short-term employee benefits	134,010	122,177
- Post-employment benefits	9,406	35,056
Contribution to staff retirement benefits	120,115	73,350

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

46. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

46.1 Capital Management

Basel II capital adequacy framework applies to all Banks and DFIs on stand-alone as well consolidated basis. Capital Adequacy Ratio (CAR) has been calculated in accordance with the guidelines given by SBP through BSD Circular No. 8 dated June 27, 2006. The Bank has adopted Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The Group's objectives when managing its capital are:

- To comply with the capital requirements set by the State Bank of Pakistan;
- To safeguard 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
- To maintain a strong capital base to support the development of its business.

Capital adequacy is monitored periodically by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the State Bank of Pakistan. The required information is submitted to the State Bank of Pakistan on quarterly basis. The disclosure given is based on the Basel II standardized approach.

The State Bank of Pakistan requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 10% as prescribed for the year 2009.

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

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

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

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

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

Vide BSD Circular no. 07 of 2009, the State Bank of Pakistan has prescribed a minimum paid-up capital requirement (net of losses) of Rs. 6 billion for all Banks to be achieved by December 31, 2009. The required minimum Capital Adequacy Ratio (CAR), on consolidated as well as on stand alone basis is 10%.

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

46.2 Capital Structure	Rupees '000	
	2009	2008
Tier I Capital		
Share Capital	6,090,911	5,296,445
Reserves	4,030,056	3,790,023
Unappropriated / unremitted profits (net of losses)	1,252,180	1,079,333
Minority in the equity of the subsidiaries	73,309	73,706
	11,446,456	10,239,507
Less: Book value of software	(226,786)	(155,131)
Other deductions (50% of the amount as calculated on CAP 2)	(22,500)	(22,500)
	(249,286)	(177,631)
Total Tier I Capital	11,197,170	10,061,876
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	799,360	999,600
General Provisions subject to 1.25% of Total Risk Weighted Assets	374,133	275,474
Revaluation Reserve (upto 45%)	650,967	286,254
	1,824,460	1,561,328
Less: Other deductions (50% of the amount as calculated on CAP 2)	(22,500)	(22,500)
Total Tier II Capital	1,801,960	1,538,828
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	12,999,130	11,600,704

46.3 Capital Adequacy

Credit Risk

Sovereign
Public Sector Enterprise
Financial Institution
Corporate
Retail
Past Due Loans
Other

Total Credit Risk**Market Risk**

Capital requirement for portfolios subject to Standardized Approach

Interest rate risk
Equity position risk
Foreign exchange risk

Total Market Risk**Operational Risk**

Capital requirement for operational risks

Total Operational Risk**Capital Adequacy Ratio**

Total eligible regulatory capital held

Total Risk Weighted Assets

Capital Adequacy Ratio

Note

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
	Rupees in '000			
	-	2,470	-	27,440
	223,521	242,141	2,235,208	2,690,457
	78,254	60,426	782,542	671,395
	5,450,440	5,558,535	54,504,396	61,761,498
	1,298,542	1,449,666	12,985,422	16,107,403
	433,659	377,381	4,336,587	4,193,126
	820,430	452,792	8,204,300	5,031,017
	8,304,846	8,143,411	83,048,455	90,482,336
	438,787	13,211	4,387,871	146,789
	354,471	175,421	3,544,712	1,949,125
	1,662	3,968	16,617	44,094
	794,920	192,600	7,949,200	2,140,008
	1,245,837	1,121,253	12,458,368	12,458,368
	10,345,603	9,457,264	103,456,023	105,080,712
	12,999,130	11,600,704		
	103,456,023	105,080,712		
	12.56%	11.04%		

46.3.1 The holding company has carried out credit ratings of prime customers, which has resulted in a reduction of total Risk Weighted Assets.

47. RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The management's aim is to achieve an appropriate balance between risk and return, and minimize potential adverse effects on its financial performance.

The Group's risk management policies are designed to identify and analyze financial and non-financial risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to risk limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the group under policies approved by the Board of Directors. The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk.

The Group is focused to further refine its risk management processes in line with the changing economic scenario and Bank's business expansions. FBL continuously review and assess its risk management methodology and is determined to improve it as a continuing process. The Group has specialized risk management units for risk management.

47.1 Credit Risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally in lending activities that lead to loans and advances. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

Credit risk management and control are carried out by credit risk management teams, which report to the Board of Directors through risk management committee. The Group has well defined credit structures under which credit committees, comprising of senior officers with requisite credit background, critically scrutinize and sanction financing. The Group's exposure to credit is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential of risk concentration, counter party limits, group exposure limits, and industry limits are established and monitored in light of changing counterparty and market conditions.

Besides financial, industry and transaction analysis, the credit evaluation also includes risk rating systems, which gauge risk rating of all customers. This rating process encompasses relevant criteria including macro factors enabling the group to factor in the dynamics and influence of operating environment as well. More specifically, due consideration is given to industry sector (growing/saturated/decline), other competitors and threats / vulnerability to changes in environment such as changes in government policy, tariff structure, taxation rates, etc.

47.1.1 Segment by class of business

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

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

	2009					
	Advances		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and Pharmaceuticals	8,287,946	8.42	5,403,369	4.44	2,045,152	7.77
Agribusiness	3,445,103	3.50	4,043,629	3.27	46,526	0.18
Textile	15,689,375	15.95	831,859	0.67	1,076,158	4.09
Cement	3,123,810	3.18	279,911	0.22	389,840	1.48
Sugar	2,645,778	2.69	77,447	0.06	14,500	0.06
Construction	1,274,940	1.30	2,366,164	1.92	1,980,231	7.52
Ready made garments	113,991	0.12	442,319	0.35	213,111	0.81
Shoes and leather garments	903,885	0.92	224,882	0.18	164,076	0.62
Automobile and transportation equipment	220,132	0.22	329,533	0.26	107,876	0.41
Financial	895,493	0.91	8,460,302	6.85	785,548	2.98
Oil Refining / Marketing	30,823	0.03	13,973,436	11.31	4,492,404	17.07
Distribution / Trading	3,291,661	3.35	2,321,507	1.88	905,118	3.44
Electronics and electrical appliances	33,134	0.03	605,672	0.49	2,339,778	8.89
Production and transmission of energy	5,972,805	6.07	1,407,218	1.14	4,474,344	17.00
Iron and Steel	1,308,612	1.33	491,971	0.39	1,159,558	4.41
Food and Allied	251,203	0.26	-	-	-	-
Synthetic and Rayon	2,061,035	2.09	104,483	0.08	-	-
Food Industries	2,096,027	2.13	474,873	0.38	516,901	1.96
Paper and Board	413,787	0.42	54,468	0.04	4,121	0.02
Individuals	12,347,103	12.55	38,925,270	31.53	1,906	0.01
Telecommunication	-	-	5,188,571	4.20	2,850,079	10.83
Transportation, Road and Air	-	-	-	-	249,919	0.95
Mining and Quarrying	-	-	36,302	0.03	-	-
Others	33,977,827	34.53	37,426,497	30.31	2,501,364	9.50
	98,384,470	100.00	123,469,683	100.00	26,318,510	100.00

	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and Pharmaceuticals	5,930,622	6.21	1,664,015	1.62	2,299,415	7.46
Agribusiness	3,646,143	4.34	2,901,940	2.83	87,394	0.28
Textile	15,363,589	16.94	888,011	0.87	1,385,165	4.50
Cement	3,773,980	4.52	351,138	0.34	563,411	1.83
Telecommunication	431,283	0.51	3,018,489	2.94	1,438,728	4.67
Sugar	1,857,503	2.22	35,958	0.04	15,924	0.05
Construction	2,399,638	2.72	2,033,544	1.98	2,784,768	9.04
Ready made garments	2,314,375	2.65	247,763	0.24	246,645	0.80
Shoes and leather garments	1,177,402	1.42	204,694	0.20	145,504	0.47
Automobile and transportation equipment	673,343	0.67	799,902	0.78	226,863	0.74
Transportation, Road and Air	2,672,869	2.96	22,659	0.02	292,264	0.95
Financial	1,040,300	1.25	5,390,282	5.25	964,594	3.13
Oil Refining / Marketing	140,461	0.16	16,655,678	16.23	1,931,310	6.27
Distribution / Trading	5,324,262	5.93	1,985,012	1.93	584,988	1.90
Electronics and electrical appliances	3,861,218	4.02	849,693	0.83	951,559	3.09
Production and transmission of energy	7,069,279	8.28	2,846,412	2.77	10,150,425	32.95
Iron and Steel	806,772	0.88	566,888	0.55	2,345,450	7.61
Synthetic and Rayon	-	-	102,094	0.10	-	-
Food Industries	1,786,714	2.01	273,678	0.27	97,093	0.32
Mining and Quarrying	-	-	40,072	0.04	-	-
Paper and Board	521,836	0.56	56,073	0.05	24,394	0.08
Individuals	14,709,095	17.18	35,664,466	34.76	73,820	0.24
Others	13,119,957	14.57	25,994,012	25.36	4,194,053	13.62
	<u>88,620,641</u>	<u>100.00</u>	<u>102,592,473</u>	<u>100.00</u>	<u>30,803,767</u>	<u>100.00</u>
	2009					
	Advances		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
47.1.2 Segment by sector						
Public / Government	<u>4,286,700</u>	<u>4.36</u>	<u>3,998,961</u>	<u>3.24</u>	<u>6,304,914</u>	<u>23.96</u>
Private	<u>94,097,770</u>	<u>95.64</u>	<u>119,470,722</u>	<u>96.76</u>	<u>20,013,596</u>	<u>76.04</u>
	<u>98,384,470</u>	<u>100.00</u>	<u>123,469,683</u>	<u>100.00</u>	<u>26,318,510</u>	<u>100.00</u>

	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	1,786,700	4.78	3,998,961	3.90	11,992,200	38.93
Private	<u>86,833,941</u>	<u>95.22</u>	<u>98,593,512</u>	<u>96.10</u>	<u>18,811,567</u>	<u>61.07</u>
	<u>88,620,641</u>	<u>100.00</u>	<u>102,592,473</u>	<u>100.00</u>	<u>30,803,767</u>	<u>100.00</u>

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

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees '000			
Chemical and Pharmaceuticals	775,233	727,967	822,855	738,069
Agribusiness	623,871	167,299	325,491	23,813
Textile	1,220,495	1,068,749	1,642,258	1,210,950
Transportation, Road and Air	-	-	356,856	200,578
Construction	529,490	105,283	273,023	120,686
Ready Made Garments	36,992	14,560	143,755	109,561
Shoes and leather garments	7,339	992	8,836	1,398
Telecommunication	-	-	736	440
Automobile and Transport Equipment	124,505	89,617	150,202	115,653
Financial	62,221	6,687	-	-
Distribution / Trading	502,178	305,165	545,661	384,018
Electronics and electrical appliances	-	-	662,871	497,287
Production and transmission of energy	1,076,982	995,260	149,538	149,538
Iron and Steel	150,647	148,786	143,949	71,974
Food and Industry	77,532	23,922	123,154	106,396
Paper and Board	75,351	62,547	54,993	54,993
Individuals	1,485,642	648,582	935,943	373,855
Cement	560,545	168,842	-	-
Sugar	58,000	58,000	-	-
Synthetic and Rayon	372,630	372,630	-	-
Others (including manufacturing and real estate)	2,931,377	1,699,448	1,106,360	673,890
	<u>10,671,030</u>	<u>6,664,336</u>	<u>7,446,481</u>	<u>4,833,099</u>

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

Public / Government	-	-	-	-
Private	<u>10,671,030</u>	<u>6,664,336</u>	<u>7,446,481</u>	<u>4,833,099</u>
	<u>10,671,030</u>	<u>6,664,336</u>	<u>7,446,481</u>	<u>4,833,099</u>

47.1.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees '000 -----			
Pakistan	1,320,043	180,792,453	12,893,049	26,318,510
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,320,043</u>	<u>180,792,453</u>	<u>12,893,049</u>	<u>26,318,510</u>
	----- Rupees '000 -----			
	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees '000 -----			
Pakistan	1,808,047	138,161,918	10,875,628	30,803,767
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,808,047</u>	<u>138,161,918</u>	<u>10,875,628</u>	<u>30,803,767</u>

Total assets employed shown above mean total assets shown on the balance sheet and intra group items. Net assets employed mean net assets shown on the consolidated balance sheet.

47.2 Credit Risk: General disclosures Basel II specific

Basel II Standardised Approach is used for calculating the capital adequacy for credit and market risks, whereas, Basic Indicator Approach (BIA) is used for operational risk capital adequacy calculation purposes.

47.2.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach

For domestic claims, Export Credit Agencies (ECAs) recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used. For claims on foreign entities, rating of S&P, Moody's and Fitch Ratings were 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, 2009;

Exposures	JCR-VIS	PACRA	Others
Corporate	Yes	Yes	-
Banks	Yes	Yes	S&P, Moddys & Fitch
Sovereigns	-	-	-
SMEs	-	-	-

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

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

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

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	10,247,680	-	10,247,680
	2	13,697,186	16,779	13,680,407
	3,4	2,407,957	2,023	2,405,934
	5,6	385,424	3,559	381,865
	1	6,343,333	-	6,343,333
PSE Banks	1,2,3	16,720,025	14,717,584	2,002,441
	4,5	91,601	-	91,601
Unrated		91,605,497	4,420,799	87,184,698
Total		<u>141,498,703</u>	<u>19,160,744</u>	<u>122,337,959</u>

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

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

47.3 Market Risk

Market risk is the risk of loss due to unfavorable movements in market factors such as interest rates, exchange rates and equity prices. Market risks arise generally from trading activities due open positions in currency, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

The Group seeks to mitigate market risk by employing strategies that correlate rate, price, and spread movements of its earning assets, liabilities and trading activities. Treasury Front Office, Market Risk Management and Treasury Middle Office perform market risk management activities within the Group. The Group has Enterprise Risk Management Committee which is responsible for reviewing and approving market risk policies, strategies. The details of market risk faced by the Group are discussed in the following notes.

47.4 Foreign Exchange Risk / Currency Risk

Currency risk is the risk of loss resulting from fluctuations in foreign exchange rates. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect revenues from foreign exchange dealing.

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

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

47.4.1 Currency Risk

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

2009			
Assets	Liabilities and share holders' equity	Off-balance sheet items	Net currency exposure
----- Rupees '000 -----			
174,729,829	173,163,256	1,582,956	3,149,529
5,457,197	5,967,507	(525,116)	(1,035,426)
132,705	1,030,639	(897,700)	(1,795,634)
31	1,574	(1,825)	(3,368)
471,422	629,469	(158,315)	(316,362)
1,269	8	-	1,261
<u>180,792,453</u>	<u>180,792,453</u>	<u>-</u>	<u>-</u>

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

2008			
Assets	Liabilities and share holders' equity	Off-balance sheet items	Net currency exposure
----- Rupees '000 -----			
130,555,685	130,103,064	425,349	877,970
6,989,917	6,334,032	680,312	1,336,197
174,805	979,128	(803,251)	(1,607,574)
20,272	6	14,022	34,288
428,078	739,611	(316,432)	(627,965)
(6,839)	6,077	-	(12,916)
<u>138,161,918</u>	<u>138,161,918</u>	<u>-</u>	<u>-</u>

47.5 Equity position risk

Equity position risk is the risk arising from unfavorable fluctuations in prices of shares in which the Group carries long and/or short positions, in its trading book. This results from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock or a defined basket of stocks.

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

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

		2009										
		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 -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	8,427,202	-	-	-	-	-	-	-	-	-	8,427,202	
Balances with other banks	508,795	-	-	-	-	-	-	-	-	-	508,795	
Lending to financial institutions	12.66 15,017,826	14,242,461	775,365	-	-	-	-	-	-	-	-	
Investments	12.29 56,459,447	1,719,915	9,800,471	20,680,576	10,032,741	89,172	166,944	1,245,018	4,491,019	-	8,233,591	
Advances	13.83 91,346,001	20,440,376	30,135,710	25,432,177	6,531,703	2,453,769	1,464,386	1,101,566	218,131	391,342	3,176,841	
Other assets	3,393,795	-	-	-	-	-	-	-	-	-	3,393,795	
	175,153,066	36,402,752	40,711,546	46,112,753	16,564,444	2,542,941	1,631,330	2,346,584	4,709,150	391,342	23,740,224	
Liabilities												
Bills payable	1,465,451	-	-	-	-	-	-	-	-	-	1,465,451	
Borrowings from financial institutions	9.87 34,985,766	20,387,801	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-	21,550	
Deposits and other accounts	8.81 123,469,683	63,157,425	21,214,332	5,408,698	10,335,183	473,435	149,991	49,209	-	-	22,681,410	
Sub-ordinated loans	15.02 999,200	-	-	200	999,000	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	6,227,096	-	-	-	-	-	-	-	-	-	6,227,096	
	167,147,196	83,545,226	31,178,468	8,164,571	11,806,760	892,699	455,748	560,279	147,938	-	30,395,507	
On-balance sheet gap	8,005,870	(47,142,474)	9,533,078	37,948,182	4,757,684	1,650,242	1,175,582	1,786,305	4,561,212	391,342	(6,655,283)	
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	(2,210,000)	(2,210,000)	-	-	-	-	-	-	-	-	-	
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap	(2,210,000)	(2,210,000)	-	-	-	-	-	-	-	-	-	
Total Yield / Interest Risk Sensitivity Gap		(49,352,474)	9,533,078	37,948,182	4,757,684	1,650,242	1,175,582	1,786,305	4,561,212	391,342		
Cumulative Yield / Interest Risk Sensitivity Gap		(49,352,474)	(39,819,396)	(1,871,214)	2,886,470	4,536,712	5,712,294	7,498,599	12,059,811	12,451,153		

On-balance sheet financial instruments

		2008										
		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 -----												
Assets												
Cash and balances with treasury banks	3.5 8,927,524	1,214,245	-	-	-	-	-	-	-	-	7,713,279	
Balances with other banks	876,780	-	-	-	-	-	-	-	-	-	876,780	
Lendings to financial institutions	10.81 2,861,401	2,861,401	-	-	-	-	-	-	-	-	-	
Investments	11.88 36,072,667	2,503,188	18,763,585	79,197	1,010,623	96	83,173	1,069,342	-	-	12,563,463	
Advances	11.98 83,512,068	17,174,335	35,432,236	19,501,957	5,630,722	3,561,646	2,687,888	2,365,493	410,177	364,544	(3,616,930)	
Other assets	2,373,420	-	-	-	-	-	-	-	-	-	2,373,420	
	134,623,860	23,753,169	54,195,821	19,581,154	6,641,345	3,561,742	2,771,061	3,434,835	410,177	364,544	19,910,012	
Liabilities												
Bills payable	1,536,517	-	-	-	-	-	-	-	-	-	1,536,517	
Borrowings from financial institutions	8.40 13,027,468	2,806,988	6,181,025	2,232,771	404,956	425,699	288,949	515,207	163,494	-	8,379	
Deposits and other accounts	7.29 102,592,473	42,595,960	19,619,476	6,594,672	10,500,297	2,318,846	282,598	152,029	-	-	20,528,595	
Sub-ordinated loans	13.08 999,600	-	-	200	200	400	400	499,400	499,000	-	-	
Liabilities against assets subject to finance lease	8.00 4,103	267	641	926	2,269	-	-	-	-	-	-	
Other liabilities	6,026,586	-	-	-	-	-	-	-	-	-	6,026,586	
	124,186,747	45,403,215	25,801,142	8,828,569	10,907,722	2,744,945	571,947	1,166,636	662,494	-	28,100,077	
On-balance sheet gap	10,437,113	(21,650,046)	28,394,679	10,752,585	(4,266,377)	816,797	2,199,114	2,268,199	(252,317)	364,544	(8,190,065)	
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	(3,509,852)	(3,509,852)	-	-	-	-	-	-	-	-	-	
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap	(3,509,852)	(3,509,852)	-	-	-	-	-	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap		(25,159,898)	28,394,679	10,752,585	(4,266,377)	816,797	2,199,114	2,268,199	(252,317)	364,544		
Cumulative Yield/Interest Risk Sensitivity Gap		(25,159,898)	3,234,781	13,987,366	9,720,989	10,537,786	12,736,900	15,005,099	14,752,782	15,117,326		

47.6.1 Yield / interest rate risk is the risk of deviations in earnings or economic value due to adverse movement of the yield curve. It is inherent primarily to the banking book mainly through advances and deposits portfolio.

47.6.2 The interest rate exposure of the Group arises due to mismatches between contractual maturities or re-pricing of on- and off-balance sheet assets and liabilities. It is addressed by an Asset and Liability Management Committee that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities ensuring that the spread of the holding company remains at an acceptable level.

47.7 Liquidity Risk

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

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

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

Monitoring and reporting of treasury and capital market maturities is done through monitoring of daily maturities. Similarly the overall liquidity maintenance is done through monthly maturity gap analysis at balance sheet level. Hence, monitoring and reporting takes the form of regular and periodic cash flow measurement and projections.

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

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

	2009									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks *	8,427,202	8,427,202	-	-	-	-	-	-	-	-
Balances with other banks	508,795	508,795	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-
Investments	56,459,447	287,371	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-
Advances	91,346,001	13,853,009	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666
Operating fixed assets	2,787,617	2,926	2,478	4,850	52,636	89,732	520,340	485,806	10,595	1,618,254
Deferred tax assets - net	1,278,849	-	-	-	-	-	-	1,278,849	-	-
Other assets	4,966,716	486,196	-	2,445,367	811,575	-	1,223,578	-	-	-
	<u>180,792,453</u>	<u>37,807,960</u>	<u>20,879,961</u>	<u>37,940,046</u>	<u>21,547,931</u>	<u>14,642,276</u>	<u>12,069,352</u>	<u>16,354,402</u>	<u>15,070,605</u>	<u>4,479,920</u>
Liabilities										
Bills payable	1,465,451	1,465,451	-	-	-	-	-	-	-	-
Borrowings from financial institutions	34,985,766	20,409,351	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-
Deposits and other accounts **	123,469,683	85,838,834	21,214,333	5,408,698	10,335,183	473,435	149,991	49,209	-	-
Sub-ordinated loans	999,200	-	-	200	200	400	400	998,000	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,979,304	1,619,991	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-
	<u>167,899,404</u>	<u>109,333,627</u>	<u>31,429,224</u>	<u>8,446,724</u>	<u>11,991,104</u>	<u>1,803,004</u>	<u>1,323,483</u>	<u>3,424,300</u>	<u>147,938</u>	<u>-</u>
Net assets	<u>12,893,049</u>	<u>(71,525,667)</u>	<u>(10,549,263)</u>	<u>29,493,322</u>	<u>9,556,827</u>	<u>12,839,272</u>	<u>10,745,869</u>	<u>12,930,102</u>	<u>14,922,667</u>	<u>4,479,920</u>
Share capital	6,090,911									
Reserves	4,030,056									
Unappropriated profit	1,252,180									
Minority interest	73,309									
Surplus on revaluation of assets	1,446,593									
	<u>12,893,049</u>									

	2008									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks *	8,927,524	8,927,524	-	-	-	-	-	-	-	-
Balances with other banks	876,780	876,780	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,861,401	2,861,401	-	-	-	-	-	-	-	-
Investments	36,072,667	2,456,643	18,845,929	448,647	2,078,968	5,553,857	1,459,983	3,599,770	1,628,870	-
Advances	83,512,068	11,261,441	17,680,295	10,191,104	10,360,835	10,294,009	6,805,411	6,174,272	5,629,232	5,115,469
Operating fixed assets	2,646,978	1,865	1,370	4,670	29,076	165,876	306,633	557,049	-	1,580,439
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	3,264,500	864,377	-	1,780,435	347,312	-	272,376	-	-	-
	138,161,918	27,250,031	36,527,594	12,424,856	12,816,191	16,013,742	8,844,403	10,331,091	7,258,102	6,695,908
Liabilities										
Bills payable	1,536,517	1,536,517	-	-	-	-	-	-	-	-
Borrowings from financial institutions	13,027,468	2,815,367	6,181,025	2,232,771	404,956	425,699	288,949	515,207	163,494	-
Deposits and other accounts **	102,592,473	62,940,235	19,619,476	6,778,992	10,500,297	2,318,846	282,598	152,029	-	-
Sub-ordinated loans	999,600	-	-	200	200	400	400	499,400	499,000	-
Liabilities against assets subject to finance lease	4,103	266	642	926	2,269	-	-	-	-	-
Deferred tax liabilities - net	2,484,227	-	-	-	-	-	-	2,484,227	-	-
Other liabilities	6,641,902	1,693,301	295,850	363,549	1,105,860	861,559	956,454	1,365,329	-	-
	127,286,290	68,985,686	26,096,993	9,376,438	12,013,582	3,606,504	1,528,401	5,016,192	662,494	-
Net assets	<u>10,875,628</u>	<u>(41,735,655)</u>	<u>10,430,601</u>	<u>3,048,418</u>	<u>802,609</u>	<u>12,407,238</u>	<u>7,316,002</u>	<u>5,314,899</u>	<u>6,595,608</u>	<u>6,695,908</u>
Share capital	5,296,445									
Reserves	3,790,023									
Unappropriated profit	1,079,333									
Minority interest	73,706									
Surplus on revaluation of assets	636,121									
	<u>10,875,628</u>									

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

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

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

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

	2009									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	8,427,202	3,792,077	1,167,072	511,364	765,678	228,641	541,401	487,604	459,847	473,518
Balances with other banks	508,795	508,795	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,017,826	14,242,461	775,365	-	-	-	-	-	-	-
Investments	56,459,447	287,371	4,837,592	20,226,602	10,527,738	6,185,049	2,787,572	6,029,723	5,577,800	-
Advances	91,346,001	13,853,009	15,264,526	15,263,227	10,155,982	8,367,495	7,537,862	8,560,024	9,482,210	2,861,666
Operating fixed assets	2,787,617	2,926	2,478	4,851	52,635	89,732	520,340	485,806	10,595	1,618,254
Deferred tax assets - net	1,278,849	-	-	-	-	-	-	1,278,849	-	-
Other assets	4,966,716	486,196	-	2,445,367	811,575	-	1,223,578	-	-	-
	180,792,453	33,172,835	22,047,033	38,451,411	22,313,608	14,870,917	12,610,753	16,842,006	15,530,452	4,953,438
Liabilities										
Bills payable	1,465,451	1,465,451	-	-	-	-	-	-	-	-
Borrowings from financial institutions	34,985,766	20,409,351	9,964,136	2,755,673	472,577	419,264	305,757	511,070	147,938	-
Deposits and other accounts	123,469,683	27,782,544	25,644,080	10,517,585	16,757,188	4,488,642	9,922,531	9,407,208	9,357,999	9,591,906
Sub-ordinated loans	999,200	-	-	200	200	400	400	998,000	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,979,304	1,619,991	250,755	282,153	1,183,144	909,905	867,335	1,866,021	-	-
	167,899,404	51,277,337	35,858,971	13,555,611	18,413,109	5,818,211	11,096,023	12,782,299	9,505,937	9,591,906
Net assets	<u>12,893,049</u>	<u>(18,104,502)</u>	<u>(13,811,938)</u>	<u>24,895,800</u>	<u>3,900,499</u>	<u>9,052,706</u>	<u>1,514,730</u>	<u>4,059,707</u>	<u>6,024,515</u>	<u>(4,638,468)</u>
Share capital	6,090,911									
Reserves	4,030,056									
Unappropriated profit	1,252,180									
Minority interest	73,309									
Surplus on revaluation of assets	1,446,593									
	<u>12,893,049</u>									

47.8 Operational Risk

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

The Group has implemented risk controls and loss mitigation actions for curtailing operational risk. Each division has processes and systems in place to address operational risks within their area. These include key controls and the provision of business continuity plans to protect against major disruptions.

48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 23, 2010 by the Board of Directors of the Group.

49. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There were no appropriations or distributions, except for transfer to statutory reserve, approved by the Board of Directors in their meeting held on February 23, 2010 (2008: 15% bonus issue).

50. GENERAL**50.1 Standards or Interpretations not yet effective**

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than increase in disclosures in certain cases.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value or at its proportionate interest in the identifiable assets and liabilities of an acquiree on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Group's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Group's financial statements.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2010 financial statements. These amendments are unlikely to have an impact on the Group's financial statements.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro-rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Group's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Group's financial statements.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 1 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Group's financial statements.

Improvements to IFRSs 2008 - Amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - (effective for annual periods beginning on or after 1 July 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Group's Financial Statements.

50.2 Comparatives

50.2.1 Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major changes made in the comparative figures which are not disclosed in the relevant notes are as follows:

Reclassification from		Reclassification from		Reason for reclassification	Rupees in '000
Note	Component	Note	Component		
13	Advances - Net investment in finance lease – In Pakistan	16	Other Assets - Income/mark-up accrued in local currency	Comparative amounts have been reclassified to conform with current year's presentation.	280,353
13	Advances - Loans, cash credits, running finances, etc. – In Pakistan	12	Investments - Held to maturity Securities	Comparative amounts have been reclassified to conform with current year's presentation.	5,982,777
13.4	Advances - Provision for non-performing advances	12.3	Investments - Provision for diminution in the value of investment	Comparative amounts have been reclassified to conform with current year's presentation.	16,409

50.3 Figure have been rounded off to the nearest thousand rupees unless other wise stated.

50.4 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 for in the balance sheet and the profit and loss account.



President & CEO



Director



Director



Director

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

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

Ordinary shares / certificates of Rs. 10 each	Name of company/ modaraba/ mutual fund	2009		2008		Quality of Available for Sale Securities	
		At Cost		Market Values		Medium to Long Term Rating Assigned (where available)	
		2009	2008	2009	2008	2009	2008
		Rupees '000		Rupees '000			
3,994,715	Closed end Mutual funds	35,263	35,263	26,365	14,301	A	4-Star
1,999,950	Al-Meezan Mutual Fund	20,000	20,000	9,440	18,900	AM3-	
-	NAMCO Balanced Fund	-	31	-	38		5-Star
-	Pakistan Premier Fund	-	3,485	-	741		4-Star
2,812,895	Pakistan Strategic Allocation Fund	27,888	27,888	12,939	6,470	5-Star	5-Star
-	JS Large CAP Fund (Formerly UTP Large CAP Fund)	-	279	-	128		
-	Golden Arrow Selected Fund **	-	46	-	37		
-	Picic Growth Fund	-	61	-	99		
-	JS Value Fund Limited	-	-	-	-		
2,990,000	Modarabas	22,656	22,656	17,432	16,953	AA+	AA
-	First Habib Modaraba **	-	1	-	1		AA-
1,001	First HBL Modaraba	1	1,307	1	1,072		
-	First Prudential Modaraba	-	-	-	-		
-	Leasing Companies	-	-	-	-		
-	Pakistan Industrial & Commercial Leasing Limited ***	-	1	-	1		
-	Commercial / Investment Banks / Investment Companies	-	-	-	-		
-	Atlas Bank Limited (Formerly Dawood Bank Limited)	-	21,751	-	7,221		A-
1,709,700	Prudential Investment Bank Limited ***	12,528	12,528	-	-		
-	Askari Commercial Bank	-	4,872	-	1,964		AA
-	Allied Bank Limited	-	88	-	82		AA
-	Arif Habib Bank Limited	-	3,008	-	3,623		A
-	Dawood Equities Limited	-	24	-	22		
-	Bank Alfalah Limited	-	4,468	-	4,115		AA
-	Bank Al Habib Limited	-	310	-	316		AA
-	Javed Omer Vohra & Company	-	1,270	-	1,007		BB+
-	JS Bank Limited	-	1,049	-	1,711		A-
-	Jahangir Siddiqui & Co Ltd	-	8,271	-	7,702		AA+
-	JS Investment Limited	-	110	-	119		AA-
202,834	Habib Bank Limited	25,201	1,946	25,038	1,812	AA+	AA+
-	MCB Bank Limited	-	19,485	-	17,671		AA+
-	Pervez Ahmed Securities	-	1,155	-	626		
2,893,534	The Bank of Punjab	43,914	624	56,424	547	AA-	AA-
-	Arif Habib Securities Limited	-	5,079	-	4,728		A+
3,520,050	First Credit & Investment Bank Limited	35,192	46,104	11,792	13,785	A-	
-	SPCBL	-	1,827	-	602		A-
-	NBP	-	68,526	-	56,513		AAA
25,008,000	NIB	166,365	2,371	120,038	2,183	AA-	AA-
-	UBL	-	16,850	-	7,997		AA+
-	Bank Islami Pakistan Limited	-	871	-	1,244		A-
-	Soneri Bank Limited	-	61	-	80		AA-
-	Meezan Bank Limited	-	79	-	78		A+
-	HMB	-	6	-	5		AA+
-	First National Equities Limited	-	25	-	28		
-	Investment & Finance Securities Ltd	-	1	-	2		
	Balance carried forward	389,008	333,777	279,469	194,524		

Ordinary shares / certificates of Rs. 10 each	Name of company/ modaraba/ mutual fund	2009		2008		Quality of Available for Sale Securities	
		2009	2008	2009	2008	2009	2008
		At Cost	Market Values	At Cost	Market Values	Medium to Long Term Rating Assigned (where available)	
		Rupees '000	Rupees '000	Rupees '000	Rupees '000		
	Balance brought forward	957,317	911,752	789,693	587,324		
	Synthetic & Rayon						
-	100,258 Dewan Salman Fibre Ltd	-	92	-	141		
	Transport						
-	5,890 Pakistan Intl Container Terminal	-	259	-	267	A-	
	Pharmaceuticals						
480,000	136 Searle Pakistan Limited	30,463	8	29,928	9	BBB	BBB
60,800	- Abbott Lab	7,086	-	7,370	-		
43,555	- Glaxo	4,725	-	4,759	-		
	Paper & Board						
-	7,158 Packages Limited	-	589	-	581	AA	
	Jute						
100,000	- Thall Limited **	10,578	-	8,487	-		
	Leather & Tanneries						
1,530	- Bata Pakistan	1,426	-	1,498	-		
	Others						
225	225 VISA Incorporation	-	-	1,671	907		
-	138,569 Pace Pakistam Limited	-	1,483	-	1,197	A+	
-	204 Tri - Pak Filims	-	24	-	25	A+	
		1,011,595	914,207	843,406	590,451		

* The bank holds more than 10% of investees' capital in the following:
- Ideal Energy Limited - 11.74% (2008: 11.74%)
- Prudential Investment Bank Limited - 17.10% (2008: 17.10%)

** Certificates of Rs 5 each
*** Delisted companies

2. Details of investments in unlisted companies are as follows:	2009		2008		Quality of Available for Sale Securities	
	2009	2008	2009	2008	2009	2008
	At Cost	Market Values	At Cost	Market Values	Medium to Long Term Rating Assigned (where available)	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000		
Faysal Asset Management Limited 4,500,000 (2008: 4,500,000) ordinary shares of Rs. 10 each The bank holds 30% (2008: 30%) of investee's capital. Chief Executive: Mr. Salman Haider Shaikh Break up value of share: Rs. 17.36 (2008: Rs. 15.22) Period of financial statements: June 30, 2009	45,000	45,000			AM3+	AM3+
Al Hamra Avenue (Private) Limited 24,375,000 (2008: 24,375,000) ordinary shares of Rs. 10 each The bank holds 15.22% (2008: 15.22%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.54 (2008: Rs. 9.76) Period of financial statements: June 30, 2009	243,750	243,750				
Al Hamra Hills (Private) Limited 12,500,000 (2008: 12,500,000) ordinary shares of Rs. 10 each The bank holds 14.13% (2008: 14.13%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 9.47 (2008: Rs. 9.71) Period of financial statements: June 30, 2009	125,000	125,000				
DHA Cogen Limited 32,500,000 (2008: 32,500,000) ordinary shares of Rs. 10 each The bank holds 11.52% (2008: 18.52%) of investee's capital. Chief Executive: Mr. Azam Mehmood Break up value per share: Rs. 4.99 (2008: Rs. 10.73) Period of financial statements: June 30, 2009	325,000	325,000				
First Capital Investment (Private) Limited* 150,000 (2008: 150,000) ordinary shares of Rs. 10 each	750	750			AM4+	AM4+
Himont Chemical (Private) Limited * 810,000 (2008: 810,000) ordinary shares of Rs. 10 each	1,037	1,037				
Sukhchayn Gardens (Private) Limited 250,758 (2008: 386,531) ordinary shares of Rs. 100 each The bank holds 5.70% (2008: 8.78%) of investee's capital. Chief Executive: Mr. Shujaat Azeem Break up value per share: Rs. 171.39 (2008: 162.61) Period of financial statements: June 30, 2009	103,800	160,000				
	844,337	900,537				

* Fully provided for investments

3. Preference shares – Listed companies

Share of each Rs. 10	Name of Company	Rate	2009		2008		Quality of Available for Sale Securities	
			At Cost	Market Values	At Cost	Market Values	2009	2008
2009	2008		Rupees '000	Rupees '000			Medium to Long Term Rating Assigned (where available)	
2,249,000	2,249,000	Azgard Nine Limited	22,490	22,490	22,040	19,904	A+	A+
24,394,111	24,394,111	Maple Leaf Cement Factory Limited	243,937	243,937	115,872	184,663	SD	BBB+
			<u>266,427</u>	<u>266,427</u>	<u>137,912</u>	<u>204,567</u>		

4. Preference shares – Unlisted companies

Share of each Rs. 10	Name of Company	Rate	2009		2008		Quality of Available for Sale Securities	
			At Cost	Market Values	At Cost	Market Values	2009	2008
2009	2008		Rupees '000	Rupees '000			Medium to Long Term Rating Assigned (where available)	
2,500,000	2,500,000	Fazal Cloth Mills (Pvt) Limited Chief Executive: Mr. Sheikh Naseem Ahmad The bank holds 10% (2008: 10.00%) of investee's capital.	25,000	25,000	Not Applicable			
7,500,000	7,500,000	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The bank holds 14.25% (2008: 14.25%) of Class A preference shares in investee's capital.	75,000	75,000	Not Applicable		A	A
12,625,000	12,625,000	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol Class B preference shares.	126,250	126,250	Not Applicable		A	A
			<u>226,250</u>	<u>226,250</u>				

5. Details of investments in open ended mutual funds:

2009	2008	Open ended Mutual funds	2009	2008	2009	2008	2009	2008
1,310,292	1,310,292	Faysal Balanced Growth Fund	80,374	80,374	130,033	87,698	3 Star	MFR-3 Star
1,873,887	1,873,887	Faysal Income & Growth Fund	200,000	200,000	198,951	193,160	A+(f)	A+(f)
2,100,000	2,100,000	Faysal Savings Growth Fund	207,411	207,411	216,111	217,518	A(f)	A(f)
-	234,258	First Habib Income Fund	-	25,000	-	22,730		
-	4,727,507	NAFA Cash Fund	-	50,000	-	45,305		A(f)
154,923,195	194,073,089	National Investment (Unit) Trust	2,671,422	3,475,056	4,299,119	4,388,852	2-Star	5-Star
5,000,000	-	National Investment Trust Govt. Bond Fund	50,000	-	50,668	-		
-	234,307	United Money Market Fund	-	25,000	-	22,454		
-	65,505	Atlas Income Fund	-	35,000	-	31,291		A(f)
			<u>3,209,207</u>	<u>4,097,841</u>	<u>4,894,882</u>	<u>5,009,008</u>		

6. Term Finance Certificates - Listed, Secured

Al Zamin Leasing Modaraba - Second Tranche

9,942 (2008: 9,942) certificates of Rs. 5,000 each
Mark-up: Minimum 9.5% on PLS Basis (4% above six months KIBOR - Floor 11%)
Redemption: Three annual installments commencing May 2008
Maturity: May 2010
Modaraba Management Company: Al Zamin Modaraba Management (Private) Limited
CEO of Management Company : Mr. Basheer Ahmed Chowdry

Azgard Nine

31,640 (2008: 31,640) certificates of Rs. 5,000 each
Mark-up: 2.40% above six months KIBOR rate with no floor and cap
Redemption: 10 unequal semi-annual installments commencing from the 30th month
Maturity: September 2012
Chief Executive Officer: Mr. Ahmad Shaikh

Bank Al Habib Limited - Unsecured

20,000 (2008: 20,000) certificates of Rs. 5,000 each
Mark-up: 1.5% above six months KIBOR, with floor-3.50% & cap-10%
Redemption: 0.25% per annum in first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month.
Maturity: July 2012
Chief Executive Officer: Mr. Abbas D. Habib

Jahangir Siddiqui & Co. Limited - Fourth Tranche

10,000 (2008: 10,000) certificates of Rs. 5,000 each
Mark-up: 2.5% above six months KIBOR
Floor-6 % per annum; Cap-16% per annum
Redemption: 0.18% of principal in the first 54 months, remaining 99.82% in equal installments in 60th & 66th month
Maturity: May 2012
Chief Executive Officer: Mr. Munaf Ibrahim

Trust Leasing & Investment Bank Limited - First Tranche

Nil (2008: 16,507) certificates of Rs. 5,000 each
Mark-up: 3% above six months KIBOR rate; Floor-6% per annum
Cap-10% per annum
Redemption: Ten semi - annual installments commencing 6 months from date of issue
Maturity: July 2009
Chief Executive Officer: Mr. Jawaid B. Shaikh

Trust Leasing & Investment Bank Limited - Second Tranche

24,450 (2008: 24,450) certificates of Rs. 5,000 each
Mark-up: 2% above six months KIBOR rate; with no floor and no cap
Redemption: Ten semi - annual installments commencing 6 months from date of issue
Maturity: November 2010
Chief Executive Officer: Mr. Jawaid B. Shaikh

2009	2008	2009	2008	Quality of Available for Sale Securities	
				2009	2008
At Cost	At Cost	Market Values	Market Values	Medium to Long Term Rating Assigned (where available)	Medium to Long Term Rating Assigned (where available)
Rupees '000	Rupees '000	Rupees '000	Rupees '000		
16,901	33,803	14,746	30,900		A
118,489	144,857	118,113	149,246		AA-
99,800	99,840	87,760	91,619		AA
49,940	49,960	51,147	50,225		AA+
-	16,507	-	16,454		A
24,450	48,900	23,433	49,242		BBB
<u>309,580</u>	<u>393,867</u>	<u>295,199</u>	<u>387,686</u>		

Balance carried forward

	2009		2008		Quality of Available for Sale Securities
	At Cost	Market Values	At Cost	Market Values	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Medium to Long Term Rating Assigned (where available)
Balance brought forward	309,580	393,867	295,199	387,686	
United Bank Limited - First Issue 50,000 (2008: 50,000) certificates of Rs. 5,000 each Mark-up: 8.45% per annum Redemption: 0.25% per annum is first 78 months, balance in 3 semi annual installments of 33.25% each starting from 84th month. Maturity: July 2012 Chief Executive Officer: Mr. Atif R. Bokhari	249,520	249,616	221,419	218,414	AA
United Bank Limited - Second Issue 20,000 (2008: 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	99,982	99,986	86,073	88,817	AA
United Bank Limited - Fourth Issue 50,000 (2008: Nil) certificates of Rs. 5,000 each Mark-up: For 1 - 5 years, 0.85% above six months KIBOR rate with no floor and cap. For 6 - 10 years, 1.35% above six months KIBOR rate with no floor and cap. Redemption: At maturity or at the exercise of call option or partial call option. Maturity: February 2018 Chief Executive Officer: Mr. Atif R. Bokhari	226,589	-	220,304	-	AA
Financial Receivables Securitization Co. Ltd. 20,000 (2008: 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. S. M. Nasir Raza	82,591	94,171	80,613	94,764	A+
Tele Card Limited 70,233 (2008: 70,233) certificates of Rs. 5,000 each Mark-up: 3.75% above six months KIBOR rate, with no floor and no cap Redemption: Ten unequal semi-annual installments commencing 18 months from the last date of public subscription. Maturity: November 2013 Chief Executive Officer: Mr. Aamir Niazi	160,026	203,219	143,615	165,420	BBB
	1,128,288	1,040,859	1,047,223	955,101	

	2009		2008		Quality of Available for Sale Securities
	At Cost	Market Values	At Cost	Market Values	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Medium to Long Term Rating Assigned (where available)
7. Term Finance Certificates - Unlisted					
Dewan Cement Ltd. (formerly Pakland Cement Limited) The TFC has not currently been issued. Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui	500,000	500,000	Not applicable	-	
Bank Alfalah Limited - Fourth Issue 40,000 (2008 : Nil) certificates of Rs. 5,000 each Mark-up: 2.50% above six months KIBOR rate with no floor and cap Redemption: 0.260% semi annually in first 78 months, balance of 33.247% each starting from 84th month. Maturity: September 2017 Chief Executive Officer: Mr. Sirajuddin Aziiz	200,000	-	Not applicable	-	AA-
	700,000	500,000			
8. Sukuk Certificates					
		Rate	Maturity		
Maple Leaf Cement Limited	10,000	6 months KIBOR plus 1.7% p.a	December 3, 2013	-	
Sui Southern Gas Company Limited	75,000	3 months KIBOR plus 0.2% p.a	December 13, 2012	-	AA
	85,000	-		81,353	

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provide during the year ended December 31, 2009 as referred to in note 13.7 to these consolidated financial statements.

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Accrued Interest Not Debited	Total				
1	2	3	4	5	6	7	8	9	10	11	12
-----Rupees in '000-----											
1	Subscribers Of Southern Networks Ltd. 6th Floor, Razia Sharif Plaza, Blue Area, Islamabad	Nisar Ahmed 42201-7057126-3 Tahir A Khan 42301-7870622-3 Muhammad Zaki 42201-0770679-9 Nizhat Shahban 61101-1561932-0 Amjad Awan 61101-4309037-5 Salman Rahim 61101-7883533-1 Zainab Omar 61101-8084663-8	Abdul Aziz Hawas Khan Muhamamd Afzal Iqbal Shahban A. B. Awan S.A. Rahim Saleem Omar	49,795	8,850	-	58,645	9,795	8,850.00	-	18,645
				<u>49,795</u>	<u>8,850</u>	<u>-</u>	<u>58,645</u>	<u>9,795</u>	<u>8,850</u>	<u>-</u>	<u>18,645</u>

2009
Rupees '000

ASSETS

Cash and balances with treasury banks
Balances with and Due from Financial Institutions
Investments
Financing and Receivables
- Murahaba
- Ijara
- Musharaka
- Diminishing Musharaka
- Salam
Other assets

27,270
20,159
535,877
-
-
-
-
-
38,665
<u>621,971</u>

LIABILITIES

Bills payable
Due to Financial Institutions
Deposits and other accounts
- Current Accounts
- Saving Accounts
- Term Deposits
- Others
- Deposit from Financial Institutions -Remunerative
- Deposits from Financial Institutions-Non-Remunerative
Due to Head Office
Other liabilities

6,601
-
-
32,482
81,575
-
-
-
-
5,108
125,766
<u>496,205</u>

NET ASSETS REPRESENTED BY

Islamic Banking Fund
Reserves
Unappropriated / Unremitted loss

Deficit on revaluation of assets

500,000
-
(943)
499,057
(2,852)
<u>496,205</u>
<u>1,750</u>

Remuneration to Shariah Advisor / Board

CHARITY FUND

Opening Balance
Additions during the period
Payments/Utilization during the period
Closing Balance

-
-
-
-

The Bank started its Islamic Banking Operations during the year, therefore comparative figures have not been shown.

Annexure III to the Consolidated Financial Statements

PROFIT AND LOSS ACCOUNT - ISLAMIC BANKING BRANCHES

For the year ended December 31, 2009

	2009 Rupees '000
Profit / return earned on investments	16,423
Return on deposits and other dues expensed	777
Net spread earned	15,646
Provision against non-performing financings	-
Provision against consumer financings	-
Provision for diminution in the value of investments	-
Bad debts written off directly	-
Income after provisions	15,646
Other Income	
Fee, commission and brokerage income	40
Dividend income	-
Income from dealing in foreign currencies	-
Capital gain on sale of securities	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-
Other income	-
Total other income	40
	15,686
Other expenses	
Administrative expenses	16,629
Other provision / write-offs	-
Other charges	-
Total other expenses	16,629
	(943)
Extraordinary items / unusual items	-
Loss for the year	(943)

The Bank started its Islamic Banking Operations during the year, therefore comparative figures have not been shown.

Combined Pattern of CDC and Physical Share Holdings

As at December 31, 2009

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1	INDIVIDUALS		13,300	46,215,174	7.59
2	INVESTMENT COMPANIES		10	282,329	0.05
3	JOINT STOCK COMPANIES		137	2,331,958	0.38
4	DIRECTORS ,CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		7	26,452	0.00
	SYED NASEEM AHMAD	575			
	MR. NAVED A. KHAN (A/C - Shamil Bank of Bahrain B.S.C.)	575			
	MR. GRAHAM RODERICK WALKER (A/C - Shamil Bank of Bahrain, B.S.C.)	575			
	MR. MOHAMED A. R. HUSSAIN (A/C - Shamil Bank of Bahrain B.S.C.)	575			
	MR. MOHAMMED A. RAHMAN BUCHEEREI (A/C - Shamil Bank of Bahrain B.S.C.)	575			
	MR. FAROOQ RAHMATULLAH	575			
	MR. SHAHID AHMAD	23,002			
	MR. TARIQ IQBAL KHAN (Nominee - NIT)	-			
5	COMPANY SECRETARY		-	-	-
6	EXECUTIVES		7	113,060	0.02
7	NIT / ICP		6	17,375,848	2.85
	NATIONAL BANK OF PAKISTAN , TRUSTEE DEPTT.	17,354,045			
	INVESTMENT CORPORATION OF PAKISTAN	21,803			
8	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		9	407,740,154	66.94
	SHAMIL BANK OF BAHRAIN B.S.C. (SPONSOR COMPANY)	273,749,281			
	FAISAL FINANCE (LUXEMBOURG) S.A.	52,233,442			
	MFAI (JERSEY) LTD.	35,951,681			
	FAISAL PRIVATE BANK (SWITZERLAND) S.A.	19,689,030			
	DMI (JERSEY) LIMITED	26,116,720			
9	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-	-
10	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS		38	39,335,508	6.46
11	FOREIGN INVESTORS		38	94,962,890	15.59
12	CO-OPERATIVE SOCIETIES		1	718	0.00
13	CHARITABLE TRUSTS		7	558,384	0.09
14	OTHERS		13	148,669	0.02
			13,573	609,091,144	100.00
SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY					
	TOTAL PAID-UP CAPITAL OF THE COMPANY	609,091,144 SHARES			
	10% OF THE PAID-UP CAPITAL OF THE COMPANY	60,909,114 SHARES			

NAME(S) OF SHARE HOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE %
SHAMIL BANK OF BAHRAIN B.S.C. (SPONSOR COMPANY)	FALLS IN CATEGORY # 8	273,749,281	44.94
JPMORGAN CHASE BANK	FALLS IN CATEGORY # 11	70,726,703	11.61

NOTE :
Shamil Bank of Bahrain B.S.C. holds the shares of Faysal Bank Limited in =02= different CDC accounts and also hoding in Physical form under =01= Folio.

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1	INDIVIDUALS	13,300	46,215,174	7.59
2	INVESTMENT COMPANIES	10	282,329	0.05
3	JOINT STOCK COMPANIES	137	2,331,958	0.38
4	DIRECTORS, CHEIF EXECUTIVES OFFICERS AND THEIR SPOUSE AND MINOR CHILDREN	7	26,452	0.00
5	EXECUTIVES	7	113,060	0.02
6	NIT / ICP	6	17,375,848	2.85
7	ASSOCIATED COMPANIES , UNDERTAKINGS AND RELATED PARTIES	9	407,740,154	66.94
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS	0	0	0.00
9	BANK DFIs INSURANCE COMPANIES MODARBAS AND MUTUAL FUNDS	38	39,335,508	6.46
	9.1 FINANCIAL INSTITUTIONS	8	865,372	0.14
	9.2 LEASING COMPANIES	3	34,556	0.01
	9.3 INSURANCE COMPANIES	9	36,545,288	6.00
	9.4 MODARABAS	9	76,512	0.01
	9.5 MUTUAL FUNDS	9	1,813,780	0.30
10	FOREIGN INVESTORS	38	94,962,890	15.59
11	CO-OPERATIVE SOCIETIES	1	718	0.00
12	CHARITABLE TRUSTS	7	558,384	0.09
13	OTHERS	13	148,669	0.02
		13,573	609,091,144	100.00

NUMBER OF SHARE HOLDERS	SHARE HOLDING	TOTAL SHARES HELD
2,289	1-	100
4,365	101-	500
1,437	501-	1,000
4,240	1001-	5,000
543	5001-	10,000
209	10001-	15,000
92	15001-	20,000
74	20001-	25,000
50	25001-	30,000
39	30001-	35,000
18	35001-	40,000
17	40001-	45,000
20	45001-	50,000
12	50001-	55,000
11	55001-	60,000
13	60001-	65,000
13	65001-	70,000
7	70001-	75,000
6	75001-	80,000
8	80001-	85,000
2	85001-	90,000
1	90001-	95,000
6	95001-	100,000
2	100001-	105,000
5	105001-	110,000
3	110001-	115,000
1	115001-	120,000
5	120001-	125,000
3	125001-	130,000
1	130001-	135,000
4	140001-	145,000
1	145001-	150,000
4	150001-	155,000
1	155001-	160,000
1	160001-	165,000
1	165001-	170,000
3	170001-	175,000
1	175001-	180,000
1	180001-	185,000
1	190001-	195,000
4	195001-	200,000
1	200001-	205,000
1	220001-	225,000
1	225001-	230,000
1	235001-	240,000
2	240001-	245,000
1	245001-	250,000
1	270001-	275,000
3	280001-	285,000
1	285001-	290,000
1	300001-	305,000
1	310001-	315,000
1	315001-	320,000

NUMBER OF SHARE HOLDERS	SHARE HOLDING	TOTAL SHARES HELD
1	330001-	335,000
1	340001-	345,000
1	370001-	375,000
1	390001-	395,000
1	405001-	410,000
1	425001-	430,000
1	475001-	480,000
1	500001-	505,000
1	605001-	610,000
1	655001-	660,000
1	680001-	685,000
1	705001-	710,000
1	815001-	820,000
1	855001-	860,000
1	870001-	875,000
1	890001-	895,000
1	925001-	930,000
1	975001-	980,000
1	995001-	1,000,000
1	1,180,001-	1,185,000
1	1,310,001-	1,315,000
1	1,325,001-	1,330,000
1	1,450,001-	1,455,000
1	1,930,001-	1,935,000
1	2,075,001-	2,080,000
1	2,435,001-	2,440,000
1	2,450,001-	2,455,000
1	2,900,001-	2,905,000
1	5,030,001-	5,035,000
1	6,330,001-	6,335,000
1	6,630,001-	6,635,000
1	6,835,001-	6,840,000
1	10,190,001-	10,195,000
1	10,515,001-	10,520,000
1	12,455,001-	12,460,000
1	13,055,001-	13,060,000
1	15,685,001-	15,690,000
1	20,260,001-	20,265,000
1	26,115,001-	26,120,000
1	30,145,001-	30,150,000
1	30,385,001-	30,390,000
1	32,330,001-	32,335,000
1	52,230,001-	52,235,000
1	260,985,001-	260,990,000
13,573		609,091,144

SOUTHERN REGION:

KARACHI

Karachi Main Branch

Faysal House, ST-2, Sharea Faisal
92-21-32795200, 111-747-747
92-21-32795234

Karachi Gulshan Branch

B-35, Block 13-A, Main UNiversity
Road, Gulshan-e-Iqbal
92-21-34994261-63
92-21-34994260

Karachi Defence Branch

23-C, Phase-VI, Khayaban-e-Shahbaz,
Defence Housing Authority
92-21-35856053-54
92-21-35857761, 35845490

Karachi North Nazimabad Branch

Plot No. D-6, Block-D, KDA Scheme No.2,
North Nazimabad
92-21-36625517-18
92-21-36625578, 36670090

Karachi Gulshan Chowranghi Branch

Shop No.1-4, Ground Floor, Sana Arcade,
Plot No.ZC-6, Block No.7, Gulshan-e-Iqbal,
KDA Scheme 24
92-21-34815319, 34815308
92-21-34815308

Karachi Korangi Industrial Area Branch

Plot No.51 / 9, Sector 15, Main Road, Korangi
Industrial Area
92-21-35077191-5
92-21-35077196

Karachi Khayaban-e-Tanzeem Branch

14-C, Khayaban-e-Tanzeem, Tauheed
Commercial, DHA Phase V
92-21-35877908-10
92-21-35877847

Karachi Nazimabad Branch

Plot No. 16, Row No.1, Sub Block A,
Block-III, (III-A, 1/16), Nazimabad
92-21-36707418-24
92-21-36707425

Karachi Saba Avenue

Shop No. 2 & 3, Ground Floor, Plot No. 36-C,
Badar Commercial Street, Street No.6,
Phase-V Extension, DHA
92-21-35245376-9, 35243985
92-21-35348929

Karachi Korangi No.2 Branch

Q-14, Ground Floor, Sector 33-1,
Korangi No.2, Korangi Township, Karachi
92-21-35071758-60, 92-21-35071128

Karachi Gulshan Block 2 Branch

A-287, Ground Floor, Block 2, KDA
Scheme No.24, Gulshan-e-Iqbal, Karachi
92-21-34972673 - 34972721
92-21-34972416

Karachi Phase 8 Branch

43-C, Al Murtaza Commercial
Lane # 4, Phase VIII, Karachi
92-21-35246014 -16, 92-21-35246013

Gulzar-e-Hijri

Plot # A 747/C block 13 A KDA scheme 33,
pak office employes cooperative
housing society Ltd
92-21-34652157-59
92-21-34645507

Karachi Jodia Bazar Branch

G-2, Plot No.MR-6/52/1,
Ismail Trade Centre,
Ram Bharti Street, Jodia Bazar
92-21-32443795, 32444073
92-21-32444107

Karachi Cloth Market Branch

BR-2, 1/1, Bander Quarters,
New Neham Road, Kharadar
92-21-32439021-22, 32435923
92-21-32432408

Karachi S.I.T.E. Branch

Plot No. B-17, Estate Avenue, S.I.T.E.
92-21-32585921-23, 32855918
92-21-32585337

Karachi New Challi Branch

Abid Chamber, Plot No. SR.6/9,
Shahrah-e-Liaquat
92-21-32214903-5, 92-21-32214907

North Karachi Industrial Area Branch

SA-2 (ST 1/1) Sector 12-B,
North Karachi Industrial Area,
North Karachi Township
92-21-36957155, 36958033
92-21-36924238

Karachi Timber Market Branch

Plot # 6/2 Old Haji Camp,
Siddiq Wahab Road, Lee Quarters
92-21-32745889-95, 92-21-32745901

Karachi I. I. Chundrigar Road Branch

11/13 Trade Centre
92-21-32638011-20, 92-21-32637975

Power House Up More

Shop #4,5 & 6 Plot # L S-12 ST- 7
Sector 11-K, North Khi Township.
92-21-36961033, 92-21-36961038

Buffer Zone

R-2 sector 15 A-2, Bufferzone Khi.
92-21-6950081-87, 92-021-6950083

Burns Road

Shop #4,5 ground floor
lokhat mension Burns road.Khi
92-21-32211022 - 32211133
92-21-32211023

Karachi Saddar Branch Electronic Mkt

shop #03,Ground floor Hashmi Electronic
Center Abdullah Haroon Road Saddar Khi
92-21-32751585-586, 92-21-32751565

Karachi Clifton Branch

Quality Heights, K.D.A.
Scheme No. 5, Clifton
92-21-35863771-73
92-21-35863774-75

Karachi Clifton Block II Branch

B-3 & B-4, Plot No. FLI, Block II, Clifton
92-21-35877921-23
92-21-35877925

Karachi Khayaban-e-Mujahid Branch

43-C, Stadium Lane 2,
Khayaban-e-Mujahid, D.H.A. Phase 5
92-21-35349109-13, 92-21-35349114

Karachi D.H.A. Phase IV Branch

14-C, Sunset Commercial Street No.2,
Phase IV, D.H.A.
92-21-35802422
92-21-35802426

Karachi Shaheed-e-Millat Road Branch

Iqbal Arcade, Plot # 6, 3/7 D.M.C. Society,
Shaheed-e-Millat Road
92-21-34388103-7
92-021-34385547, 4388105

Karachi Shahrah-e-Faisal Branch

Business Avenue Center, Block No.6,
P.E.C.H.S
92-21-34315634-36
92-21-34315638, 34389437

Karachi Mohammad Ali Society Branch

Plot No.2-F (Commercial), M.A.C.H.S.
92-21-34390511-13
92-21-34390515

Karachi Korangi Road Branch

Speedy Towers, 129/I & II,
Main Korangi Road, Phase-I, DHA
92-21-35390541-42, 35391345-47
92-21-35805651

Karachi Gulistan-e-Jauhar Branch

Shop # 29 & 30, Ruffi Lake Drive,
Block 18, K.D.A. Scheme No. 36,
92-21-34026856-57, 92-21-34026858

Karachi Dhoraji Branch

Shop no. 4, Lubna Plaza, Plot no. 448,
C.P Berar Co-Operative Housing Society,
Dhoraji
92-21-34860851-3
92-21-34860856

Karachi Khalid Bin Waleed Road Branch

Plot No 89-B, Block-2, P.E.C.H.S
92-21-34302245-51
92-21-34302252

Madina Center Saddar

Shop No. 10 & 11, Ground Floor,
Madina Centre, Plot Survey No. 31/2,
Survey Sheet No.SB-5, Saddar Bazzar
Quarters, Karachi
92-21-35621501-02, 92-021-35621509

Karachi Apwa Complex Garden Branch

Shop No. SAO 5, Ground Floor,
APWA Complex, Plot No 67-AC, Garden
Road Karachi
0213-2294777-78-80, 92-021-32294776

Clifton Sub-Branch

FBL,Kehkashan Centre Clifton Karachi.
0213-5871891
92-021-358721892

HYDERABAD

Hyderabad Branch

Plot No.339, Main Bohra Bazar,
92-222-2728356-59
92-222-2728360

Latifabad

C-489,block C,unit # 08,Latifabad Hyderabad
0223-820526-27
92-022-3820530

SUKKUR

Sukkur

City survey # D-1596,1D Race Course Road
Sukha Tailab,
Sukker071-5617141-151, 92-071-5617185

QUETTA

Shahrah-e-Adalat, Quetta

Quetta Fatima Jinnah Road Branch
Yousuf Center, Fatima Jinnah Road, Quetta
92-81-2824807-2824973
92-81-2824834

CENTRAL REGION

LAHORE

Main Boulevard Branch

69-B Main Boulevard Gulberg Lahore.
111-747-747,
042- 5787830

DHA-H Block Address

136/1, Block-H Commercial Area
Phase 1- DHA ,Lahore Cantt.
5897712-17, 5897720

Lahore Defence Branch

136/1, Block-H, Commercial Area Phase-I,
DHA, Lahore Cantt.
92-42-5897712-17
92-042-5897720, 5899794

DHA-Z Block Address

Z-10, STREET NO.1, PHASE III, DHA,
LAHORE CANTT
92-42-5743741-43
92-42-5743745

Lahore Gulberg Branch

95, B-II, M.M. Alam Road,
Gulberg-III, Lahore.
92-042-5755190-94, 5712748
92-042-5755196, 5763406

Lahore Bedian Road Branch

Bedian Road, Near DHA Phase VI, Lahore
Cantt.
92-42-5720254, 92-42-5740237

Lahore Liberty Market Branch

37-E, III Saeed Alam Tower, Liberty Market,
Gulberg III, Lahore.
92-42-5752108-9, 5753425
92-42-5750366

Lahore Walton Cantt, Branch

36-Jinnah Plaza, Main Boulevard Defence
Link DHA Road, Walton Cantt. Lahore
92-42-8550192-8550109
92-42-6604308

New Airport Road Branch

Adjoining Divine Mega-II Plaza,
New Airport Road, Cantt
92-42-5745791, 5730877
92-042-5730877

Brandreth Road

FBL, Brandreth Road Lahore
042-7367224-6, 92-042-37367233

Madina Chowk Depalpur

FBL, Madina Chowk Depalpur Lahore
044-4540766-69, 92-0444-540772

Lahore Garden Town Branch

4-Aibak Block, Garden Town, Lahore.
92-42-5889810-24, 92-42-5889675
Lahore Allama Iqbal Town Branch

18-Hunza Block, Main Road,
Allama Iqbal Town, Lahore
92-042-5437006-10, 92-42-4537005

Lahore Model Town Branch

13-Bank Square Market,
Model Town, Lahore.
92-42-5884705-7, 92-42-5854816

Lahore Faisal Town Branch

25-D, Main Boulevard,
Faisal Town, Lahore
92-42-5201992-7, 92-42-5201998

Lahore Thokar Niaz Baig Branch

Jamal Market, Ali Town, Opp.
Lahore University, Thokar
Niaz Baig, Raiwind Road
92-42-5304392
92-42-5314016

Lahore Shadman Branch

11 - A, Shadman 1,
Jail Road, Lahore
92-42-7599242, 92-42-7599363

Lahore Johar Town

435-G-I, Johar Town, Lahore
92-42-5301392-93, 92-42-5301393

Lahore Ichra Branch

172, Ferozpur Road, Ichra, Lahore.
92-42-7569934-35, 92-42-7580488

Lahore Qartaba Chowk Branch

3 Ferozpur Road,
Muzang Chungi, Lahore
92-42-7574680-82, 92-42-7574662

Lahore Choburji Branch

50, Choburji Branch Lahore
92-042-7568229, 7568223
92-042-7568226

Lahore Ghazi Chowk

8-A, Awaisia Cooperative
Housing Society, Ghazi Chowk,
Link College Road
92-042-5212250-59
92-042-5212257

Lahore Mall Branch

43,Shahrah-e-Quaid-e-Azam, Lahore.
92-042-7314051-54, 111-747-747
92-42-7236018

Lahore Circular Road Branch

Babar Center, 51,
Circular Road, Lahore.
92-42-7673001-6
92-42-7673007

Lahore Shalimar Gardens Branch

Chowk Shalimar Bagh,
Baghbanpura,Lahore.
92-042-6844712-14, 6844741-43
92-42-6844744

Lahore Upper Mall Branch

309-A Upper Mall, Lahore.
92-042-5715393-95
92-42-5710187

Lahore Badami Bagh Branch

1-Taj Chambers, Badami Bagh, Lahore.
92-42-7705536-43
92-42-7705551

Lahore Shah Alam Market Branch

41 - Alamgir Market,Main Shah
Alam Market, Lahore.
92-042-7675503-04, 7675619
92-42-7675504

Lahore Urdu Bazar

S-38, R-205-A, Cattle Street,
Circular Road, Urdu Bazar, Lahore
92-42-7314616-20
92-42-7314629

Lahore Shahdara Branch

G.T.Road, Shahdara, Lahore.
92-42-7902501-508, 92-042-7902508

Lahore Mcleod Road Branch

Usman Plaza, Opposite: Lahore Hotel
92-42-6370024, 6370041
92-42-6370041

Lahore Mughalpura Branch
3/15 Jahangir Road, Lal Pul, Near AFC
92-042-6352177-86 92-042-6532183

Neela Gumbad
FBL Neela Gumbad 8,
The Mall bank square Lahore
042-7360033-37-39
92-042-7360035
Sarwar Rd., CMH Chowk

FBL, Sarwar Rd, CMH Chowk Lahore
042-36602327-9, 92-042-6601740

FAISALABAD

Faisalabad Civil Lines Branch
Bilal Road, Civil Lines, Faisalabad.
92-041-2644481-84 111-747-747
92-41-2644486

Faisalabad Ghulam Muhammad Abad
39-B, Usman Plaza, Sadar Bazar
Ghulam Muhammad Abad,
Faisalabad.
92-041-2691262, 2699162
92-41-2692814

Faisalabad D-Ground Branch
447-D, Peoples Colony, Faisalabad
92-041-8730403, 8730443
92-41-8732196

Madina Town
47 X,101 Susan Road, Madina Town
Faisalabad.
041-8723432
041-8723451

Faisalabad Liaquat Road Branch
3-Liaquat Road, Faisalabad
92-041-2617403-08, 627808
92-41-2627809

SIALKOT

Sialkot Branch
Plot No.B1-16S-98B, 17-Paras Road,
Opp. CC&I, Sialkot
92-432-292501-3
92-432-292444

GUJRANWALA

Gujranwala Branch
Zia Plaza, G.T. Road, Gujranwala.
92-55-3730301-3
92-55-3730304

SARGODHA

Sargodha Branch
University Road, Sargodha.
92-48-9230793-4, 92-48-9230792

JHANG

Jhang Branch
P-10/1/A, Katchery Road,
Near Session Chowk, Saddar, Jhang.
92-047-7650650, 7626590
92-47-7624545

TOBA TAK SINGH

Toba Tak Singh
Farooq Road Chaudhary Park
046-2517800-9
046-2517808

DASKA

Daska
Muslim market Gujranwala road,Daska
052-6614625-626
052-6614099

OKARA

Okara Branch
Mandi Road
92-44-2551773, 92-44-2551774

MULTAN

Multan Bosan Road Branch
I/A-2, Officers Colony, Bosan Road, Multan
92-61-6214902-13
92-61-6214900

Multan Old Bahawalpur Road Branch
129/1, Old Bahawalpur Road, Multan.
92-61-4784491-94, 92-61-4784490

Multan Qaddafi Chowk
709-Qaddafi Chowk, Khanewal Road,
Near Daewoo Terminal, Multan
92-61-6784276-81
92-61-6784271

BAHAWALPUR

Bahawalpur Branch
2 - Rehman Society, Noor Mahal Road,
92-62-2730691-94, 92-62-2730695

VEHARI

Vehari Branch
47-A, Karkhana Bazar, Vehari.
92-067-3366401, 3366491
92-67-3366402

RAHIMYAR KHAN

Rahimyar Khan Branch
27- Town Hall opp. City Park
92-68-5889413-15
92-68-5889420

DERA GHAZI KHAN

Dera Ghazi Khan Branch
342, Jampur Road, Dera Ghazi Khan
92-642-468769-72
92-642-468775

BUREWALA

Burewala Branch
95-C, Multan Road, Burewala
92-67-3359331-334
92-067-3359331

SADIQABAD

Sadiqabad Branch
Allama Iqbal Road,
Sadiqabad District, Rahim Yar Khan
92-68-5702440
092-068-5702139

SAHIWAL

Sahiwal Branch
Sarwar Shaheed Road, Sahiwal
92-040-4224060-61, 92-040-4224015

CHICHAWATNI

Chichawatni
GT road,near City Bridge Chichawatni.
040-5482314
092-040-5482310

MIAN CHANNU

Mian Channu
GT road near T- Chowk, Mian Channu.
065-2664260
092-065-2664264

ARIFWALA

Arifwala
173-D,Thana Bazar Arifwala Branch.
045-7835422
92-0457-835420

NORTHERN REGION

ISLAMABAD

Islamabad F-7 Markaz Branch
Shop No.1, Plot 12-D,Jinnah Super
Market,F-7 Markaz, Islamabad.
92-051-2652386, 2652591
92-051-2652665

Islamabad F-8 Branch

13 Rawal Arcade ,
Markaz F-8, Islamabad
92-51-2817256
92-51-2817263

Islammbad F-10 Markaz Branch

2-G, Capital Business Centre,
F-10 Markaz, Islamabad
92-51-2104456-57
92-51-2104459

Islamabad F-11 Markaz Branch

Plot No. 14, F-11 Markaz,
Sector F-11, Islamabad.
92-51-2228141-4
92-51-2228145

G-10 Markaz Islamabad

20, Sardar Plaza,G-10
markaz Islamabad
051-2101272
92-051-2101276

Islamabad I-10 Markaz Branch

3-G, Munawar Plaza, Markaz I-10, Islamabad
92-51-4102105-8
92-51-4102117

Islamabad Jinnah Avenue Branch

15-West, Jinnah Avenue,
92-51-2275096-99
92-51-2275095

RAWALPINDI

Rawalpindi Haider Road Branch

32, Haider Road, Rawalpindi.
92-51-5701018-22
92-51-5525879

Rawalpindi Satellite Town Branch

City Shopping Centre, 5th Road,
Satellite Town, Rawalpindi
92-51-4424969-72
92-51-4424962

Rawalpindi Rajabazar Branch

1-U, Iqbal Road, Fawwara Chowk,
Rajabazar, Rawalpindi.
92-51-5530661
92-51-5530671

Rawalpindi Westridge Branch

RV Arcade, 1193-1196,
Peshawar Road, Rawalpindi
92-51-5468734-36
92-51-5468737

Rawalpindi Sadiqabad Branch

72 - C, Satellite Town,
Sadiqabad Road, Rawalpindi.
092-051-4573741-42,4425745
092-051-4425744

Kalma Chowk

Kalma ChowkKamalabad,
Dhok Syedan Road,Rawalpindi.
051-5791455, 092-051-5791457

PESHAWAR

Peshawar City Branch
Tariq Market, New Rampura Gate,
Ashraf Road, Peshawar City
92-091-2593827, 2591876
92-91-2591817

Peshawar Cantt. Branch

Cantonment Plaza, Supermarket,
Saddar Road, Peshawar.
92-91-5270176-78
92-91-5270631

Peshawar University Road Branch

4652-4670, Omer Plaza, Jahangirabad,
University Road, Peshawar.
92-91-5711401-6, 5711409
092-091-5711409

Peshawar Khyber Bazar Branch

417-D, outside Bajori Gate,(Shoba Chowk)
Khyber Bazar,Peshawar.
92-91-2219860, 92-91-2220471-3

MINGORA

Mingora Branch

1st Floor, Abasin Plaza, Green Chowk
92-946-720001-3, 92-946-720004

ABBOTABAD

Abbotabad Branch

Main Mansehra Road, Abbotabad
0992-385919-20, 0992-385921

MIRPUR

Mirpur Branch

Mian Muhammad Road,
Opposite Quaid-e-Azam Stadium,
Mirpur Azad Kashmir
92-58610-45100-3, 92-58610-43601

GUJAR KHAN

Gujar Khan Branch

B-111-215-D, Ward No.5,
Main G.T. Road, Gujar Khan.
92-051-3514968, 051-3514996
92-51-3514613

GUJRAT

Gujrat Branch
Noble Furniture Plaza,
G.T. Road, Gujrat
92-53-3536781-4, 92-53-3524185

Gujar Khan Sub-Branch

197-3 Mohallah Railway Road
Ward No. 3 Gujar Khan
0513-512403-5
92-0513-512409

KHARIAN

Kharian Branch

Rizwan Plaza, G.T. Road, Kharian.
92-537-536068-70
92-537-536066

JEHLUM

Jehlum Dina Branch

1880 Al-Bilal Plaza, GT Road,
DinaDistrict Jehlum.,
92-54-4636828-32
92-0544-636036

Jehlum Branch

225/226, Kohinoor Bank Square,
+92-544-624901, 622153
92-544-626948

MANDI BAHAUDDIN

Mandi Bahauddin Branch

Furniture Point, Railway Road
92-0546-600721-23
92-0546-600385

CHAKSAWARI

Chaksawari

Khalid Plaza main Bazar
Chaksawari, Azad Jammu Kashmir
058-27454800-03
92-05827-454806

ISLAMIC BRANCHES:

Sharafabad Branch
Al-Haram 1, BMCHS,
Alamgir Road, Sharafabad, Karachi.
021-34923770-4
021-34923775

Zarghoon Road Br.

Near Bukhari Petroleum Services,
New Zarghoon Road, Quetta.
081-2443177 081-2443265
081-2443231

D-Ground Branch

1st Floor, Plot No. 447,
Block-D, Peoples Colony, Faisalabad.
041-8555643 041-8555646
041-8555647

Leads Centre Br.

Shop Nos. 4, 4A, 4B, Leads Centre,
11-E/2, Gulberg-III, Lahore.
042-35783955-57-59
042-35783956

Haider Road Br.

1st Floor, Plot No. 32, Haider Road,
Saddar, Rawalpindi Cantt. Rawalpindi.
051-5701008 & 12
051-5701169

Hayatabad Branch

Inds. Estate Kharkhano Mkt.
Shop No. 1-7, S.S./Royal Plaza,
Jamrud Rd. Hayatabad, Peshawar.
091-5811395 091-5810638
091-5811488

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 _____ as my / our proxy to vote and act for me / us on my / our behalf at the Annual General Meeting of the Bank to be held on 29th March 2010 and at any adjournment thereof.

Signed _____ day of _____, 2010

Witness:

1. _____
2. _____

Revenue Stamp Rs. 5/-
Signature of Member (s)

Notes:

1. The Share Transfer Books of the Bank shall remain closed from 19th March 2010 to 29th March 2010 (both days inclusive) Transfer received at the Registrar and Share Transfer Agent of the Bank by the close of business on 18th March 2010 will be treated in time.
2. A member entitled to attend and vote at the above Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf, save that a corporation being a member may appoint as it proxy and or officer of such corporation whether a member of the company or not. This instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power or authority shall be deposited at the office of M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower) 3-Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi - 75350, the Registrar and Share Transfer Agent of the bank not later than 48 hours before the time of holding the meeting and must be duly stamped, signed and witnessed.
3. The CDC Account Holders and Sub-account Holders, whose registration details are available in the Share Book Details Reports shall be required to produce their respective original Computerized National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring/know their respective participation I.D. No. and the CDC Account No. In case of proxy, he/she must enclose an attested copy of his/her CNIC or passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
4. Members are required to timely notify any change in their address to Bank's Registrar/Share Transfer Agent M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower) 3-Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi -75350.

Registered Office

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

www.faysalbank.com