

Bank on Ambition



ANNUAL REPORT
2013

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ANNUAL REPORT

2013

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بصیرت

Baseerat – Seeing the Invisible

We embark on a journey to see what is hidden to the normal and ordinary sight (*basaarat*).

Baseerat enables a worldview that is beyond what is apparent to the eye. A baseerat-inspired vision is needed to ignite the fire that makes men and nations achieve what seems impossible to the rest. A true leader leads by sharing his vision; his followers follow because they can visualise the bountiful state that lies ahead for them at the end of the struggle.

A vision that a nation buys in to, is the most powerful motivator for collective action.

Let us walk the path of those who are inspired by baseerat to realise their true calling in the words of Iqbal, Faiz, Josh, Jalib, Nasir Kazmi and Saghar Siddiqui.

خدا یا آرزو میری یہی ہے
مرا نور بصیرت عام کر دے
اقبال



What will truly set us apart from the other banks will be a high standard of Customer Service.

CHAIRMAN'S Message

Assalam o Alaikum

The year 2013 was a growth year for Faysal Bank. With the integration challenges post-RBS acquisition behind us, we embarked on a journey to consolidate and build upon the complementary strengths of the two franchises. In many ways, the benefits of RBS acquisition began to materialise in 2013: a strong Consumer Finance portfolio and the enhanced footprint of Branches, significantly contributed to an increase in the Bank's core earnings. The Bank was thus launched into an era of sustainable and wholesome growth based on diversified and stable fundamentals.

The results of the tireless efforts and hard work put in by the Management and Staff have been encouraging. The direction was simple and clear: aggressive growth on the Liabilities side and calibrated build up of the Asset book. During the year, we managed to significantly reduce the cost of our Liabilities through aggressive focus on bringing in low cost deposits. Alongside the growth initiative, prudent Risk Management was the driver behind an overall re-profiling of the Assets and Liabilities customer base. A milestone achievement during 2013 was the successful implementation of Symbols 8.5 Core Banking System which has helped bring the Bank onto a single technology platform and made it possible to service our Customers with greater facility and speed going forward. And all the while, cost control has been pursued with unrelenting focus. The

fact that the Bank turned in satisfactory performance facing adverse macro-economic headwinds is all the more gratifying.

Going into the new year, the challenges ahead on the economic and law & order fronts are manifold. In this situation, our focus has to remain on aggressive yet prudent growth with attention to differentiating between good and productive versus bad and avoidable costs. The task is clear: to build core earnings and thereby increase profitability. In short, we have to deliver to meet or exceed the expectations of our Customers, our Shareholders and our Employees, while we strike a balance among the demands of our various internal and external stakeholders. Given the keen competition in the market, what will truly set us apart from the other banks will be a high standard of Customer Service and Engagement, which will require an investment in the training and skill development of our most valuable resource: our Employees.

I am confident that the Bank is now fully geared up to meet the challenges at hand, and is all set to turn in record performance in 2014.

Syed Naseem Ahmad
Chairman of the Board

Our Vision

Excellence in all that we do

Our Mission

Achieve leadership in providing financial services in chosen markets through innovation

Our Values

Our daily code of conduct is exemplified by eight core values:

Four threshold values — values at the heart of our brand

Four differentiator values — values that set our brand apart

Threshold Values

Values at the heart of our brand

Integrity

We are recognised by our reliability, credibility and character

We believe in ethical, honourable, time-proven principles of uprightness

We stand for and abide by honesty, truth and transparency

Our Integrity: Our Identity

Respect

We hold our customers, investors and regulators in high esteem

We uphold our customers' right to demand efficient service

We appreciate and respect our profession and, above all, our bank

Our Respect: Our Duty

Teamwork

We function as a team; within functions, we cooperate

Between functions, we collaborate

Together, we aim for excellence and leadership in our chosen markets

Our Team: Our Asset

Professionalism

We are proficient and efficient in all that we do

We provide banking services knowledgeably and skillfully

We uphold regulatory obligations

Our Professionalism: Our Competence

Differentiator Values

Values that set our brand apart

Passion

We bring zeal and enthusiasm for banking to work

We are excited to provide customers with the best or the best-suited

We go the extra mile in legitimate, acceptable ways

Our Passion: Our Worth

Responsiveness

We are receptive to the need for change and improvement

We are proactive and anticipate our customers' needs and wants

We act quickly to modify, adjust or prepare for new realities

Our Responsiveness: Our Distinguisher

Innovation

We pioneer novel and more efficient ways to deliver solutions

We are dedicated to a culture of improvement and modernisation

We stand for originality, in thought, in action and in belief

Our Innovation: Our Strength

Compassion

Our concern for our colleagues, our customers, our communities, and our country sets us apart

To each other, we are a family

For each other, we are a meaningful source of shared humanity

Our Compassion: Our Gift

Vision

It is not common to find imaginative leaders. Blessed are the people who are led by visionaries, because it all begins with a vision that evokes self-realisation and inspires.

جہاں بانی سے ہے دشوار تر کار جہاں بہنی
جگرخوں ہو تو چشمِ دل میں ہوتی ہے نظر پیدا

ہزاروں سال زگیں اپنی بے نوری پر روتی ہے
بڑی مشکل سے ہوتا ہے چمن میں دیدہ و پیدا
اقبال

تفکر



BOARD OF DIRECTORS

SHAHID AHMAD
Director

JUMA HASAN ALI ABUL
Director

FAROOQ RAHMATULLAH
Director

SYED NASEEM AHMAD
Chairman

NAVED A. KHAN
President & CEO

IMTIAZ AHMAD PERVEZ
Director

**LT. GEN. MUHAMMAD
MAQBOOL (Retd.)**
Director

**AHMED ABDULRAHIM
MOHAMED ABDULLA BUCHEERY**
Director

BOARD OF DIRECTORS - PROFILES

Syed Naseem Ahmad Chairman

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

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

Key Positions held:

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

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

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

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

Naved A. Khan President & CEO

Naved A. Khan, President & Chief Executive Officer at Faysal Bank, holds a BS Degree from Kelly School of Business, Indiana University, USA and

an MBA degree from Butler University, USA. He has over twenty nine years of work experience with twenty seven years of broad-based banking experience. His last assignment was as Chief Executive Officer – ABN AMRO Bank Pakistan Ltd. Prior to joining ABN AMRO, he served in senior management positions in Bank of America, Pakistan.

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

Currently also serving as:

- Member of the Board of Karachi Shipyard and Engineering Works
- Member of the Board of Fauji Fertilizer Bin Qasim
- Chairman of the Board of Directors, Faysal Asset Management Limited
- Vice President of Institute of Bankers, Pakistan
- Member of the Institute of Bankers Council since 2007
- Chairman–Academic Board, Institute of Bankers Pakistan since 2008
- Member of the Executive Committee of Dar Al Maal Al Islami (DMI)

Key Positions held:

- President of Overseas Investors Chambers of Commerce and Industry (OICCI) for the year 2011
- President of Pakistan Banks Association for

- the year 2006 & 2007
- Member of the Executive Committee, Pakistan Banks Association for the year 2013
- Chairman of PBA Sub Committee of Consumer Finance for the year 2013
- President of Rotary Club of Karachi Metropolitan for the Year 2008

Farooq Rahmatullah Director

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

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

group continues to work in updating and revising the energy plan on an annual basis and engaging political leadership and other stakeholders.

Key Positions held:

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

He is serving on the Boards of Directors of:

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

He is also a Trustee of Legends Trust (formed by

BOARD OF DIRECTORS - PROFILES

the Government of Sindh)

Imtiaz Ahmad Pervez Director

Imtiaz Ahmad Pervez has more than thirty five years of banking experience.

Currently Mr. Pervez is serving as a Director of Ithmaar Bank BSC, Bahrain. His most recent position, from which he resigned in March 2012, was Director of the Al Baraka Bank Pakistan Limited. He was, earlier, also a board member of the Faysal Islamic Bank of Bahrain; Faysal Investment Bank of Bahrain EC.; Faysal Bank Ltd. Pakistan; Faysal Investment Bank Ltd. Pakistan; Trust Leasing Corp. Limited and Namco Management Company Ltd. From 1959 to 1994, he held many senior positions in the banking industry including that of Chief Operating Officer of Faysal Islamic Bank of Bahrain EC. He was also CEO of Al Faysal Investment Bank Ltd. Pakistan in the year 1990.

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

Ahmed Abdulrahim Mohamed Abdulla Bucheery Director

Ahmed Abdulrahim holds an MBA from the University of Glamorgan, Wales (UK), and is an

BOARD OF DIRECTORS - PROFILES

Associate Financial Accountant from the Institute of Financial Accountants, London (UK). He also holds an Executive Management Diploma from the University of Bahrain and an Advance Banking Diploma from the Bahrain Institute of Banking and Finance.

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

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

Juma Hasan Ali Abul Director

- Fellow member of the Chartered Association

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

Chartered Accountants

- Led and was involved in a number of mergers and acquisitions, restructuring of projects and spin offs

Shahid Ahmad Director

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

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

Lt. Gen. Muhammad Maqbool (Retd.) Director

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

Soon after his retirement in 1998, he, with a portion of his pension fund, established 'Teach A Child (TAC) School System' meant to provide 'privileged

education to the underprivileged'. In January 1999, he assumed responsibilities as the Managing Director of Fauji Foundation (FF) - the largest industrial cum welfare conglomerate at that point in time. Besides six limited companies, he was responsible for the largest non-government nation-wide welfare complex comprising a large network of educational institutions, numerous hospitals, static and mobile health facilities, artificial limb centre, and vocational & technical training centres accessible to ex-servicemen, their families and in most cases also to the local population. As MD FF, he had a very enriching experience of leading the FF team to negotiate, with the Ministry of Finance, GOP, IFC and a consortium of local banks, the financial restructuring of FFC Jordan Fertilizer Company Limited (FJFC; now known as FFBL) and Fauji Cement Company Limited. He successfully established the Fauji Cards Company - a state of the art facility in Islamabad - to manufacture national ID cards.

Key Positions Held:

Listed Companies

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

Unlisted Companies

- Chairman, Fauji Kabirwala Company Ltd.

- Chairman, Fauji Oil Terminal Company Ltd.

Wholly owned Companies

- Chairman, Boards of Management:-
 - Three sugar mills at Khoski, Tando M.Khan in Sind & Sangla Hill in Punjab
 - Foundation Gas (FONGAS)
 - Fauji Corn Complex
 - Fauji Cereal
 - Fauji Polypropylene
 - Fauji Seed Multiplication Farm
 - Foundation Securities (Pvt.) Limited
 - Overseas Employment Services
 - FF Institute of Management Sciences
 - Foundation Medical College

He has held Directorship positions on the Boards of ABN Amro Bank and Royal Bank of Scotland. Currently, he is Chairman Board of Governors, The Helpline Society, Lahore (the governing body of the 'Teach A Child (TAC) School System'), Director Human Development Foundation (HDF), Pakistan, Director Faysal Bank Limited and Director Ali Institute of Education, Lahore.

CORPORATE INFORMATION

as on December 31, 2013

Board of Directors

Syed Naseem Ahmad
Naved A. Khan
Farooq Rahmatullah
Imtiaz Ahmad Pervez
Ahmed Abdulrahim Mohamed Abdulla Bucheery
Juma Hasan Ali Abul
Shahid Ahmad
Lt. Gen. Muhammad Maqbool (Retd.)

Audit Committee (AC)

Lt. Gen. Muhammad Maqbool (Retd.)
Imtiaz Ahmad Pervez
Ahmed Abdulrahim Mohamed Abdulla Bucheery

Board Risk Management Committee (BRMC)

Syed Naseem Ahmad
Naved A. Khan
Shahid Ahmad
Farooq Rahmatullah
Juma Hasan Ali Abul
Imtiaz Ahmad Pervez

Recruitment Nomination and Remuneration Committee (RNRC)

Syed Naseem Ahmad
Naved A. Khan
Shahid Ahmad
Farooq Rahmatullah
Ahmed Abdulrahim Mohamed Abdulla Bucheery
Juma Hasan Ali Abul

Working Group Committee (WGC)

Farooq Rahmatullah
Lt. Gen. Muhammad Maqbool (Retd.)
Mohamed Abdulrahman Mohamed Husain Bucheeri

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

Chairman
Member
Member

Member
Member
Member
Member
Member

Chairman
Member
Member
Member
Member

Chairman
Member
Member

ATTENDANCE OF BOARD OF DIRECTORS MEETINGS DURING THE YEAR 2013

ATTENDED BY / MEETING DATE	28/02/13	19/04/13	27/08/13	22/10/13	20/12/13
Syed Naseem Ahmad	✓	✓	✓	✓	✓
Naved A. Khan	✓	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	✓	✓	✓
Shahid Ahmad	✓	✓	✓	✓	✓
Lt. Gen. Muhammad Maqbool (Retd.)	✓	✓	✓	✓	✓
Imtiaz Ahmad Pervez	—	—	✓ Co-opted on June 11, 2013	✓	✓
Ahmed Abdulrahim Mohamed Abdulla Bucheery	—	—	—	—	✓ Co-opted on December 4, 2013
Juma Hasan Ali Abul	—	—	—	—	✓ Co-opted on December 4, 2013
Mohamed A. R. Hussain	✓	Resigned on March 26, 2013	—	—	—

ATTENDANCE OF BOARD OF DIRECTORS MEETINGS DURING THE YEAR 2013

ATTENDED BY / MEETING DATE	28/02/13	19/04/13	27/08/13	22/10/13	20/12/13
Hassan Mohammed Mahmood Hassan	✓	Resigned on March 26, 2013	—	—	—
Graham R. Walker	✓	✓	✓	Resigned on October 8, 2013	—
Mohamed Abdulrahman Mohamed Husain Bucheeri	—	—	Co-opted on June 11, 2013 Leave of Absence	Resigned on October 8, 2013	—

ATTENDANCE OF AUDIT COMMITTEE MEETINGS DURING THE YEAR 2013

ATTENDED BY / MEETING DATE	27/02/13	18/04/13	26/08/13	21/10/13
Lt. Gen. Muhammad Maqbool (Retd.)	✓	✓	✓	✓
Graham R. Walker	✓	✓	✓	Resigned on October 8, 2013
Hassan Mohammed Mahmood Hassan	✓	Resigned on March 26, 2013	—	—
Imtiaz Ahmad Pervez	—	—	—	✓ Appointed on August 27, 2013

ATTENDANCE OF BOARD RISK MANAGEMENT COMMITTEE MEETINGS DURING THE YEAR 2013

ATTENDED BY / MEETING DATE	27/02/13	18/04/13	26/08/13	21/10/13
Mohamed A.R. Hussain	✓	Resigned on March 26, 2013	—	—
Naved A. Khan	✓	✓	✓	✓
Syed Naseem Ahmad	✓	✓	✓	✓
Shahid Ahmad	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	✓	✓

ATTENDANCE OF RECRUITMENT, NOMINATION AND REMUNERATION COMMITTEE MEETINGS DURING THE YEAR 2013

ATTENDED BY / MEETING DATE	27/02/13	18/04/13	21/10/13	20/12/13
Syed Naseem Ahmad	✓	✓	✓	✓
Naved A. Khan	✓	✓	✓	✓
Shahid Ahmad	✓	✓	✓	✓
Farooq Rahmatullah	✓	✓	✓	✓
Hassan Mohammed Mahmood Hassan	✓	Resigned on March 26, 2013	—	—

ATTENDANCE OF WORKING GROUP COMMITTEE MEETINGS DURING THE YEAR 2013

ATTENDED BY / MEETING DATE	02/05/13	11/06/13	09/07/13
Farooq Rahmatullah	✓	✓	✓
Lt. Gen. Muhammad Maqbool (Retd.)	✓	✓	✓
Mohamed Abdulrahman Mohamed Husain Bucheeri	—	—	✓

فيسال



P&CEO AND DIRECT REPORTS

A. NAVED A. KHAN
President & CEO

B. NASIR ISLAM
Head Compliance

C. ABADULLAH
Head Centralised Operations

D. AARIJ ALI
Head Retail Banking

E. MEHREEN AMIN
Head Human Resources

F. SHAHID SALIM
Head Internal Audit

G. YOUSAF HUSSAIN
Chief Risk Officer

H. SYED MAJID ALI
Chief Financial Officer

I. NAUMAN ANSARI
Head Corporate & Investment Banking

J. SALMAN AHMED USMANI
Head Treasury

K. FOUAD FARRUKH
Head Islamic Banking

L. MUHAMMAD AURANGZEB AMIN
Company Secretary & Head Legal

Naved A. Khan **President & CEO**

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

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

Currently also serving as:

- Member of the Board of Karachi Shipyard and Engineering Works
- Member of the Board of Fauji Fertilizer Bin Qasim
- Chairman of the Board of Directors, Faysal Asset Management Limited
- Vice President of Institute of Bankers, Pakistan
- Member of the Institute of Bankers Council since 2007
- Chairman–Academic Board, Institute of Bankers Pakistan since 2008
- Member of the Executive Committee of Dar Al Maal Al Islami (DMI)

Key Positions held:

- President of Overseas Investors Chambers of Commerce and Industry (OICCI) for the year 2011
- President of Pakistan Banks Association for the year 2006 & 2007
- Member of the Executive Committee, Pakistan Banks Association for the year 2013
- Chairman of PBA Sub Committee of Consumer Finance for the year 2013
- President of Rotary Club of Karachi Metropolitan for the Year 2008

Nauman Ansari **Head Corporate & Investment Banking**

Nauman Ansari has over 18 years of rich Credit, Corporate and Investment Banking experience, having been associated with Standard Chartered Bank (Karachi), Bank of America (Karachi), ABN AMRO (in Pakistan, Middle East and Asia Pacific regions), Fortis Bank (Middle East) and Crescent Commercial Bank (Pakistan). Nauman holds a Bachelors of Science degree in Business Studies from the USA.

Aarij Ali **Head Retail Banking**

Aarij Ali has over 29 years of banking experience in various capacities in Retail, Consumer, Corporate and Operations areas. He has also handled business support projects related to

HRD, Technology and Strategy Development. He holds an MBA Degree from IBA (Karachi). Prior to joining Faysal Bank, Aarij has been associated with ANZ Grindlays, MCB Bank and Saudi Pak Commercial Bank.

Salman Ahmed Usmani **Head Treasury**

Salman Ahmed Usmani has extensive experience of over 26 years in both the multinational and local banking sector, with expertise in Treasury and Risk Management, Asset and Liability Management, Strategic Planning, Corporate Restructuring, Strategic Negotiations, Acquisitions and Strategic Alliances and International Operations. Prior to joining Faysal Bank Limited, he was associated with MCB Bank Limited as Global Treasurer and Head Investment Banking Group. His past experience has been with organisations such as ANZ Grindlays, American Express, Bank of America, Mashreq Bank and United Bank Limited.

Mehreen Amin **Head Human Resources**

Mehreen Amin possesses over 30 years' work experience, in the areas of I.T. and HR. She has been professionally associated in senior positions with leading multinationals such as G. D. Searle U.K., Shell Pakistan and Reckitt Benckiser where she was the HR Regional Director (for the Africa

Middle East region). In her last assignment at ABN AMRO Pakistan, she was the Head of Human Resources. She is a Member of the Board of Governors of Pakistan Society for Training & Development.

Nasir Islam **Head Compliance**

Nasir Islam is a qualified Chartered Accountant with over 22 years of multifaceted experience. His first assignment was as Manager Finance in ANZ Grindlays (Karachi), after which he was posted at the ANZ HO (Melbourne, Australia), as Manager Commercial Banking System (CBS) Project. He returned to Pakistan in 1997 as Manager Audit, joined ABN AMRO Pakistan as Audit Manager in 2000, and was appointed as Country Head of Compliance in 2004.

Yousaf Hussain **Chief Risk Officer**

Yousaf Hussain was previously Head of Special Asset Management at Faysal Bank. He has been with Faysal Bank since August 2008 and has contributed significantly to the franchise in the areas of Special Asset Management and Corporate Banking. Overall, Yousaf has 20 years of professional experience, primarily at ABN AMRO in the Corporate/Credit and Transaction Banking functions. His experience also includes senior assignments at Samba Bank, Mashreq

Bank, Motorola/Mobilink and Siemens Pakistan. In addition to being an electrical engineer, he has done his Masters in Business Administration from LUMS.

Syed Majid Ali **Chief Financial Officer**

Syed Majid Ali is a Fellow Member of the Institute of Chartered Accountants. He has over 20 years of diversified experience, of progressively increasing responsibility in the Accounts and Finance disciplines of banking, with exposure in I.T. and HR activities. He has been associated as CFO with Emirates Bank International and Saudi Pak Commercial Bank, as well as with KPMG as Partner.

Fouad Farrukh **Head Islamic Banking**

Fouad Farrukh brings with him rich and broad-based experience of over 17 years, working in large banks, both in Pakistan and in the Middle East. After completing his BS – Finance from University of Maryland (USA) and MBA from LUMS, Fouad started his career with Faysal Bank as a Corporate Relationship Manager in 1996. He has previously worked as Gulf Risk Manager, Habib Bank Ltd., Dubai and Country Head, Habib Bank Ltd. Bahrain, before joining BMI Bank B.S.C. (c) Bahrain as Head, Islamic Financial Services.

Shahid Salim **Head Internal Audit**

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

Abadullah **Head Centralised Operations**

Abadullah has over 29 years of diversified experience in Branch Banking, Trade, Cash Management and Operations. He has worked with Standard Chartered, ANZ Grindlays and United Bank Limited. His last assignment with SCB was Head Cash Management Operations & Cash Product Service Delivery. He holds Masters in Business Administration (Finance) degree from IBA University of Punjab.

Muhammad Afzal **Head Information Technology**

Muhammad Afzal graduated from Punjab University with a MSc in Statistics and has a Post Graduate Diploma in Computer Application. He has extensive local and international

experience in areas of Information Technology, Business Process Re-engineering and other related fields. During his career spanning 23 years, Afzal has been associated with organisations such as MCB Bank Limited, Warid Telecom, Accenture Incorporation (Canada), ADC Telecommunication (Canada), Dominion Canada General Insurance, Family Planning Association of Pakistan, Pakistan Telecommunication Corporation and Federal Bureau of Statistics.

Muhammad Aurangzeb Amin
Company Secretary & Head Legal

Aurangzeb Amin brings with him over 18 years of experience in the financial sector and legal consultancies both in Pakistan and in USA. He has a Masters Degree in Law from Temple University, USA. During his career he has worked with NIB Bank and Pak-Kuwait Investment Co. as Company Secretary and Head Legal. He has also worked with law firms locally and internationally, namely Orr, Dignam & Co and Surridge & Beecheno.

Mufti Mohib UI Haq's academic credentials include a specialisation degree in Iftaa and Fiqh from the esteemed Jamia Darul Uloom, Karachi. He has also been a faculty member at Jamia Darul Uloom for over ten years, where he conducts various courses in Islamic Studies, Fiqh, Arabic Grammar and Literature. Since 2004, he has also been a member of the teaching faculty at the well known Centre of Islamic Economics, Karachi. Before joining Faysal Barkat Islamic Banking, he previously held the position of Shariah Advisor with The Royal Bank of Scotland Ltd. (RBS) and Bank Al Habib. Besides Faysal Bank, he is also on the Shariah Board of Pakistan Takaful.

SENIOR MANAGEMENT AND INTERNAL COMMITTEES

Senior Management

Naved A. Khan
President & CEO

Nauman Ansari
Head Corporate & Investment Banking

Aarij Ali
Head Retail Banking

Salman Ahmed Usmani
Head Treasury

Mehreen Amin
Head Human Resources

Nasir Islam
Head Compliance

Yousaf Hussain
Chief Risk Officer

Syed Majid Ali
Chief Financial Officer

Fouad Farrukh
Head Islamic Banking

Shahid Salim
Head Internal Audit

Abadullah
Head Centralised Operations

Muhammad Afzal
Head Information Technology

Muhammad Aurangzeb Amin
Company Secretary & Head Legal

Management Committee

Naved A. Khan
Chairman

Syed Majid Ali
Member & Secretary

Nauman Ansari
Member

Aarij Ali
Member

Salman Ahmed Usmani
Member

Yousaf Hussain
Member

Mehreen Amin
Member

Nasir Islam
Member

Asset & Liability Committee

Naved A. Khan
Chairman

Salman Ahmed Usmani
Member & Secretary

Nauman Ansari
Member

Aarij Ali
Member

Syed Majid Ali
Member

Asad Kerai
Member

Yousaf Hussain
Member

Compliance Committee

Naved A. Khan
Chairman

Nasir Islam
Member & Secretary

Yousaf Hussain
Member

Syed Majid Ali
Member

Shahid Salim
Member

Abadullah
Member

IT Steering Committee

Naved A. Khan
Chairman

Muhammad Afzal
Member & Secretary

Syed Majid Ali
Member

Nasir Islam
Member

Aarij Ali
Member

Shahid Salim
Member

Yousaf Hussain
Member

Nauman Ansari
Member

Abadullah
Member

Investment Committee

Naved A. Khan
Chairman

Salman Ahmed Usmani
Member & Secretary

Nauman Ansari
Member

Yousaf Hussain
Member

Syed Majid Ali
Member

Asad Kerai
Member

Enterprise Risk Management Committee

Naved A. Khan
Chairman

Asad Kerai
Member & Secretary

Yousaf Hussain
Member

Nauman Ansari
Member

Aarij Ali
Member

Salman Ahmed Usmani
Member

Syed Majid Ali
Member

Nasir Islam
Member

Abadullah
Member

Country Credit Committee

Naved A. Khan
Chairman

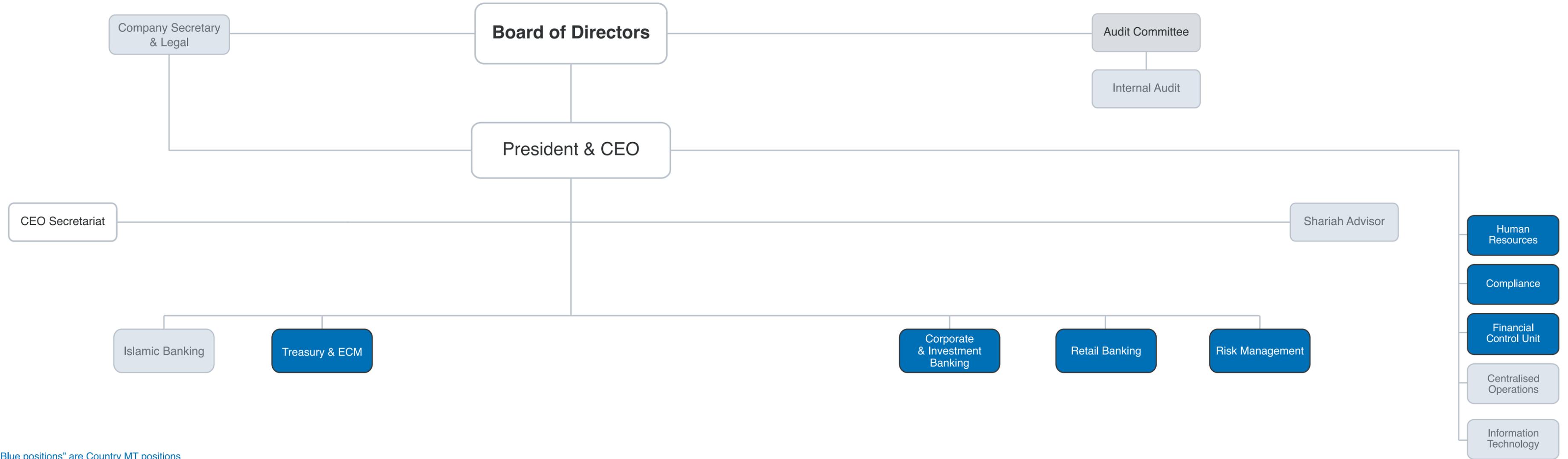
Yousaf Hussain
Member

Nauman Ansari
Member

Aarij Ali
Member

SENIOR MANAGEMENT AND INTERNAL COMMITTEES

ORGANISATIONAL STRUCTURE



■ "Blue positions" are Country MT positions

Awakening

A people must wake up from the slumber of ignorance to actualise their true entitlement. To live a life that is worth their while, they need to break the shackles that bind them to their current state.

جاگو کہ جاگنے سے تقدیر جاگتی ہے
اٹھو تمہاری منزل تم کو پکارتی ہے

باطل سے دب کر رہنا تو ہمیں زندگی ہے
اب دل میں آگ بھردو اب ختم رات کردو
جالب

بیداری

PERSONAL BANKING

Deposit Products

Our progressive approach to banking is reflected in our variety of deposit products. We believe in offering innovation, accessibility, quality service and ease to our customers to meet their individual and business banking needs. From simple banking solutions to high value investments, one can choose what best suits their requirements.

Current Accounts



Our Current Accounts help manage financial transactions with convenience. With free online transaction facility and a host of fee waivers on maintaining certain balances, our Current Accounts are designed to give maximum flexibility and easy access to funds through our online branch and ATM network at all times.

- Faysal Business First Current Account
- Faysal Sahulat Current Account
- Faysal Basic Banking Account

Savings Accounts

Our Saving Accounts are there to provide attractive profit rates through a tiered structure to give the best out of one's savings.

- Faysal Moavin Savings Account
- Faysal MarketLink Savings Account
- Faysal Premium Savings Account
- Faysal Savings Account
- Faysal Anchor Savings Account



Term Deposit Accounts

Our Term Deposit Account product is the ideal solution to save while earning high returns. It offers a choice of tenure options for investment so that one can earn attractive guaranteed returns with convenience and flexibility.

- Faysal Izafa Term Deposit Account



Foreign Currency Accounts

To manage foreign currency transactions with convenience and peace of mind, our customers can place funds in our Foreign Currency Current, Saving and Term Deposit Accounts.

- Faysal FCY Savings Plus Account
- Faysal Mahfooz Sarmaya Foreign Currency Account



Electronic Banking Services

Experience the convenience of banking. With our Electronic Banking services, our customers have the flexibility to conduct transactions round the clock from wherever they are.

- Mobit – Faysal Mobile Banking
- Faysal Pocketmate Visa Debit Card
- Faysal UnionPay Debit Card
- Faysal e-Statement
- Faysal SMS Alerts
- Customer Interaction Centre
- ATM Network
- Transfer of Funds



Consumer Lending

Enhance lifestyles with our consumer finance solutions, designed to provide flexible and easily customised terms to fit unique needs. Our customers can live their dreams with easy repayment options, competitive interest rates and a hassle-free experience with Faysal Bank.

- Faysal Bank Credit Cards
- Faysal Personal Installment Loan
- Faysal Balance Transfer Facility
- Faysal Car Finance
- Faysal Home Finance



Faysal aikFaisla – Insurance Solutions

With our special and diverse menu of Faysal aikFaisla Insurance Solutions we help plan ahead for unforeseen eventualities. By investing savings in professionally managed portfolios, one has the security and peace of mind of knowing that their loved ones are covered financially for a stable future.

- My Child's Future Plan
- Protection & Growth Plan
- Saving Plus
- Takaful Saving Plan
- Takaful Save & Protect Plan
- Family Health Plan



- All Rounder
- Family Assurance Plan
- Health Plan
- Cash Withdrawal Insurance

Solitaire Wealth Management

Solitaire Wealth Management is a platform to cater to our high net worth clients and provide a unique banking experience that is characterised by exceptional service quality and personalised financial services.



BUSINESS BANKING

Corporate and Investment Banking

Faysal Bank's Corporate & Investment Banking Group (CIBG) is fully geared to meet the challenges of the dynamic economic environment in Pakistan. Our aim is to fuel growth and progress by filling in the role of financial advisors and financiers by providing banking facilities that are best suited to meet our customers' requirements.

PRODUCTS AND SERVICES

We are always striving to build meaningful relationships with our customers and to become partners in their growth and progress. We extend both short and long term financing facilities designed to fulfill the individual needs of each corporate customer.

Agricultural Financing – Faysal Khushaal Kisan

Our aim is to cater to the agricultural sector and assist our farmers to improve yield and methods of farming for a bountiful crop. We offer specialised agricultural financing solutions that are timely and affordable.



Treasury and Capital Markets



Faysal Bank Treasury strives to broaden its product offering to better facilitate its customers and cater to their ever changing needs in order to reach our goal of becoming a solution provider of choice

Commercial and SME Banking

Commercial & SME Banking provides customised solutions to the middle market and SME segments. We offer tailor-made financing products and services to meet working capital needs and for business expansion in an easy and efficient manner



ISLAMIC BANKING

Our Barkat Islamic Banking is purely dedicated to Shariah compliant banking services. With our well experienced staff, we ensure that our customers' Islamic Banking needs are fulfilled. Moreover our Shariah advisor is a qualified mufti who oversees business of these dedicated branches and ensures its compatibility and compliance with Shariah principles. Products and Services offered under the Islamic Banking umbrella are:

- Kamil Business Account
- Current Account
- Saving Account
- Investment Certificate
- Foreign Currency Account
- Foreign Currency Saving Account
- e-Statement
- Murabaha
- Auto Finance
- Home Finance





CORPORATE SOCIAL RESPONSIBILITY

Despite a challenging environment and difficult economic circumstance, returning back to our communities, remains a core ethos at Faysal Bank. Whereas, we recognise that the magnitude of the effort of resources required in sustainable Corporate Social Responsibility and the social sector development is beyond the public sector resources. What is needed is a national partnership, in which all stakeholders play their due role in mobilising resources that supplement the Government's effort. This may be achieved in many ways, one of which is to align our 'giving' trends or channelising our donations for more meaningful interventions directed for sustainable development.

To support the above, Faysal Bank has in the year 2013, linked its CSR strategic objectives to the UN Millennium Development Goals (MDGs); the resultant goal being that all FBL contributions are coherent with the Pakistan Millennium Development Goals.

The Bank has been following a structured contribution plan where a greater proportion of FBL Corporate Social Responsibility Funds are channeled towards enhancement of infrastructure and capacity building, to achieve a sustainable longer term impact. Our preferred area of impact is thematic, and proportionately divided into: Poverty Alleviation, Education, and Health. We ensure that whilst giving back to the community we work through established organisations with pre-defined filters for selection; we actively monitor our donor relationships and seek to create sustainability.

We have in the year 2013, directly contributed approximately, PKR 24 Million. Our focus remains to plan our initiatives, and yet have the flexibility to continue to contribute in emergency situations, i.e., floods, earthquakes and other unforeseeable calamities. To weave our CSR motto, "To not only give in Kind but also in Time", as a living example, the efforts of our employees involved in the CSR are acknowledged with the Trustees displaying an active role.

SPENDING IN 2013

Eradicate Extreme Poverty and Hunger

- ▶ The Hunar Foundation
- ▶ Indus Valley School of Art & Architecture
- ▶ Professional Education Foundation
- ▶ Pakistan Association of the Blind (PAB)

PKR 5.815 Million



Achieve Universal Primary Education

- ▶ Ida Rieu
- ▶ Helpcare Society
- ▶ Our Lady of Fatima Church

PKR 3.100 Million



Reduce Child Mortality

- ▶ Children Cancer Foundation
- ▶ Child Aid Association

PKR 2.000 Million



Improve Maternal Health

- ▶ Marie Adelaide Leprosy Centre (MALC)
- ▶ The Indus Hospital
- ▶ Shaukat Khanum Memorial Cancer Hospital

PKR 4.500 Million



Combat HIV/Aids, Malaria and other Diseases

- ▶ Sindh Institute of Urology & Transplantation (SIUT)
- ▶ The Cardiovascular Foundation (TCVF)
- ▶ Burns Centre
- ▶ Al Mehrab Tibbi Imdad
- ▶ Karwan-e-Hayat

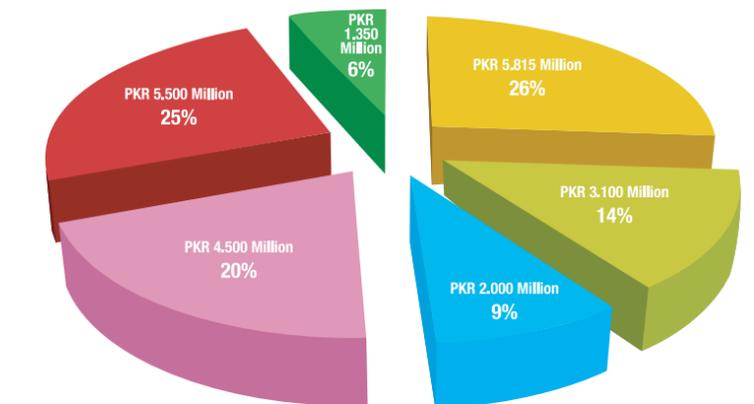
PKR 5.500 Million



Ensure Environmental Sustainability

- ▶ Hisaar Foundation

PKR 1.350 Million



SIX YEARS FINANCIAL SUMMARY

	(Rupees in million)					
	2013	2012	2011	2010	2009	2008
OPERATIONAL RESULTS						
Mark-up / return / interest earned	27,790	28,802	28,825	19,710	16,958	13,404
Mark-up / return / interest expensed	16,945	19,839	19,619	13,919	11,968	8,455
Fee, commission, brokerage, FX income and other income	3,740	3,635	3,708	2,337	1,320	1,238
Dividend and Capital gains	786	1,646	363	1,675	1,493	1,073
Total income	15,371	14,245	13,277	9,804	7,803	7,260
Provisions / Write-offs	2,116	1,401	695	2,202	2,192	2,047
Operating expenses	11,101	11,004	11,103	6,775	4,311	3,416
Operating profit before tax and provision	4,277	3,236	2,173	3,029	3,492	3,844
Profit before taxation	2,161	1,835	1,478	827	1,301	1,797
Profit after taxation	1,850	1,420	1,280	1,190	1,200	1,115
Bonus shares	%	12.5	12.5	20.0	-	15.0
BALANCE SHEET						
Shareholders' equity	20,588	18,788	17,808	16,643	11,336	10,136
Revaluation reserves	1,578	2,249	1,420	(125)	1,447	636
Deposits	271,134	240,708	214,610	195,315	123,665	102,777
Borrowings from financial institutions	45,447	35,568	39,697	34,636	34,986	13,027
Advances - net of provision	184,190	172,299	148,162	133,707	91,346	83,512
Investments - net of provision	113,319	88,019	93,439	86,419	56,531	36,153
Total assets	355,280	313,123	292,583	267,321	180,865	138,241
OTHERS						
Imports	157,183	120,269	103,766	73,116	66,400	38,089
Exports	88,128	83,525	69,033	44,646	36,173	50,395
FINANCIAL RATIOS						
Capital adequacy ratio	%	11.29	10.69	10.65	10.31	11.93
Profit before tax ratio	%	7.78	6.37	5.13	4.20	7.67
Gross spread ratio (Net mark up income / gross mark-up income)	%	39.02	31.12	31.94	29.38	29.43
Income to expense ratio	Times	1.38	1.29	1.20	1.45	1.81
Return on capital employed	%	1.13	1.15	1.30	0.80	9.00
Return on average equity (ROE)	%	9.40	7.76	7.43	8.51	11.18
Return on average assets (ROA)	%	0.55	0.47	0.46	0.53	0.75
CASA to total deposits	%	64.90	60.93	54.50	53.22	54.51
Weighted average cost of deposit	%	5.24	6.60	7.04	6.70	8.23
Current ratio	Times	0.77	0.68	0.75	1.08	0.76
Gross advances to deposit ratio (average)	%	77.21	78.26	77.26	78.25	85.35
Net advances to deposit ratio (average)	%	69.65	70.38	68.76	70.55	77.22
Non-performing loans to gross advances ratio	%	13.52	14.44	15.74	16.34	10.85
Specific provision to non-performing loans ratio	%	71.50	66.31	65.51	69.46	62.45
Total assets turnover to fixed assets turnover ratio (Total assets / Fixed assets)	Times	34.66	28.83	26.97	30.63	64.87
Price earning ratio	%	6.42	7.83	6.63	13.67	15.23

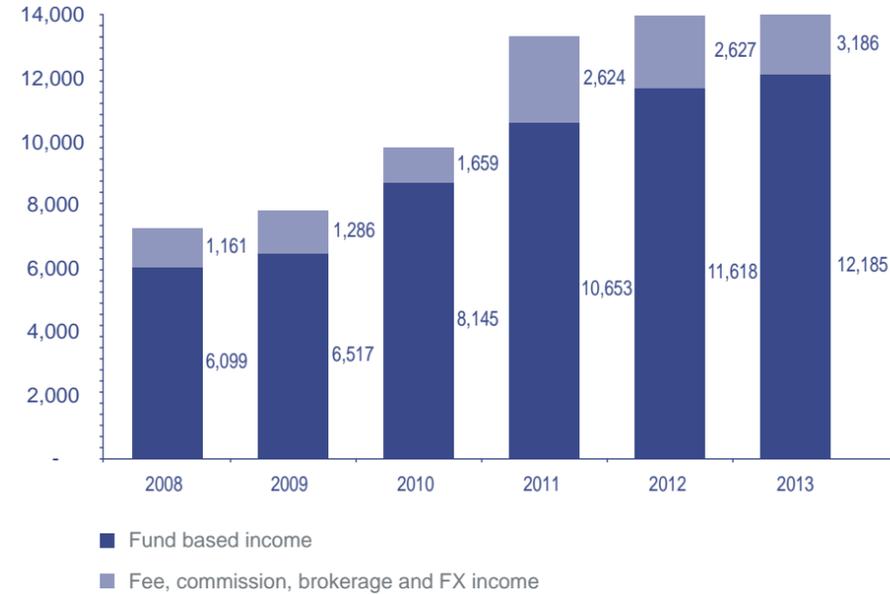
SIX YEARS FINANCIAL SUMMARY

	(Rupees in million)					
	2013	2012	2011	2010	2009	2008
FINANCIAL RATIOS						
Earnings per share (EPS) *	Rs.	1.77	1.36	1.23	1.14	1.15
Net assets per share	Rs.	21.25	22.68	23.33	22.60	20.99
Market value per share	Rs.	11.39	10.65	8.13	15.59	17.53
Market value per share - high	Rs.	12.50	14.12	15.95	20.90	18.75
Market value per share - low	Rs.	8.15	8.38	8.07	12.97	7.94
Earning asset to total asset ratio	%	83.84	83.18	83.39	83.28	90.06
Book value per share - excluding surplus/ (deficit) on revaluation of assets	Rs.	19.73	20.26	21.60	22.77	18.61
Book value per share - excluding surplus on revaluation of fixed assets	Rs.	19.56	20.70	21.00	22.60	20.99
Book value per share - including surplus/ (deficit) on revaluation of assets	Rs.	21.25	22.68	23.33	22.99	20.34
Number of employees		3,610	3,465	3,435	3,582	2,042
Number of branches		269	265	257	226	133
CASHFLOWS						
Operating activities		28,733	(4,809)	5,912	8,882	17,862
Investing activities		(25,110)	7,692	(5,842)	2,050	(18,438)
Financing activities		(700)	(200)	(209)	3,004	(5)
Cash and cash equivalents at end of the year		28,617	25,694	23,011	23,150	9,214
MATURITY PROFILE						
Net assets maturity wise:						
Upto one month		(16,197)	(28,485)	(28,640)	(77,873)	(71,637)
Over one month to three months		45,394	8,976	(3,212)	17,346	(10,549)
Over three months to six months		18,264	3,729	12,261	8,387	29,493
Over six months to one year		4,165	30,994	29,662	(5,960)	9,557
Over one year to two years		3,036	(2,525)	(17,458)	18,886	12,839
Over two years to three years		(5,978)	6,153	(139)	5,727	10,746
Over three years to five years		(14,836)	(5,183)	12,261	22,848	12,931
Over five years to ten years		(16,962)	(397)	4,736	17,006	14,923
Over ten years		5,281	7,774	9,743	10,149	4,480
Total net assets		22,167	21,037	19,214	16,516	12,783

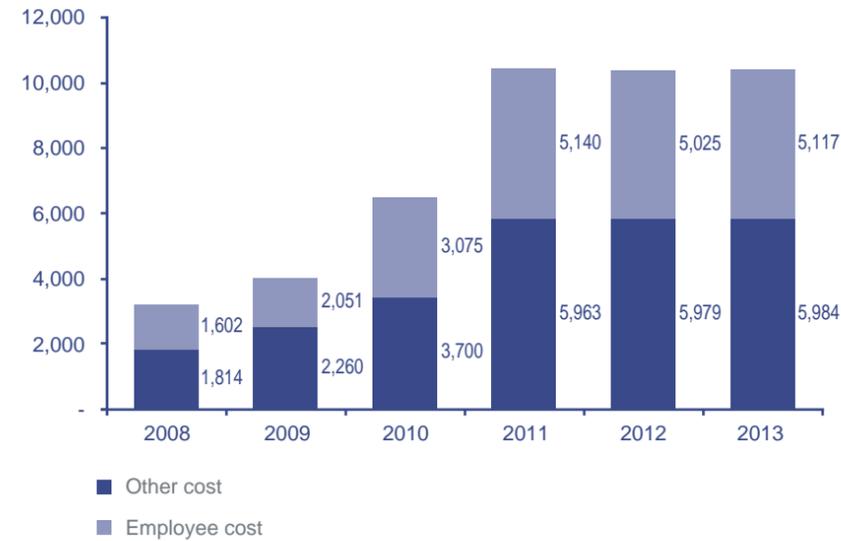
* Adjusted for prior years to reflect bonus shares issued during 2013

INCOME AND EXPENSE COMPOSITION

Income Composition
Rupees in Million

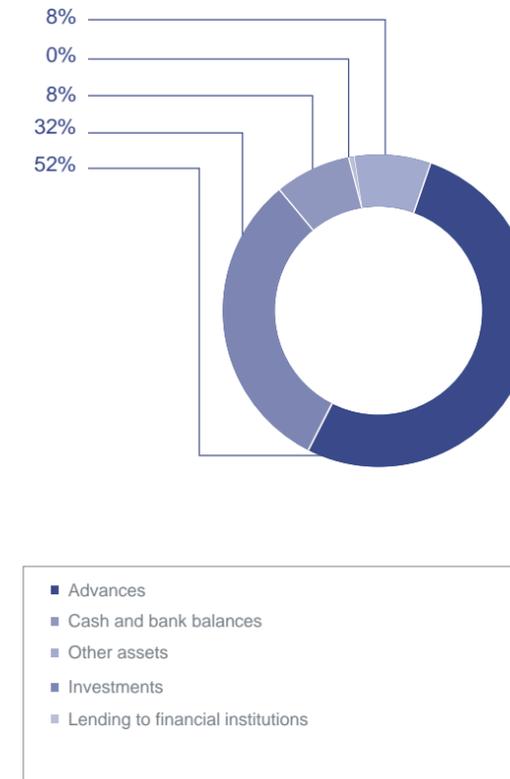


Expense Composition
Rupees in Million

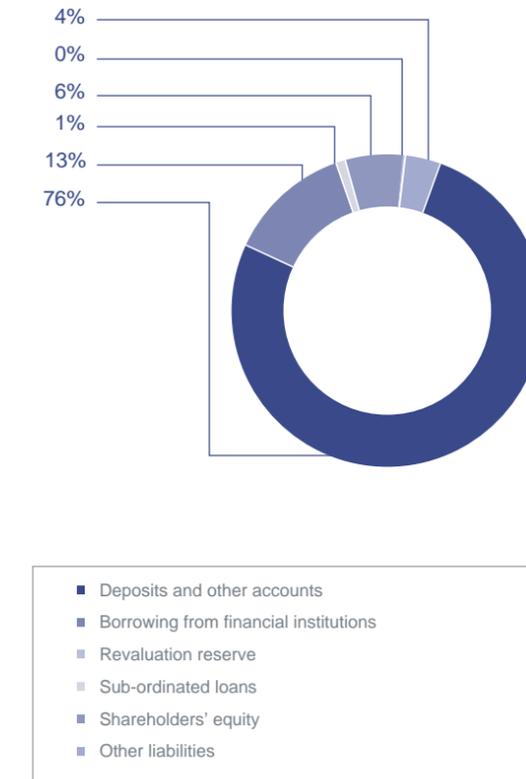


STATEMENT OF FINANCIAL POSITION COMPOSITION

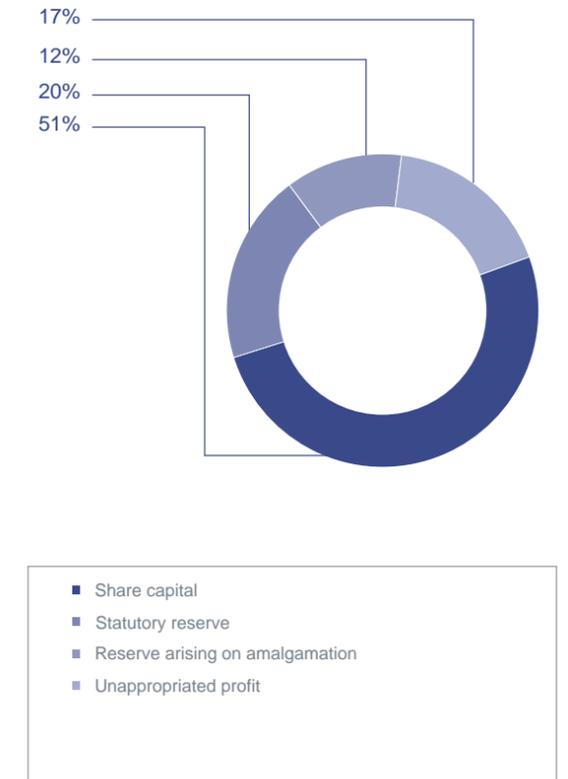
Assets



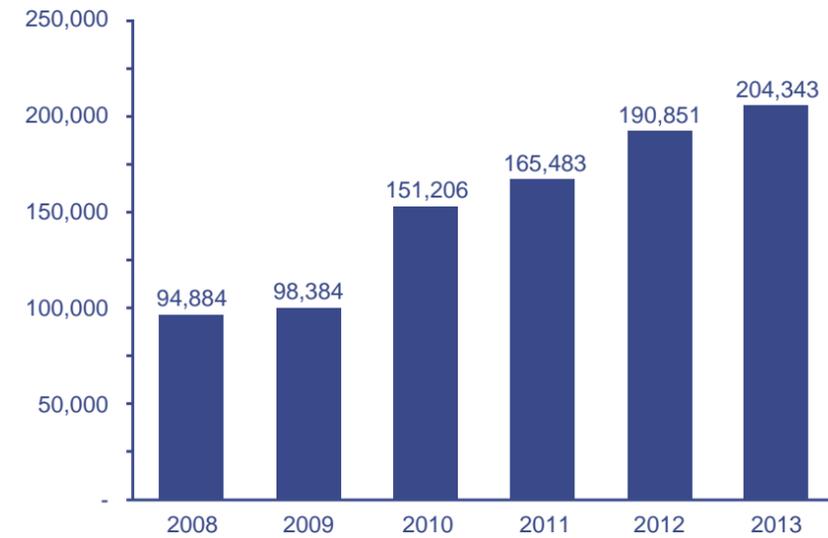
Liabilities & Equity



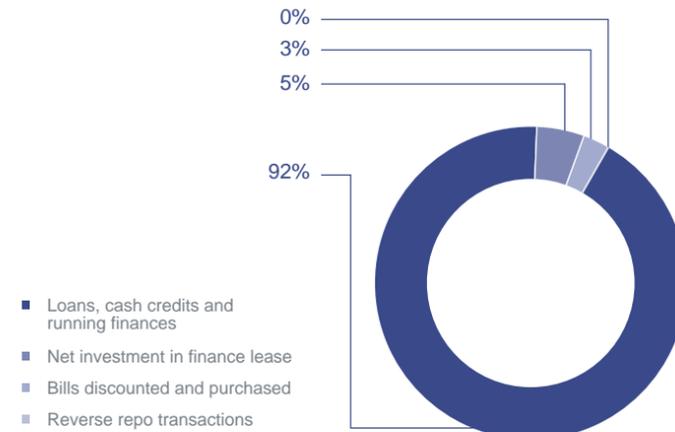
Shareholders' Equity



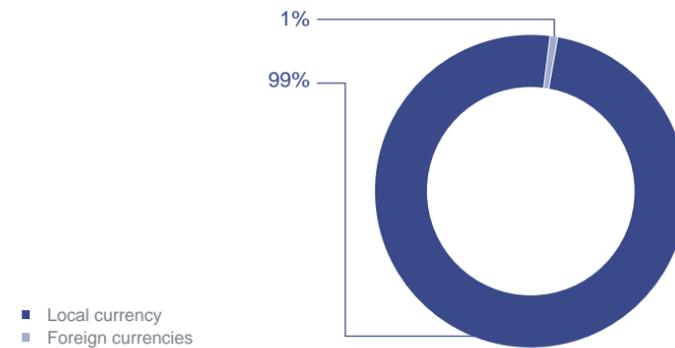
Gross Advances
Rupees in Million



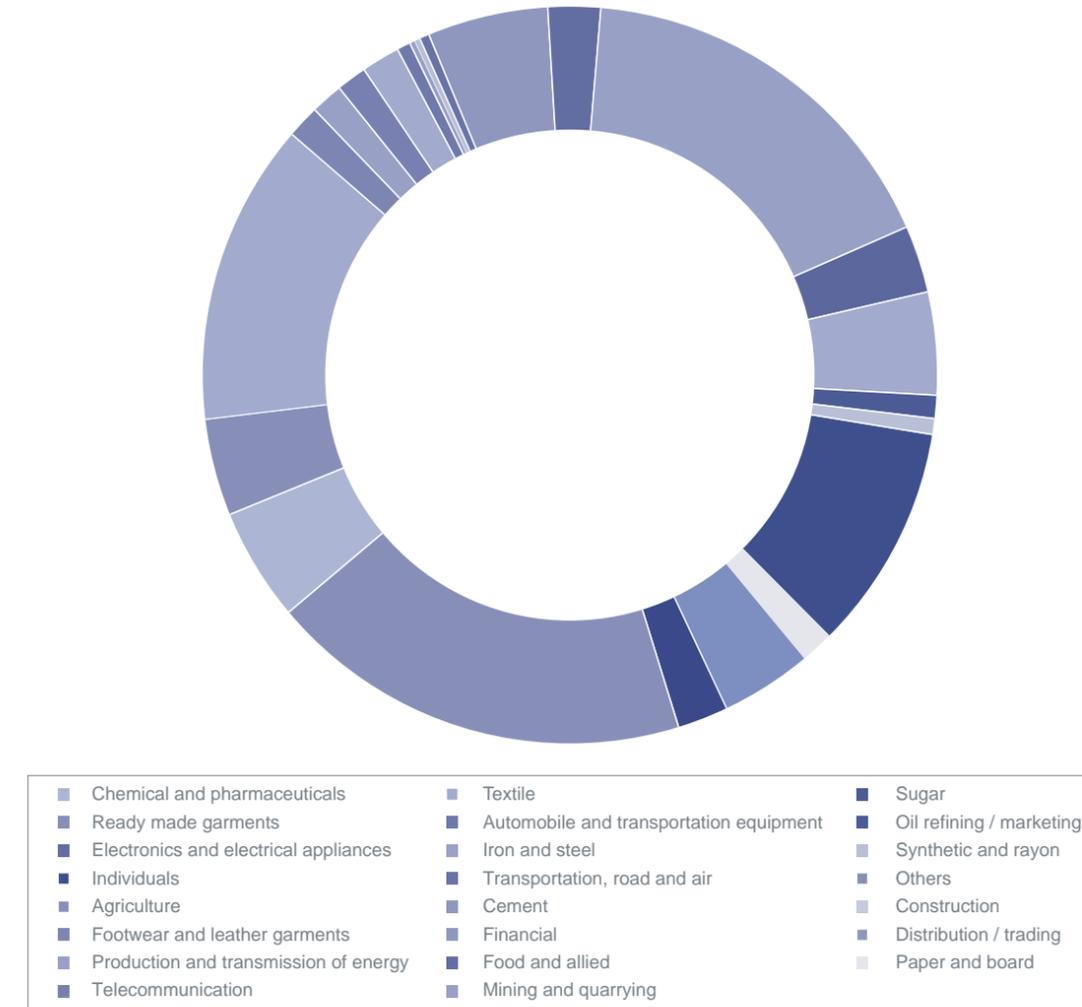
Advances Categorisation



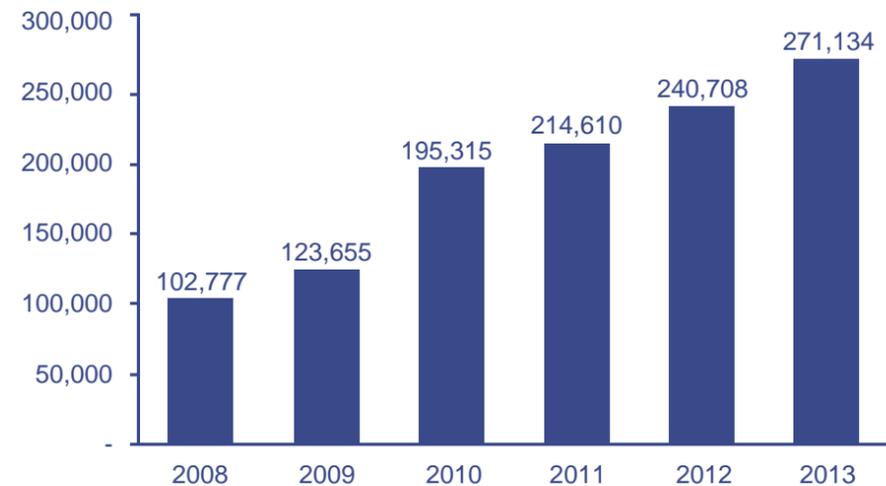
Advances by Currency



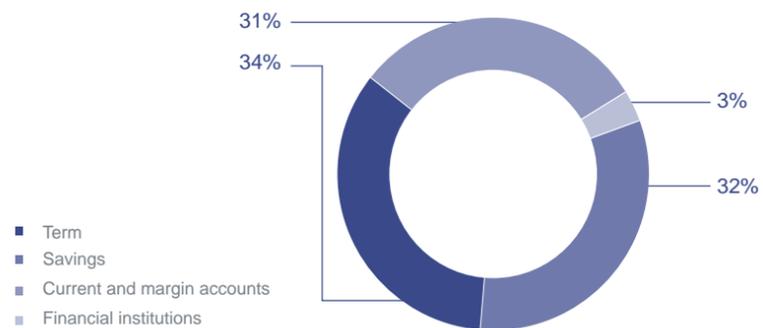
Advances



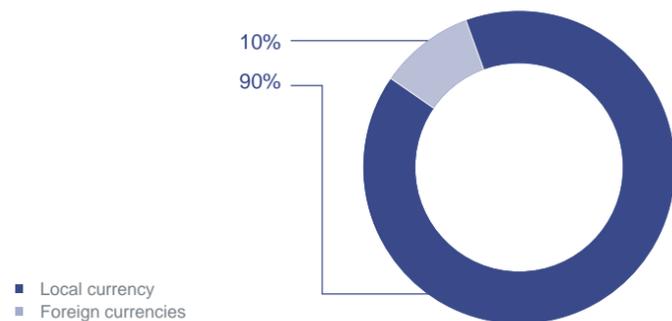
Deposits
Rupees in Million



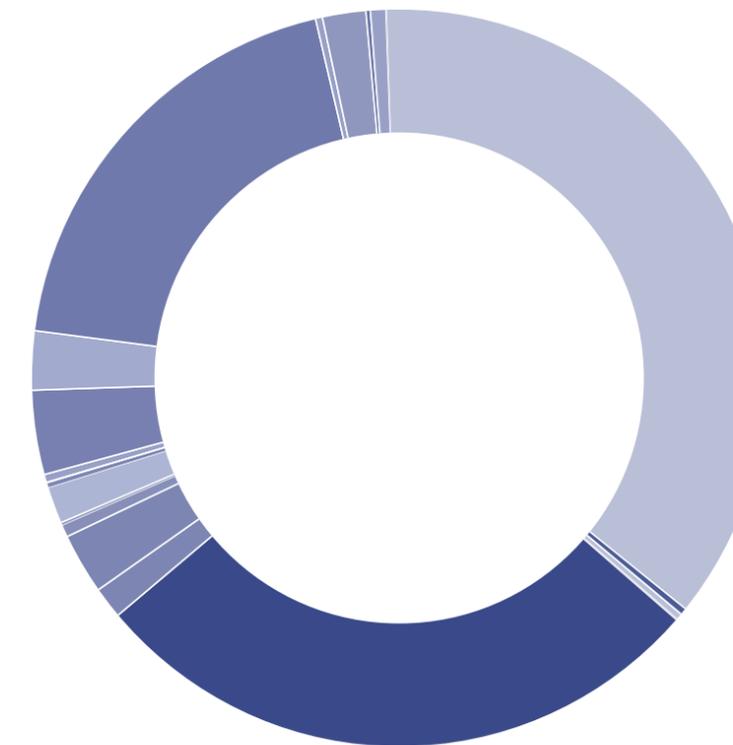
Deposits Categorisation



Deposits by Currency



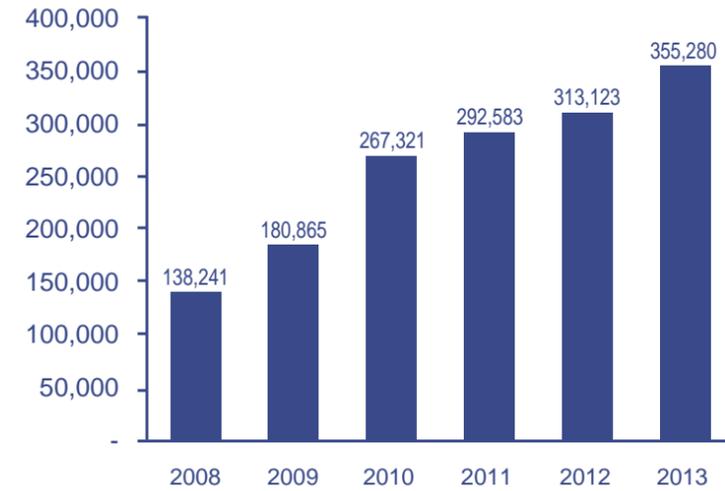
Deposits



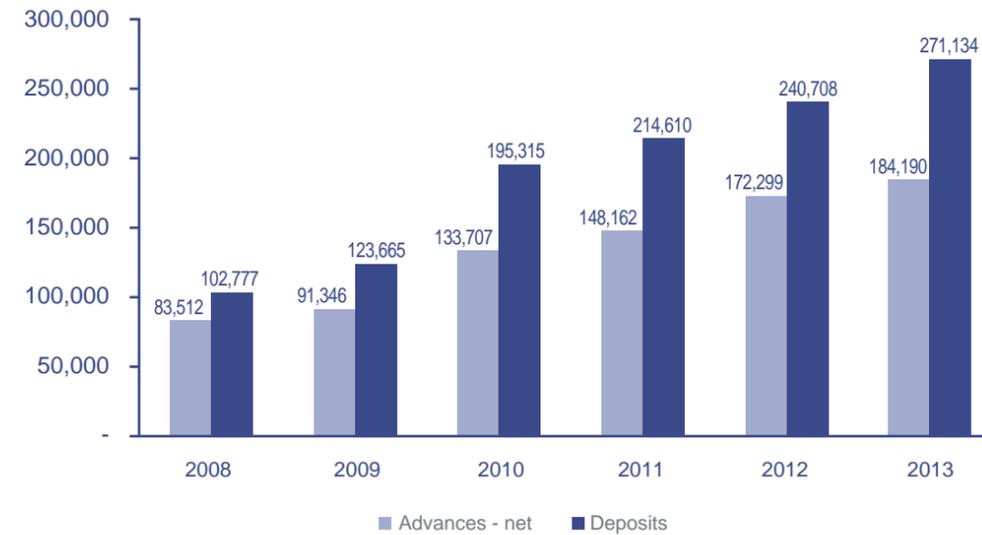
- | | | |
|--------------------------------|---|---|
| ■ Chemical and pharmaceuticals | ■ Synthetic and rayon | ■ Automobile and transportation equipment |
| ■ Construction | ■ Mining and quarrying | ■ Production and transmission of energy |
| ■ Oil refining / marketing | ■ Textile | ■ Individuals |
| ■ Food and allied | ■ Footwear and leather garments | ■ Sugar |
| ■ Transportation, road and air | ■ Electronics and electrical appliances | ■ Financial |
| ■ Agriculture | ■ Paper and board | ■ Iron and steel |
| ■ Ready made garments | ■ Others | ■ Telecommunication |
| ■ Distribution / trading | ■ Cement | |

TOTAL ASSETS AND NET ADVANCES TO DEPOSITS

Total Assets
Rupees in Million

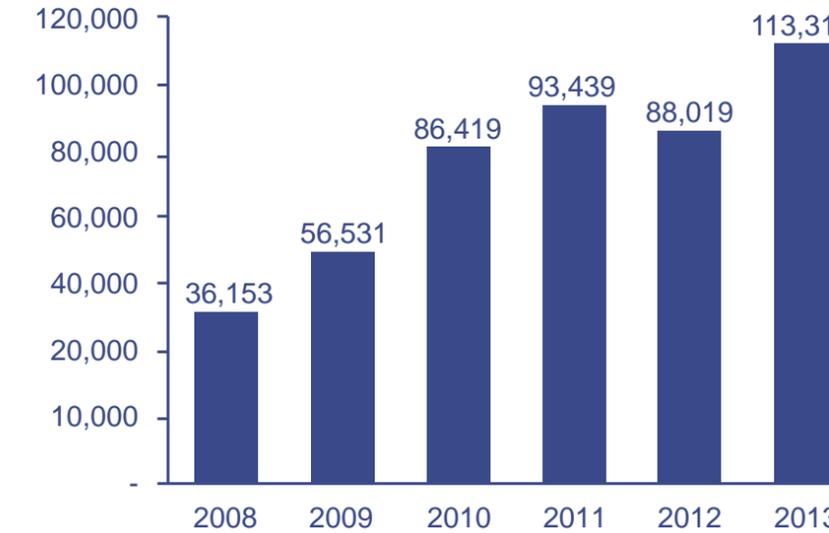


Net Advances to Deposits
Rupees in Million

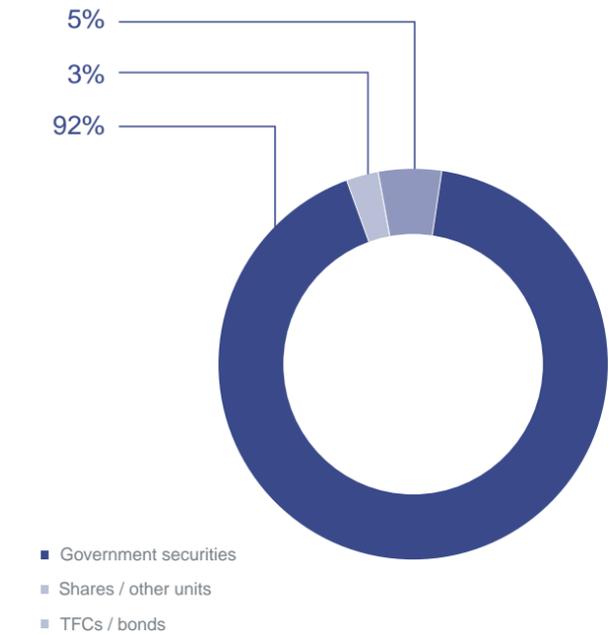


INVESTMENTS

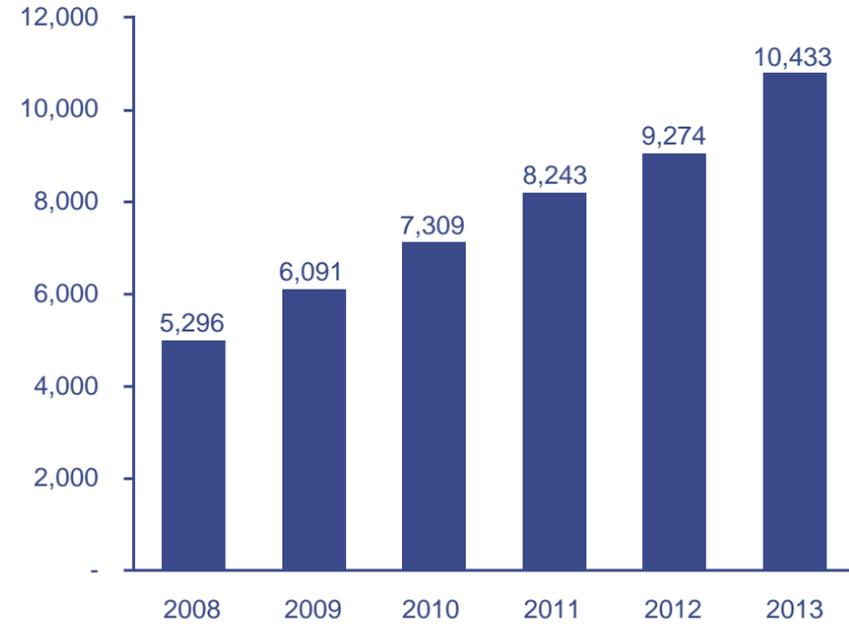
Investments
Rupees in Million



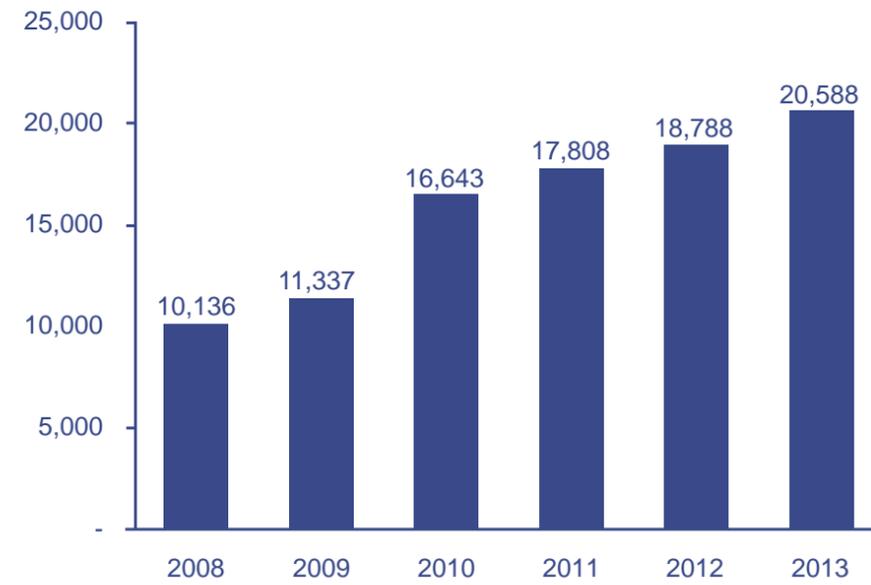
Investments Categorisation



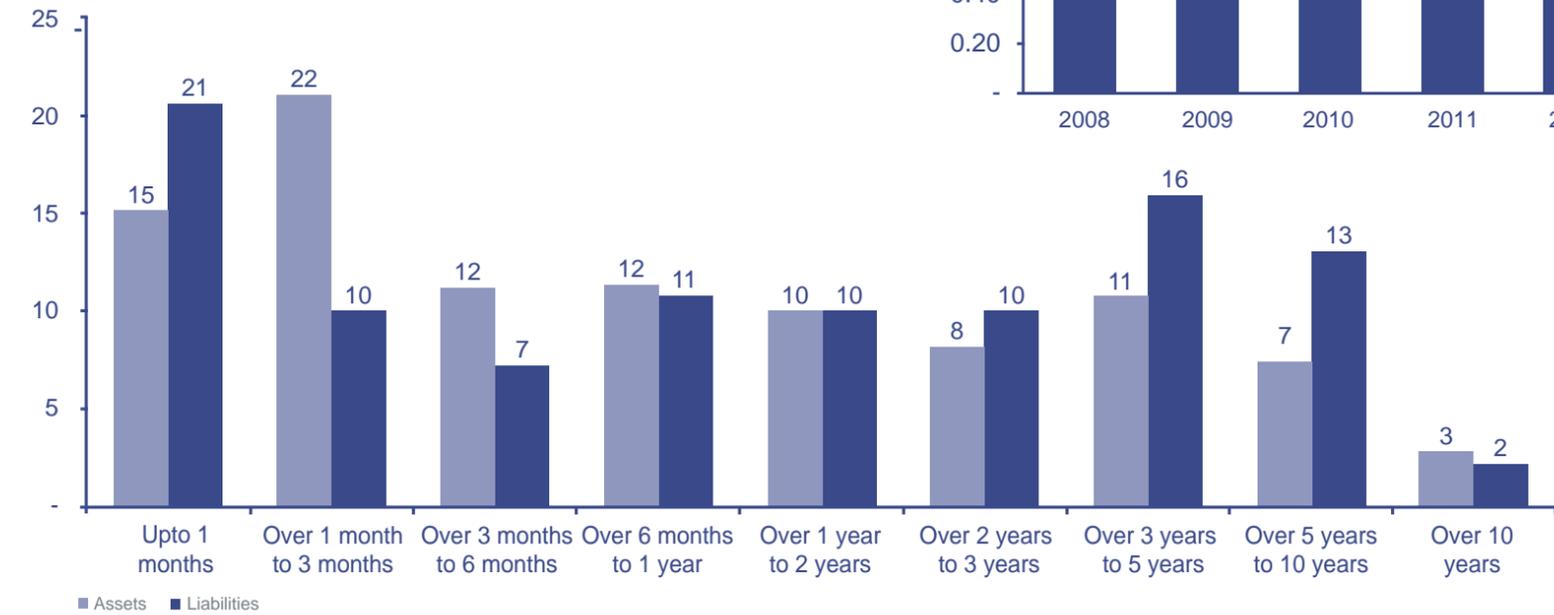
Paid-up Capital
Rupees in Million



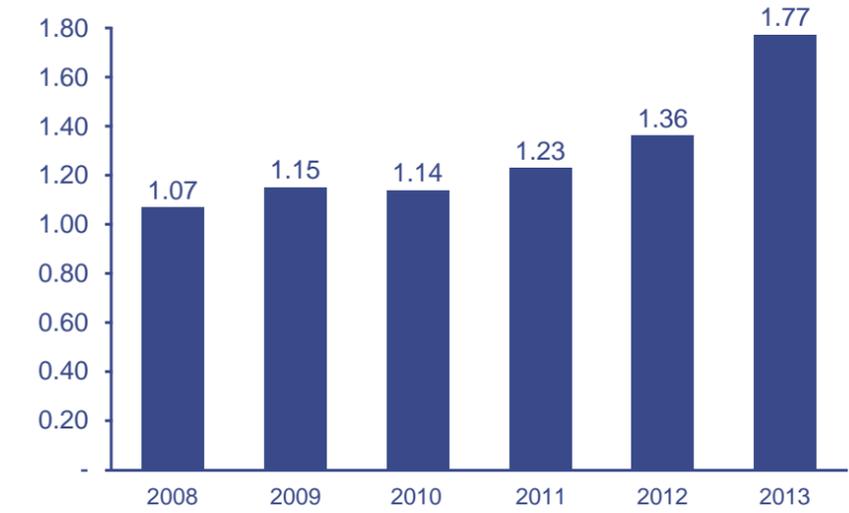
Shareholders' Equity
Rupees in Million



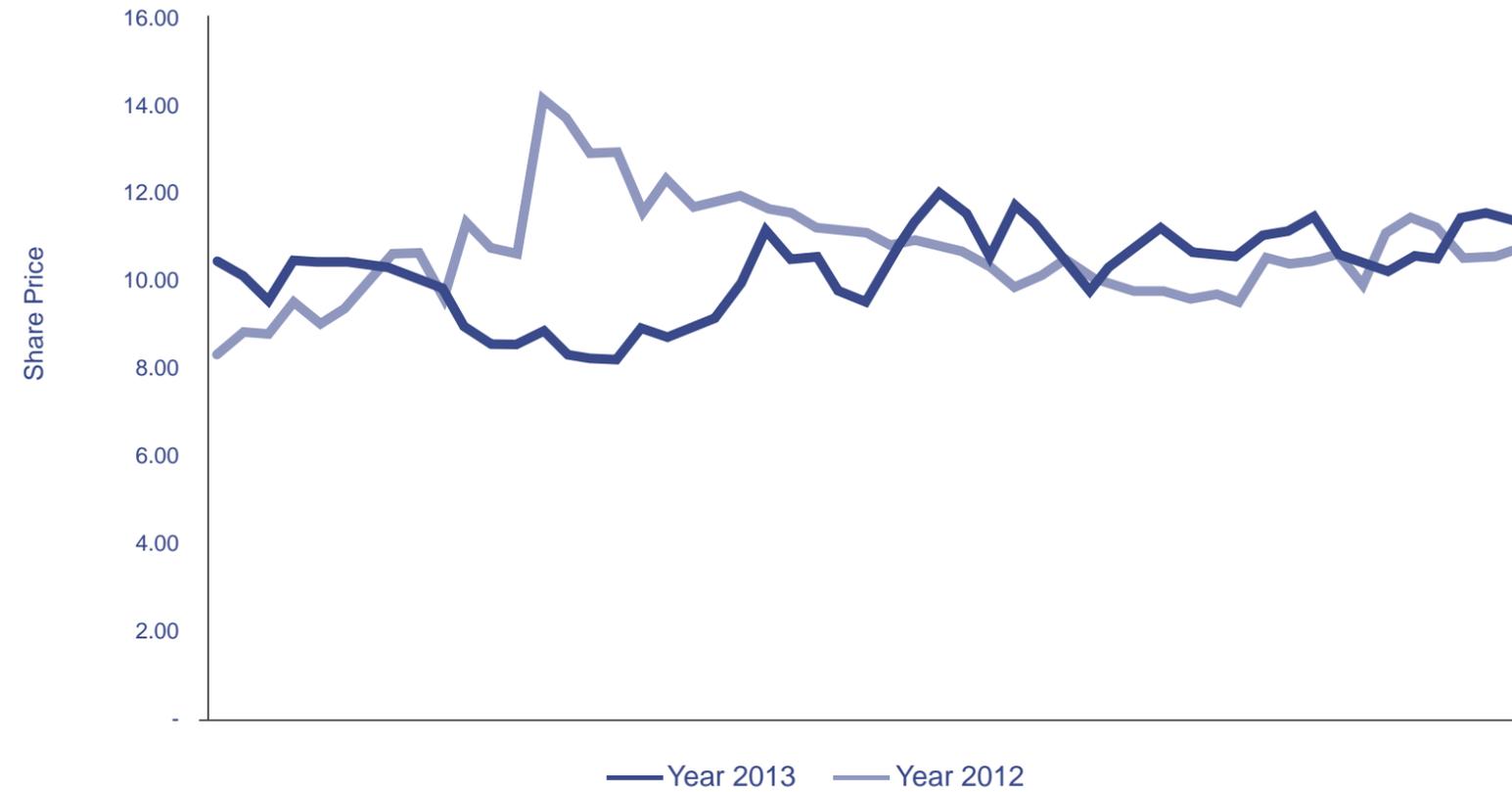
Maturity Profile
Percentage



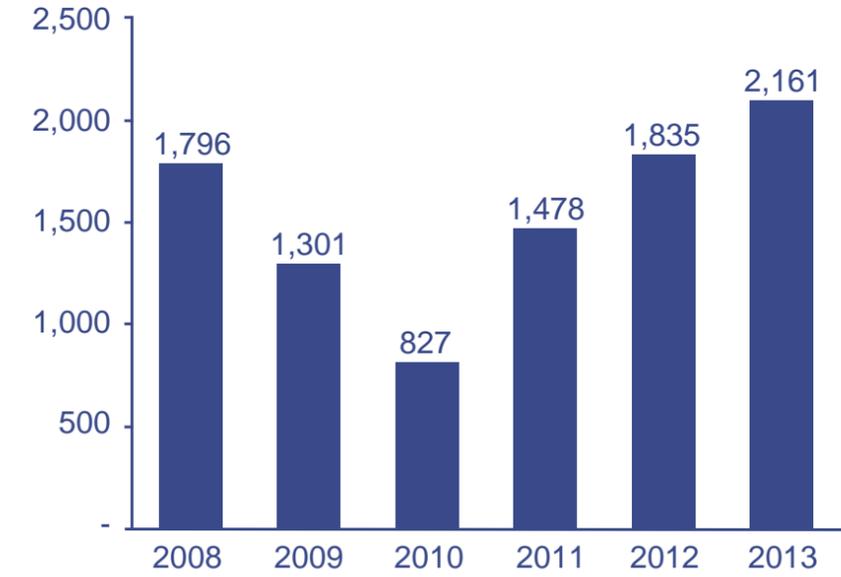
Earnings Per Share
In Rupees



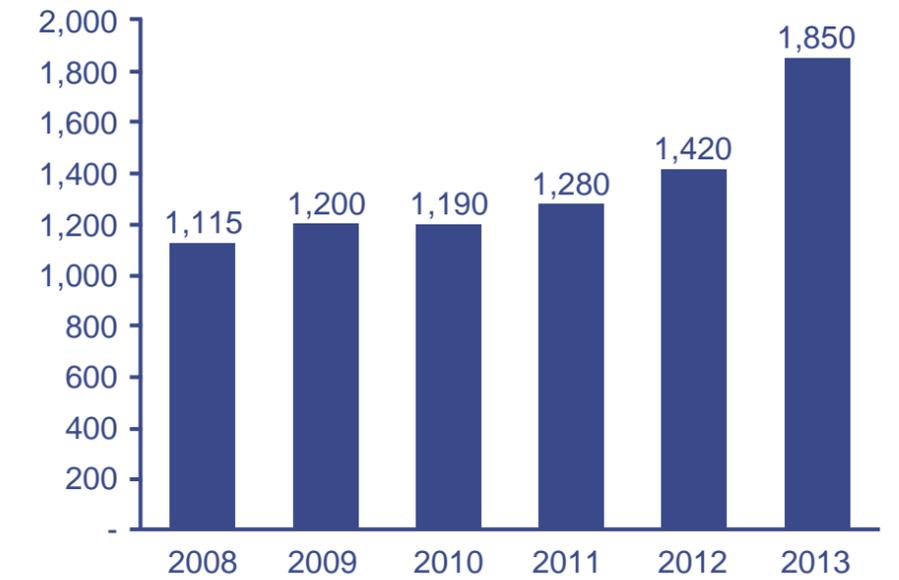
FBL Share Price Movement 2013 vs 2012



Profit before tax
Rupees in Million



Profit after tax
Rupees in Million



QUARTERLY PERFORMANCE 2013 AND 2012

STATEMENT OF FINANCIAL POSITION

ASSETS

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

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 (including proposed shares to be issued on amalgamation)
Reserves
Unappropriated profit
Surplus on revaluation of assets

PROFIT AND LOSS ACCOUNT

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

Rupees in Million

	2013				2012			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
ASSETS								
Cash and balances with treasury banks	28,422	28,915	24,182	22,009	24,509	19,250	18,727	17,581
Balances with other banks	1,012	1,064	1,368	1,868	1,209	2,841	2,521	3,917
Lendings to financial institutions	300	300	-	15,291	-	-	-	200
Investments	113,319	78,369	104,455	86,098	88,019	77,224	80,383	91,673
Advances	184,190	182,505	174,886	172,580	172,299	174,835	168,782	160,789
Operating fixed assets	10,251	10,399	10,495	10,708	10,860	10,795	10,668	10,779
Deferred tax assets - net	3,981	5,221	4,371	4,643	4,387	4,743	5,178	5,194
Other assets	13,804	11,837	11,605	11,745	11,839	11,014	12,414	11,192
	355,280	318,610	331,362	324,941	313,123	300,701	298,674	301,325
LIABILITIES								
Bills payable	4,969	5,766	4,860	3,670	4,244	4,219	3,528	3,399
Borrowings	45,447	34,067	50,707	48,935	35,568	36,477	24,442	46,011
Deposits and other accounts	271,134	246,707	242,804	238,933	240,713	227,140	236,496	215,420
Sub-ordinated loans	3,495	3,746	3,746	3,995	4,195	4,195	4,195	4,196
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-
Other liabilities	8,069	7,016	7,319	8,402	7,366	7,403	10,171	12,850
	333,114	297,302	309,435	303,936	292,086	279,433	278,832	281,875
	22,166	21,308	21,927	21,005	21,037	21,268	19,841	19,451
REPRESENTED BY								
Share capital (including proposed shares to be issued on amalgamation)	10,433	9,274	9,274	9,274	9,274	8,243	8,243	8,243
Reserves	6,554	6,215	6,247	6,278	6,309	6,322	6,455	6,560
Unappropriated profit	3,601	4,554	3,984	3,552	3,205	4,147	3,525	3,245
	20,588	20,043	19,505	19,103	18,788	18,712	18,224	18,048
Surplus on revaluation of assets	1,578	1,265	2,423	1,902	2,249	2,556	1,617	1,403
	22,166	21,308	21,927	21,005	21,037	21,268	19,841	19,451
PROFIT AND LOSS ACCOUNT								
Mark-up / return / interest earned	7,321	7,079	6,808	6,583	7,207	7,550	7,268	6,777
Mark-up / return / interest expensed	4,113	3,919	4,621	4,292	4,796	5,065	4,922	5,055
Net mark-up / interest income	3,208	3,160	2,187	2,290	2,411	2,484	2,346	1,722
Provision and write off	703	935	21	457	648	456	97	199
Non mark-up / interest income	937	1,355	1,194	1,046	1,082	1,918	902	1,375
Non mark-up / interest expenses	3,000	2,785	2,756	2,560	2,727	2,940	2,778	2,559
Profit before taxation	441	796	605	319	118	1,007	372	338
Taxation (reversal) / charge	(104)	245	113	56	(173)	384	134	72
Profit after taxation	545	550	492	263	292	623	239	267



HORIZONTAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010	2009	2008	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007
	Rupees in Million						Variance %					
ASSETS												
Cash and balances with treasury banks	28,422	24,509	18,445	17,429	8,427	8,928	16	33	6	107	(6)	30
Balances with other banks	1,012	1,209	4,686	5,728	509	877	(16)	(74)	(18)	1,025	(42)	(76)
Lendings to financial institutions	300	-	-	-	15,018	2,861	300	-	-	(100)	425	(60)
Investments	113,319	88,019	93,439	86,419	56,531	36,153	29	(6)	8	53	56	15
Advances	184,190	172,299	148,162	133,707	91,346	83,512	7	16	11	46	9	(4)
Operating fixed assets	10,251	10,860	10,850	8,726	2,788	2,647	(6)	0	24	213	5	5
Deferred tax assets - net	3,981	4,387	5,180	5,017	1,280	-	(9)	(15)	3	292	100	-
Other assets	13,804	11,839	11,821	10,295	4,966	3,264	17	0	15	107	52	48
	355,280	313,123	292,583	267,321	180,865	138,242	13	7	9	48	31	(2)
LIABILITIES												
Bills payable	4,969	4,244	3,076	3,219	1,465	1,537	17	38	(4)	120	(5)	(36)
Borrowings	45,447	35,568	39,697	34,636	34,986	13,027	28	(10)	15	(1)	169	30
Deposits and other accounts	271,134	240,708	214,610	195,315	123,655	102,777	13	12	10	58	20	1
Sub-ordinated loans	3,495	4,195	4,395	4,595	999	1,000	(17)	(5)	(4)	360	(0)	-
Liabilities against assets subject to finance lease	-	-	-	-	-	4	-	-	-	-	(100)	(50)
Deferred tax liabilities - net	-	-	-	-	2,483	-	-	-	-	-	(100)	(8)
Other liabilities	8,069	7,371	11,577	13,038	6,977	6,642	9	(36)	(11)	87	5	(4)
	333,114	292,086	273,355	250,803	168,082	127,470	14	7	9	49	32	2
	22,166	21,037	19,228	16,518	12,783	10,772	5	9	16	29	19	(33)
REPRESENTED BY												
Share capital (including proposed shares to be issued)	10,433	9,274	8,243	7,337	6,091	5,296	12	13	12	20	15	-
Reserves	6,554	6,309	6,591	7,355	4,030	3,790	4	(4)	(10)	83	6	6
Unappropriated profit	3,601	3,205	2,974	1,951	1,215	1,050	12	8	52	61	16	(29)
	20,588	18,788	17,808	16,643	11,336	10,136	10	6	7	47	12	(2)
Surplus on revaluation of assets	1,578	2,249	1,420	(125)	1,447	636	(30)	58	(1,236)	(109)	128	(89)
	22,166	21,037	19,228	16,518	12,783	10,772	5	9	16	29	19	(33)

HORIZONTAL ANALYSIS

PROFIT AND LOSS ACCOUNT

	2013	2012	2011	2010	2009	2008	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007
	Rupees in Million						Variance %					
Mark-up / return / interest earned	27,790	28,802	28,825	19,710	16,958	13,404	(4)	(0)	46	16	27	15
Mark-up / return / interest expensed	16,945	19,839	19,619	13,919	11,968	8,455	(15)	1	41	16	42	13
Net mark-up / interest income	10,845	8,963	9,206	5,791	4,990	4,949	21	(3)	59	16	1	19
Provision against non-performing loans and off balance sheet obligation	1,917	1,004	330	1,906	1,966	1,544	91	204	(83)	(3)	27	(14)
(Reversal) / provision for consumer loans - general	123	25	(77)	(90)	(27)	(105)	392	(132)	(14)	233	(74)	(240)
Provision for diminution in the value of investments	111	415	409	287	252	608	(73)	1	43	14	(59)	194
(Recoveries against written-off debts) / bad debts written-off directly	(34)	(42)	33	99	-	-	19	(227)	(67)	-	-	-
	2,116	1,401	695	2,202	2,191	2,047	51	102	(68)	1	7	(2)
Net mark-up / interest income after provisions	8,729	7,562	8,511	3,589	2,799	2,902	15	(11)	137	28	(4)	40
Non mark-up / interest income												
Fee, commission and brokerage income	2,237	1,858	1,773	1,141	885	814	20	5	55	29	9	10
Dividend income	479	432	619	335	668	1,207	11	(30)	85	(50)	(45)	(1)
Income from dealing in foreign currencies	949	769	851	519	400	347	23	(10)	64	30	15	11
Gain / (loss) on sale of securities	306	1,215	(256)	1,340	825	(134)	(75)	(574)	(119)	62	(716)	(112)
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(19)	43	(58)	68	(46)	(3)	(144)	(174)	(185)	(248)	1,433	-
Other income	574	966	1,141	609	81	79	(41)	(15)	87	652	3	80
Total non mark-up / interest income	4,526	5,282	4,070	4,012	2,813	2,310	(14)	30	1	43	22	(33)
	13,255	12,844	12,581	7,601	5,612	5,212	3	2	66	35	8	(5)
Non mark-up / interest expenses												
Administrative expenses	11,079	10,810	10,814	6,644	4,284	3,258	2	(0)	63	55	31	16
Other provisions	(95)	91	225	62	(6)	97	(204)	(60)	263	(1,133)	(106)	1,517
Other charges	117	103	64	68	33	61	14	60	(6)	106	(46)	510
Total non mark-up / interest expenses	11,101	11,004	11,103	6,774	4,311	3,416	1	(1)	64	57	26	21
	2,154	1,841	1,478	827	1,301	1,796	17	25	79	(36)	(28)	(33)
Share of profit / (loss) of associate	7	(5)	-	-	-	-	230	-	-	-	-	-
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	2,161	1,835	1,478	827	1,301	1,796	18	24	79	(36)	(28)	(33)
Taxation - Current	1,078	268	393	239	1,157	156	302	(32)	64	(79)	642	(45)
- Prior years	(1,613)	(227)	289	192	2,823	100	611	(179)	51	(93)	2,723	(308)
- Deferred	846	375	(484)	(794)	(3,880)	426	126	(177)	(39)	(80)	(1,011)	122
	311	416	198	(363)	100	682	(25)	110	(155)	(463)	(85)	60
Profit after taxation	1,850	1,420	1,280	1,190	1,201	1,114	30	11	8	(1)	8	(51)
Basic / diluted earnings per share - Rupees	1.77	1.36	1.23	1.14	1.15	1.07	30	11	8	(1)	8	(66)

VERTICAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010	2009	2008	2013	2012	2011	2010	2009	2008
	Rupees in Million						Composition %					
ASSETS												
Cash and balances with treasury banks	28,422	24,509	18,445	17,429	8,427	8,928	8	8	6	7	5	6
Balances with other banks	1,012	1,209	4,686	5,728	509	877	0	0	2	2	0	1
Lendings to financial institutions	300	-	-	-	15,018	2,861	0	-	-	-	8	2
Investments	113,319	88,019	93,439	86,419	56,531	36,153	32	28	32	32	31	26
Advances	184,190	172,299	148,162	133,707	91,346	83,512	52	55	51	50	51	60
Operating fixed assets	10,251	10,860	10,850	8,726	2,788	2,647	3	3	4	3	2	2
Deferred tax assets - net	3,981	4,387	5,180	5,017	1,280	-	1	1	2	2	1	-
Other assets	13,804	11,839	11,821	10,295	4,966	3,264	4	4	4	4	3	2
	355,280	313,123	292,583	267,321	180,865	138,242	100	100	100	100	100	100
LIABILITIES												
Bills payable	4,969	4,244	3,076	3,219	1,465	1,537	1	1	1	1	1	1
Borrowings	45,447	35,568	39,697	34,636	34,986	13,027	13	11	14	13	19	9
Deposits and other accounts	271,134	240,708	214,610	195,315	123,655	102,777	76	77	73	73	68	74
Sub-ordinated loans	3,495	4,195	4,395	4,595	999	1,000	1	1	2	2	1	1
Liabilities against assets subject to finance lease	-	-	-	-	-	4	-	-	-	-	-	0
Deferred tax liabilities - net	-	-	-	-	-	2,483	-	-	-	-	-	2
Other liabilities	8,069	7,371	11,577	13,038	6,977	6,642	2	2	4	5	4	5
	333,114	292,086	273,355	250,803	168,082	127,470	94	93	93	94	93	92
	22,166	21,037	19,228	16,518	12,783	10,772	6	7	7	6	7	8
REPRESENTED BY												
Share capital	10,433	9,274	8,243	7,337	6,091	5,296	3	3	3	3	3	4
Reserves	6,554	6,309	6,591	7,355	4,030	3,790	2	2	2	3	2	3
Unappropriated profit	3,601	3,205	2,974	1,951	1,215	1,050	1	1	1	1	1	1
	20,588	18,788	17,808	16,643	11,336	10,136	6	6	6	6	6	7
Surplus on revaluation of assets	1,578	2,249	1,420	(125)	1,447	636	0	1	0	(0)	1	0
	22,166	21,037	19,228	16,518	12,783	10,772	6	7	7	6	7	8

VERTICAL ANALYSIS

PROFIT AND LOSS ACCOUNT

	2013	2012	2011	2010	2009	2008	2013	2012	2011	2010	2009	2008
	Rupees in Million						Composition %					
Mark-up / return / interest earned	27,790	28,802	28,825	19,710	16,958	13,404	100	100	100	100	100	100
Mark-up / return / interest expensed	16,945	19,839	19,619	13,919	11,968	8,455	61	69	68	71	71	63
Net mark-up / interest income	10,845	8,963	9,206	5,791	4,990	4,949	39	31	32	29	29	37
Provision against non-performing loans and off balance sheet obligation	1,917	1,003	330	1,906	1,966	1,544	7	3	1	10	12	12
(Reversal) / provision for consumer loans - general	123	25	(77)	(90)	(27)	(105)	0	0	(0)	(0)	(0)	(1)
Provision for diminution in the value of investments (Recoveries against written-off debts) / bad debts written-off directly	111	415	409	287	252	608	0	1	1	1	1	5
	(34)	(42)	33	99	-	-	(0)	(0)	0	1	-	-
	2,116	1,401	695	2,202	2,191	2,047	8	5	2	11	13	15
Net mark-up / interest income after provisions	8,729	7,562	8,511	3,589	2,799	2,902	31	26	30	18	17	22
Non mark-up / interest income												
Fee, commission and brokerage income	2,237	1,858	1,773	1,141	885	814	8	6	6	6	5	6
Dividend income	479	432	619	335	668	1,207	2	1	2	2	4	9
Income from dealing in foreign currencies	949	769	851	519	400	347	3	3	3	3	2	3
Gain / (loss) on sale of securities	306	1,215	(256)	1,340	825	(134)	1	4	(1)	7	5	(1)
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(19)	43	(58)	68	(46)	(3)	(0)	0	(0)	0	(0)	(0)
Other income	574	966	1,141	609	81	79	2	3	4	3	0	1
Total non mark-up / interest income	4,526	5,283	4,070	4,012	2,813	2,310	16	18	14	20	17	17
	13,255	12,845	12,581	7,601	5,612	5,212	48	45	44	39	33	39
Non mark-up / interest expenses												
Administrative expenses	11,079	10,810	10,814	6,644	4,284	3,258	40	38	38	34	25	24
Other provisions	(95)	91	225	62	(6)	97	(0)	0	1	0	(0)	1
Other charges	117	103	64	68	33	61	0	0	0	0	0	0
Total non mark-up / interest expenses	11,101	11,004	11,103	6,774	4,311	3,416	40	38	39	34	25	25
	2,154	1,841	1,478	827	1,301	1,796	8	6	5	4	8	13
Share of profit / (loss) of associate	7	(5)	-	-	-	-	0	-	-	-	-	-
Extraordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	2,161	1,836	1,478	827	1,301	1,796	8	6	5	4	8	13
Taxation - Current	1,078	268	393	239	1,157	156	4	1	1	1	7	1
- Prior years	(1,613)	(227)	289	192	2,823	100	(6)	(1)	1	1	17	1
- Deferred	846	375	(484)	(794)	(3,880)	426	3	1	(2)	(4)	(23)	3
	311	416	198	(363)	100	682	1	1	1	(2)	1	5
Profit after taxation	1,850	1,420	1,280	1,190	1,201	1,114	7	5	4	6	7	8

STATEMENT OF VALUE ADDED

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

Administrative expenses
Value Added

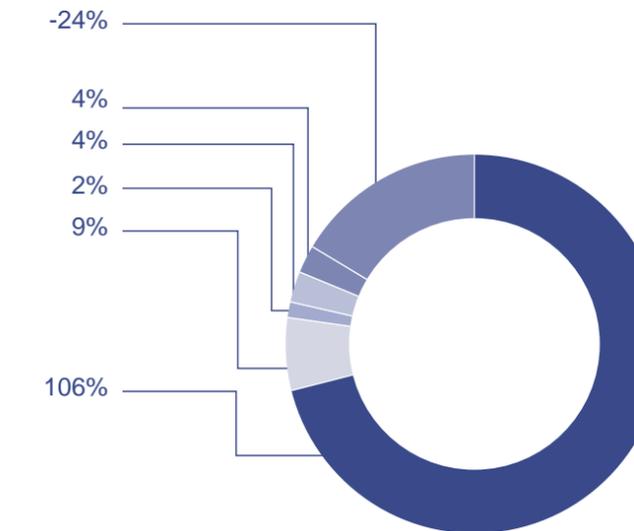
Distributed as follows:

To Depositors
 As profit on investments
 To Employees
 As remuneration
 To Financial Institutions
 As profit on borrowings
 To Shareholders
 As dividends / bonus
 To Government
 As income tax
 To Society
 As donations
 Retained in Business
 As reserves and retained profits

	2013		2012	
	Rs. '000	%	Rs. '000	%
Mark-up / return / interest earned - net of provisions	25,680,731	106	27,396,144	102
Fee, commission and brokerage income	2,237,474	9	1,857,688	7
Dividend income	479,352	2	431,656	2
Income from dealing in foreign currencies	948,598	4	769,394	3
Derivative income, gain on sale of investments etc.	860,760	4	2,222,981	8
30,206,915	125		32,677,863	122
Administrative expenses	5,937,744	(25)	5,934,909	(22)
Value Added	24,269,171	100	26,742,954	100
Distributed as follows:				
To Depositors As profit on investments	12,654,607	52	14,510,879	54
To Employees As remuneration	5,116,619	21	5,024,176	19
To Financial Institutions As profit on borrowings	4,290,708	18	5,327,866	20
To Shareholders As dividends / bonus	1,159,189	5	1,030,390	4
To Government As income tax	310,873	1	415,583	2
To Society As donations	46,458	0	44,606	0
Retained in Business As reserves and retained profits	690,717	3	389,454	1
24,269,171	100		26,742,954	100

STATEMENT OF VALUE ADDED

Income 2013



■ Mark-up / return / interest earned - net of provisions
 ■ Dividend income
 ■ Derivative income, gain on sale of investments etc.

■ Fee, commission and brokerage income
 ■ Income from dealing in foreign currencies
 ■ Administrative expenses

Distribution 2013



■ To Employees
 ■ To Government
 ■ To Depositors

■ To Financial Institutions
 ■ To Society
 ■ To Shareholders
 ■ Retained in Business

Beckoning

To the awakened the twilight becomes the harbinger of change.
The path forward lights up for those who rise up to the opportunity
as their destiny beckons.

سُرمئی دیس کے سنے لے کر
شبم زمزمہ پر پھر آئی
پھر چکنے لگیں سونی راہیں
سربانوں کی صدا پھر آئی
ناصر



NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of Faysal Bank Limited (FBL) will be held on March 28, 2014 at 9:00 a.m. at Beach Luxury Hotel, Jasmine Hall, Karachi. To transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 18th Annual General Meeting held on March 28, 2013.
 2. To receive and adopt Annual Audited Accounts, Statement of Compliance with Code of Corporate Governance of FBL for the year ended December 31, 2013 together with the Directors and Auditors Reports thereon.
 3. To elect seven (07) Directors of FBL for a period of three years commencing from April 10, 2014 in accordance with the provisions of the Companies Ordinance, 1984 and Memorandum and Articles of Association. The names of retiring Directors are as under:
 1. Syed Naseem Ahmad
 2. Mr. Farooq Rahmatullah
 3. Mr. Shahid Ahmad
 4. Lt. Gen. Muhammad Maqbool (Retd.)
 5. Mr. Imtiaz Ahmed Pervez
 6. Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery
 7. Mr. Juma Hasan Ali Abul
- The Board of Directors has fixed the number of Directors to be elected at this meeting to be Seven (07) at the Board meeting held on December 20, 2013. The retiring Directors shall be eligible to offer themselves for re-election in accordance with applicable Regulations.
4. To consider and approve 12.5% interim Bonus shares approved by the Board of Directors for the third quarter ended September 30, 2013 issued to the Shareholders on December 02, 2013 now placed for Post Facto approval by the Shareholders.
 5. To appoint External Auditors for the ensuing financial year 2014 at a mutually agreed rate of remuneration. The present Auditors, A.F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

6. Any other business with the permission of the Chair.

SPECIAL BUSINESS:

7. **To consider and approve FBL's investment of up to PKR 1.0 billion into the funds of Faysal Asset Management Limited (FAML) to be launched during 2014 as seed money and pass the following Special Resolutions as required by Section 208 of the Companies Ordinance 1984 with or without modifications:**

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

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

8. **To approve disposal of fractional shares created out of the issuance of 12.5% Interim Bonus shares by the Bank for the third quarter ended September 30, 2013 on Post facto basis by passing the following resolutions as ordinary resolutions with or without amendments:**

RESOLVED THAT:

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

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

9. **To approve the remuneration paid to the Chairman, Non-Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board committees for the year ended December 31, 2013 and to pass the following resolution as an ordinary Resolution:**

RESOLVED THAT:

The remuneration paid to the Chairman, Non-Executive and Independent Directors of the Bank for attending Board meetings and meetings of the Board Committees i.e. (Recruitment, Nomination and Remuneration Committee; Board Risk Management Committee; Audit Committee and Working Group Committee) as disclosed in Note 38 of the Audited Financial Statements of the Bank for the year ended December 31, 2013, be and is hereby approved.

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

The scale of remuneration for the sub-committee of the Board of Directors i.e. Working Group Committee at US\$ 3000 per meeting for each member, be and is hereby approved and confirmed.

10. **To consider and approve the payment and/or reimbursement of the travel and lodging expenses on actual to the Independent and Non-Executive Directors of FBL incurred in relation or with respect to attending the Board and Committee Meetings by passing the following as special resolution:**

RESOLVED THAT:

The payment and/or reimbursement of the travel and lodging expenses on actual basis incurred by the Independent and Non-Executive Directors of FBL in relation or with respect to attending the Board and Committee Meetings of FBL be and is hereby approved.

Karachi, dated: March 6, 2014

By the order of the Board



Aurangzeb Amin
Company Secretary & Head of Legal

Notes:

1. The Share Transfer Books of the Bank shall remain closed from March 21, 2014 to March 28, 2014 (both days inclusive). Transfer received at the Registrar and Share Transfer Agent of the Bank, by the close of business on March 20, 2014 will be treated in time.
2. Any member who seeks to contest an election to the office of Director shall file with the Company a notice of his/her intention to offer him/herself for election of directors at Registered Office, Faysal House, ST-02, Commercial Lane, Main Shahrah-e-Faisal, Karachi, not later than 14 days before the date of Annual General Meeting. The consent should accompany relevant declarations as required under the Code of Corporate Governance.

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

3. A member entitled to attend and vote at the Meeting may appoint another Member as per his/her proxy to attend and vote for him/her provided that a corporation may appoint as its proxy a person who is not a member, but is duly authorised by the corporation. Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the holding of the Meeting.
4. Members are required to timely notify any change in their address to Bank's Registrar/Share Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting :

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

- v) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement of Material Facts under Section 160(1)(b) of the Companies Ordinance 1984 relating to the Special Business referred to in Clause 6 of the Notice above:

This statement sets out the material facts concerning the following Special Business to be transacted at the Annual General Meeting of Shareholders of FBL to be held on March 28, 2014.

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

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

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

a) Name of the associated company along with criteria on which the associated relationship is established

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

b) Purpose, benefits and period of investment

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

c) Maximum amount of investment

Investment of up to PKR 1.0 Billion

d) Maximum price at which securities will be acquired

Face value

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

e) Maximum number of securities to be acquired

Dependent upon number of funds launched by FAML.

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

Not applicable

g) Fair market value of securities

Not applicable

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

Not applicable

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

Not applicable

j) Source of funds from which securities will be acquired

Units will be purchased from FBL's own sources.

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

Not applicable

l) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company or the transaction

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

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

II) To approve disposal of fractional shares created out of the issuance of 12.5% Interim Bonus shares by the Bank for the third quarter ended September 30, 2013 on Post facto basis.

In the event of any member holding fraction of a share, the Company Secretary be and is hereby authorised to consolidate each Fractional entitlement and sell in the stock market and donate the proceeds of sale (less expenses) when realised to the charitable trust Waqf Faisal .

III) To approve the remuneration paid to the Chairman, Independent and Non-Executive Directors of FBL for attending Board and Committee Meetings for the year ended December 31, 2013

The remuneration paid to the Independent and Non-Executive Directors was approved by the Board of Directors in terms of Article 104 of the Articles of Association of the Bank. The remuneration paid requires approval on post facto basis of the shareholders in Annual General Meeting in terms of requirements of the Prudential Regulations issued by the State Bank of Pakistan.

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

IV) To consider and approve the payment and/or reimbursement of the travel and lodging expenses on actual to the Independent and Non-Executive Directors of FBL incurred in relation or with respect to attending the Board and Committee Meetings by passing the following as special resolution:

The Board of Directors in its Meeting held on February 27, 2014 recommended the payment and/or reimbursement of the travel and lodging expenses on actual basis incurred by the Independent and Non-Executive Directors in relation or with respect to attending the Board and Committee Meetings of FBL.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance, prepared by the Board of Directors of **Faysal Bank Limited** ('the Bank') for the year ended December 31, 2013 to comply with the requirements of Regulation No. 35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange where the Bank is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code of Corporate Governance requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2013.

Chartered Accountants
Karachi
Dated: March 6, 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company: Faysal Bank Limited
Year Ended: December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 chapter (XI) of listing Regulations of the Stock Exchanges for the purpose of establishing a framework of good corporate governance whereby a listed company is managed in compliance with the best practices of the Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. Shahid Ahmad Lt. Gen. Muhammad Maqbool (Retd.)
Executive Directors	Mr. Naved A. Khan, President & CEO
Non-Executive Directors	Mr. Syed Naseem Ahmad Mr. Farooq Rahmatullah Mr. Imtiaz Ahmed Pervez Mr. Ahmed Abdulrahim Mr. Mohamed Abdulla Bucheery Mr. Juma Hasan Ali Abul

2. The Directors have confirmed that none of them is serving as a Director on more than

seven listed companies, including the Bank.

3. All the resident Directors of the Bank are registered taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Institution or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies on the Board occurred on March 26, 2013 which were filled up by the directors on the same day. The approval from the State Bank of Pakistan (SBP) for incoming directors was received on June 11, 2013. Two more casual vacancies on the Board occurred on October 8, 2013 which were filled up by the Directors on the same day and appointments were made subject to the approval of the SBP. The approval for one incoming director was received on December 4, 2013 and for another director was received on January 2, 2014. Accordingly, all the positions were duly filled up within 90 days.
5. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has adopted a vision/mission statement, overall corporate strategy and significant policies for the Bank. A complete

record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of President & CEO, other Executive and Non-executive Directors, have been taken by the board/shareholders, as appropriate.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board of Directors met five times in the year 2013. Written notice of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board had approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
10. The Directors of Faysal Bank Limited are professionally qualified and experienced persons and are well aware of their duties and responsibilities. The Pakistan Institute of Corporate Governance has awarded certification of Certified Director to four of the Board Members of the Bank and one director is exempted for the necessary

training programme as per the criteria set by the SECP.

11. The Director s Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient features required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the President & CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all applicable corporate and financial reporting requirements as required by the CCG.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are Non-Executive Directors and the Chairman of the Committee is an Independent Director.
16. Four meetings of Audit Committee were held during the year, once in every quarter prior to approval of interim and final results of the Bank as required by the CCG. The terms of reference of Audit Committee have been framed and approved by the Board and have been advised to the committee for compliance.
17. The Board has formed a Recruitment, Nomination and Remuneration Committee

(RNRC). It comprises six members, of whom four are Non-Executive Directors, one is an Independent Director and one is Executive Director. The Chairman of the Committee is a Non-Executive Director.

18. The Audit Committee members also met with External Auditors of the Bank without CFO and Head of Internal Audit and with Head of Internal Audit and other members of the Internal Audit function as required under the provisions of CCG.
19. The Board has set up an Internal Audit function. The staff of Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
20. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of Faysal Bank Limited or its associates and the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. 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.

22. The closed period prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank s securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material/Price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material principles contained in the CCG have been complied with.

Karachi
Dated: February 27, 2014


Naved A. Khan
President & CEO

Commitment

Once a people commit to a cause with all their might, with sight set on the goal, and a grand vision as their driver, the tethers are broken, all hurdles overcome. When commitment surges, no sacrifice is spared.

اب ٹوٹ گریں گی زنجیریں اب زندانوں کی خیر نہیں
جو دریا جھوم کے اٹھے ہیں تنکوں سے نہ ٹال جائیں گے

کٹتے بھی چلو بڑھتے بھی چلو بازو بھی بہت ہیں سر بھی بہت
چلتے بھی حکو کا ڈبے منزل پر ہی ڈالے جائیں گے
فیض

وعدہ



DIRECTORS'

Report

For the year ended
December 31, 2013

On behalf of the Board of Directors, I am pleased to present the Nineteenth Annual Report of Faysal Bank Limited along with audited financial statements and the Auditor's Report thereon for the year ended December 31, 2013.

Economic Update:

The economy depicted a rather divergent performance during 2013 as the two halves were separated by a new government subsequent to which the country returned to the IMF program. The positives for 1st Half '13 included a return of CPI inflation to single digit after 2007 and narrowing of the current account deficit to 1% of GDP against a budgeted estimate of 1.9%. Even though the GDP growth remained below par and decelerated to 3.6% against 4.4% in FY'12 - a rather disappointing performance despite an accommodative monetary policy and expansionary fiscal spending commensurate with an election year. However the most disconcerting aspect was the fiscal performance which recorded a deficit of 8% for full FY'13 against a budgeted target of 4.7%. Like in previous years poor tax collection, overruns in discretionary spending and untargeted subsidies featured prominently in the list of causes. To further complicate the situation this deficit was almost entirely financed by domestic sources as multilateral flows had dried up since suspension of the previous IMF Stand-by Arrangement.

The fiscal drain and the dwindling foreign exchange reserve position resulted in an enormous pressure for the incoming government to secure multilateral financing and hence they promptly secured IMF funding under the Extended Fund Facility (EFF) program worth \$6.64 Bio spanned over 3 years during the 3rd quarter of CY'13. Prerequisites for entry into this program proved rather politically tough for an incoming government as from the very onset the GOP had to undertake "prior actions" which included; an increase in power tariffs, Imposing gas levy charges, broadening the tax net, building up of SBP foreign exchange reserves from the open market and finalizing a restructuring plan for Public Sector Enterprises which have been a major drain on the GOP's diminishing resource pool.

The re-entry into the IMF program set up the pace for the divergence in the second half of CY'13 as inflation surged abruptly due to; sharp rise in the electricity tariffs, upward revision in GST from 16 to 17%, upsurge in the prices of perishable food and weakening of the Pak Rupee and its resultant effect on petroleum prices. The last strongly impacts inflationary expectations as it plays an important role in the price setting behavior at retail level. Hence the CPI surged to 8.9% in 2nd Half CY'13 as against 7.4% for full FY'13 and prompted the SBP to increase the discount rate by 100 BPS to 10% by November '13. The SBP expects CPI inflation to be between 10-11% for full FY'14 against an initial target of 8%.

Looking ahead adherence to IMF structural benchmarks and curtailing the growing fiscal deficit to 6.3% in FY'14 may dominate economic policy making in the near term. The fiscal performance will hinge on; elimination of power subsidies (already under way), controlling interest expense on domestic debt and from tax collection which may face challenges from subdued growth and slowdown in imports. The external account despite being thrown a life line by the EFF program still faces a lot of head winds from; the widening current account deficit in the first half (which at \$ 1.6 Bio is not consistent with the annual target) and the recent resurgence of global oil prices whereas export growth may face challenges from a slowdown in our trading partners economies and energy constraints at home. These factors need to be timely mitigated by inflows from International Financial Institutions,

Source of Economic Information: SBP web site and SBP Annual Report for 2012-13

a sovereign bond issue, successful auctioning of the 3G licenses and settlement of Etisalat dues. If the fiscal and external position is managed in a prudent manner alongside the internal security paradigm then there is a real chance that by the end of FY'14 Pakistan's economy would be on solid footing for an elongated cycle of 5-7% GDP growth commensurate with the country's potential and to accommodate new entrants in the work force.

Bank's Performance:

The Bank continued to concentrate its efforts on increasing revenue from core business activities. This was done by mobilizing low cost current and saving deposit, rationalizing administrative costs, proactively managing credit costs / NPLs and reducing their impact by recovering classified loans. We have made significant progress on the aforementioned issues and the Bank's results reflect the fruits of these efforts. Some of the key developments during the period under review are highlighted below:

1) Customer Franchise

a) Corporate and Investment Banking

Corporate Banking continued to deliver profitable transactions for the bank during 2013 and completed several transactions in the areas of direct customer financing, import finance facilities, working capital lending as well as cash management. On a cumulative basis funded and non-funded transactions totaled approximately PKR 9.0 billion whereas the cash management mandates secured in 2013 involve the management and collection of over PKR 25 billion.

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

- Financial close as Lead Advisor and Arranger for PKR 22 billion financing arrangement for expansion Isomerization and DHDS up gradation project of one of the largest and most reputable refineries in the Country
- Acted as Financial Advisor for setting up of an IPP which shall undertake coal conversion of two RFO based electricity generating units comprising of 560 mw owned by a Utility company.
- Mandated and undertook the role of Financial Advisor to re-profile and restructure the outstanding debt of one of the largest spinning and weaving Group
- Successfully closed a joint mandate for arrangement of Syndicated Financing of PKR 4 bn for funding CAPEX of a large gas utility in Pakistan.
- Successfully concluded book building and closed the mandate as Joint Lead Advisor and Arranger for a Sukuk issue of PKR 10 billion (inclusive of green shoe) for the largest utility in the power sector
- Acted as Joint Lead Arranger for PKR 9,327mn CDC listed TFC issue for the largest utility in the power sector.

- Acted as joint underwriters of Tier II TFC of a large local bank.
- Successfully closed joint mandate as Lead Advisor and Arranger for acquisition financing of a Cement plant by one of the largest business groups in the north region (leveraged buy-out)
- Solely mandated to Advise and Arrange PKR 1,200 million for a large textile Group, based in Faisalabad, to finance purchase of Air Jet Looms and associated machinery in setting up a weaving unit (backward integration)
- Undertook the role of Financial Advisor to re-profile and restructure the outstanding debt and to sell the assets of one of the largest Denim manufacturer
- Mandated to act as the manager to offer for an acquisition of a bank and closed the transaction
- Structured and concluded re-profiling a PKR 2.5 billion syndicated permanent working capital facility extended to the first agri-corporate farming entity owned by one of the largest sugar and allied groups of the country

b) Retail Banking:

Branch Distribution:

Branch banking strategy was to develop branches as a multiproduct selling channel. On the deposits side branch banking focused on improving deposit mix by reducing expensive term deposit and mobilizing low cost current and saving accounts. Fresh accounts intake was at a significantly low cost of funds as compared to the market. This improvement in deposits mix had a positive impact on the cost of deposits which reduced from 6.6 to 5.2% during the year.

Branch banking also focused on selling Bancassurance, Consumer and Alternate Delivery Channel products.

Alternate Distribution Channels:

The volume of banking transactions handled through Alternate Distribution Channels has shown tremendous growth this year. Volumes of credit card have increased by almost PKR 450M through aggressive sales, promotions and amazing offers.

FBL introduced Mobile Banking service namely Mobit providing safe and easy access to banking services from anywhere and anytime. FBL customers' usage of the service speaks of its utility. This diversion has taken some pressure off from branches and ATM's. The product covers variety of features like balance enquiry, interbank funds transfer, mini statement and utility bills payment etc.

Wealth Management

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

Bancassurance:

In terms of revenue, growth and development, this year proved to be yet another successful year for bancassurance. We were able to carry forward the vision of Bancassurance to offer one-stop solution to our customers and provide them a platform to financially secure future of their loved ones.

Consumer, SME, Agri and Commercial

After making foot print in 79 cities and 269 branches, the Bank's strategy is also offer all types of lending products through increased branch network. Bank presence in the agriculture heart-land provides an opportunity to increase its portfolio in agriculture sector. The branch network along with tailor made agriculture loan products helped the Bank to increase the portfolio and became third largest agricultural lending bank in the country. Bank campaigned aggressively for personal loan, BTF and Auto products. Combined increase in consumer finance portfolio during the year was PKR 2.9 billion. This increase was achieved through efficient customer service and improved turnaround time. Also better rates and reduction in affected portfolio has started to show improvement in revenues for the Bank.

c) Islamic Banking

Barkat Islamic Banking continued its growth strategy by increasing its foot print across Pakistan to 53 branches in 24 cities. Another aspect of the growth strategy that has met with success is consolidation of existing potential of Islamic network by launching Islamic banking deposit business in conventional branches (Islamic Banking Windows) through fully trained cherry picked conventional banking team members. This aims to meet aggressive growth targets by the bank as Islamic Business gets more points of sale and sales force by leveraging on existing infrastructure of conventional bank. We expect the Islamic Banking Windows initiative will further grow the Islamic balance sheet and profitability.

The overall deposit grew from Rs. 19.5 billion to Rs. 26.6 billion - a remarkable growth of 36% YoY. This was achieved by growth in CASA. Significant reduction in cost of funds was achieved to maintain one of the lowest costs of funds in Islamic Banking industry.

To complement distribution growth, innovative Islamic products and services were added to product menu. Pakistan's first Shariah Compliant Barkat China Union Pay Card, MOBIT-Faysal Mobile Banking and Barkat Interbank Musharaka product (specifically design to cater the needs of Islamic Treasury) were launched. Also Barkat Istisna (working capital finance) was approved from BOD for Islamic customers.

Islamic Banking trained human resource base expanded exponentially during the last 4 years. Adequate training campaign was launched country wide internally as well as along with external training to ensure fit and proper Islamic Bankers. In addition to that Computer Based Training has been continuing in 2013 and more than 200 FBL team members were certified.

Along with strengthening of existing control environment high priority is on consolidation of systems. As a part of Symbol 8.5 migration strategy, all Islamic branches are now on unified platform. After successful implementation of Symbol 8.5, the automated pool management system project has been kicked off in 2nd Quarter 2013 as per State Bank of Pakistan profit distribution guidelines.

Barkat Islamic Banking plans to consolidate the existing potential of Islamic network by strengthening sales team during the year 2014 and aims to grow the Islamic balance sheet and profitability to provide sound footing for future expansion and growth. Further Shariah compliant products will be added during 2014 to further assist distribution network in achieving the desired scale through cross sell.

d) Marketing

Retail Conference 2013 – Game On Hai

The year started with the perfect energy – booster for the Retail group, in the shape of a conference at Bhurban attended by over 600 employees. The purpose of the conference was to celebrate the organization's successful integration and to resolve making 2013 a year of accomplishments and turnaround. In this regard, Bank's direction and goals along with each employee's responsibilities were communicated. The participants left the meeting highly energized and motivated to pursue the Bank's mission.

Branch Rebranding

During the year 2013, all Conventional Branches were rebranded according to the new visual identity guidelines. Freshly branded branches wear a crisp, uncluttered and refreshing look. Prime customers footfall spaces are being used for effectively advertising Bank's products and services.

Corporate Brand

Faysal Bank continued as Lead sponsor for promotion of domestic cricket in Pakistan at the grass root level. Two most keenly followed tournaments in 2013 were the Faysal Bank T20 Cup for Regions and the Faysal Bank T20 Cup for Departments. These cricketing events were followed by millions

of enthusiasts on television, social media and in the stadium. The Bank leveraged the huge spectator turnout and television viewership by advertising products and services through ground branding and during live TV broadcasts.

Faysal Bank's support for domestic cricket has earned it a tremendous goodwill over the last three years. In addition to promoting the Corporate Brand, this platform has also afforded an opportunity to advertise many of its Business Brands to national audience.

Business Brands

During the year, three major marketing campaigns were launched through Television, Print, Radio, Outdoor and Social Media assisting various bank segments to accomplish growth targets:

- **Business First Current Account:** After the successful 360-degree marketing campaign which launched the Current Account proposition in 2012, a follow-up campaign was launched.
- **Personal Installment Loan:** Marketing launch of this product at Faysal Bank was executed. A novel SMS-based lead generation concept helped generate a large number of leads and queries.
- **Mobit – Faysal Mobile Banking:** This new offering was launched to advertise theme of Mobit which promotes concept of convenience and creating space for busy users to do more meaningful things.

Facebook Launch

Faysal Bank has formally entered the Social Media age with the launch of its Facebook page in 2013, previously Bank has had a presence on Facebook through its Faysal Cricket page for last three years. Now with an expanded scope, the new page is aimed at covering the entire spectrum of bank's offerings. It adds a contemporary dimension to the channels of communication available for interaction with customers. Going forward this platform will be utilised to its maximum potential to support business and further the Bank's growth.

e) Treasury

2013 was a landmark year for Pakistan's economy as it witnessed a political transition accompanied by, as it so often does, a change in the economic manager's priorities. Fiscal and monetary adjustments followed subsequent to an entry in the IMF SBA under the guise of economic consolidation and took their toll on inflation and the PKR parity. These unfolding events created a lot of volatility in the markets which tried to translate ever changing information flows and unfolding economic events into prices. As a leading market maker FBL Treasury was able to capitalize on lion's share of these movements and booked considerable income from proprietary trades.

In treasury sales and distribution we have increased our client base and our working towards increasing our share with the customers. We have further upgraded our in house developed Treasury System and introduced a comprehensive Transfer Pricing Mechanism which is now implemented Bank-wide, wherein the entire interest rate and currency risk will be passed on by different BUs to the Asset and Liability Management Desk in Treasury in the form of system generated contracts. This structure has put FBL Treasury far ahead of its competitors as no local bank has yet to implement a mechanism whereby the Treasury is responsible for actively managing the banking spread as well as interest rate sensitivity.

Having successfully become the only mid-tier bank with a PD status in 2011 we went on to attain number one position as a Primary Dealer in 2013. This market positioning gave us the unique advantage and credence, bringing us at par with the best Treasuries in Pakistan – both in terms of product suite and income streams.

Our ADD (Authorized Derivative Dealer) desk provides on and off balance sheet solutions to our ever growing and sophisticated customer base whereas our Fixed Income Desk is a dominant price maker in the interbank market with a diversified client base including; Insurance companies, Pension funds, Provident funds, Asset Management companies, Corporates as well as high net worth individuals.

During 2013, FBL treasury developed various economic models such as the CPI forecasting model. This calculates our inflation expectations and given its near linear linkage with the SBP policy rate it is by far one of the most powerful economic tools available to us. We are still working on an exchange and REER model which will help us forecast the fair value of an underlying currency so that we may trade on independent valuation rather than just forces of thrift. Our fortnightly newsletter is now more focused to share some of these insights with our internal and external customers and as the canvas of our in house research increases so too shall the benefit to its readers.

f) Special Assets Management

Sluggish economic environment coupled with hard core relationships & long drawn legal procedures has made SAM (Special Asset Management)'s job even more difficult. Despite all the difficulties/hindrances SAM, as a specialized business function, maintained its tempo by putting in vigorous efforts and contributed approx Rs. 2 billion towards Bank's profitability.

2) People

a) Human Resources (HR)

During the year 2013 Human Resource function has taken significant initiatives for cultural, professional and personal development along with taking additional responsibilities of Internal Communication and Corporate Social Responsibility in 2013.

The Employee Engagement Survey 2013 "Our Voice-Our Success" was rolled-out, giving staff an opportunity to express their views on various aspects of life at FBL. It was candid and strong survey response rate of 96% was received. The results have been very encouraging with a score of 80% equating to an "engaged workforce" with "Commitment to Bank" and "Department" at highest rating percentile.

To recognize and appreciate the contribution of the top performers of the Bank for the year 2012, the 3rd CEO's Club was arranged in Islamabad, Lahore and Karachi. This ongoing initiative has contributed substantially in creating a motivated and engaged workforce.

HR's contribution to rationalize and reduce cost was done through restructuring, redeployment and other initiatives. These are ongoing elements that will continue to be practiced and focused during subsequent years.

b) Learning & Development (L&D)

L&D launched FBL's first annual learning calendar for the year 2013-14. With this leverage, L&D was able to efficiently plan training programs. More than 13,000 participants and 2,965 full-time employees were trained by subject matter experts.

L&D, through its training programs paved the way for successful implementation of Symbols 8.5 in the Bank. With focus on ensuring smooth and effective on-boarding of new staff, four new induction programs were introduced. These programs are in addition to already placed Consumer Finance Sales induction and Islamic Banking Certification Program. Emphasis was made on personal development of staff through programs such as Winning through Service, Emotional Intelligence, Power of Positive Attitude, Myers Briggs Type Indicator (MBTI) - Based Conflict Management, Presentation Skills, Team Building and Science & Art of Sales Management by renowned and noteworthy external trainers. L&D also trained participants through computer-based trainings in the areas of CAAML, Account Opening, Bancassurance, Basic Islamic Banking Principles, Faysal Rapid Cash & Western Union and Online Credit Cards.

c) Internal Communication (IC)

In 2013, IC team remained determined to update FBL staff about the Bank's activities and managing recognition/reward related internal events. IC through thematically designed quarterly newsletters and the Intranet strived to keep the staff up to date regarding developments taking place across the Banking industry.

3) Risk Management

The **Credit Risk Management** function continued to work closely with various front-end businesses to proactively manage and monitor the risk & health of the portfolio, both in terms of existing customers & booking of new relationships. After successful implementation of advanced Loan Origination System (LOS) in Corporate & Commercial business units, its scope was further expanded to SME & Agri customers. The new electronic system registers

and monitors movement of “loan and service requests” and aims to further improve the Bank’s response time to clients in various segments while reducing processing costs in a paper-free environment. The Bank has also updated its Obligor Risk Rating (ORR) and Facility Risk Rating (FRR) models for different business segments (Corporate, Commercial, Agri, SME etc). The statistical base of the ORR and FRR models has been enhanced to further increase their predictive power and update their qualitative aspects in line with the changing business dynamics and industry’s best practices.

Retail Risk Management steered the Consumer Finance business growth through a well-defined risk management strategy & product programs in terms of risk assessment criteria, product features & selection of appropriate market segments. In addition to this, close portfolio monitoring, tight controls and active management of portfolio caps helped reduce the associated credit losses in the Consumer Finance business. Simultaneously, in order to reduce the turnaround times to bring in efficiency in customer’s on-boarding experience and also to control internal costs, a number of approvals related processes were re-engineered. The Retail Risk function also conducted product and policy related trainings for front end staff & managed in-house risk management courses for its own staff, aimed at developing a deeper insight into the overall Risk Management Framework.

The **Enterprise Risk Management** function, successfully implemented the revised regulatory Capital Adequacy Framework (i.e. Basel III) in line with regulatory guidelines coupled with adoption of the Internal Capital Adequacy Assessment Process Framework (ICAAP). Furthermore, in line with the State Bank of Pakistan’s new guidelines in relation to Stress Testing, the Bank has implemented the revised framework by enhancing the scope of the stress tests at portfolio level across various business lines. The stress tests capture the increasing complexity through the changes in various macro & micro economic factors including interest rate shifts, foreign currency parity changes & adverse portfolio movements. Market Risk Management has been strengthened through implementation of advanced monitoring and measurement tools such as Early Warning Indicators and Value-at-Risk models. The scope of Liquidity Risk Management Framework has been enhanced by implementing the “Overall Balance Sheet Liquidity Threshold”, in order to ensure that the Bank’s liquidity remains at the optimum level. On the Operational Risk Management (ORM) front, in-house trainings were conducted bank-wide for ORM coordinators to augment operational risk awareness culture and to apprise the designated coordinators on operational risk management concepts and reporting requirements. The Key Risk Indicators (KRIs) framework was also revised based on industry best practices and Risk & Control Self Assessments (RCSAs) were conducted across all bank functions to identify known risks and quantify expected losses.

4) Support Services

During the year the bank’s IT team successfully completed network rationalisation and data centers consolidation projects which will not only lead to operational efficiency but will also result in significant cost savings for the bank. Network rationalisation reduced annual Opex by Rs 40 million and overall Opex reduction in Network Area from Jan 2012 till June 2013 was around Rs 165 million.

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

- Core banking system was upgraded and two core banking systems (FBL core banking system “Symbol 8.2” and RBS core banking system “TCSS”)

were merged into it. This was the first implementation of the State of the Art SunGard Ambit core banking full suite in the world. After this upgrade the bank is now able to provide new products and improved services to its customers.

- New core banking systems DR site was prepared.
- IBAN (International Bank Account Number) implemented for worldwide customer standardisation as per SBP guidelines. IBAN is a universally accepted account number with built-in features that provide numerous benefits not only to member Banks but also to the customers. With this feature Bank will be able to offer wider range of products and services across the network.
- Account Statement data consolidated for all three core banking systems (TCSS, Symbol 8.2 and Symbol 8.5)
- Funds Transfer Pricing System was developed in house to standardise costing and measure performance of different business units of the bank.
- One of the leading global anti-money laundering applications has been implemented. This product will assist the bank in identifying suspicious transactions under various scenarios. With this implementation Bank is now complaint with SBP directives on AML transaction monitoring.
- VDI (Virtual Desktop Infrastructure) is a new trend worldwide and Bank has successfully implemented its pilot phase. In the VDI project, all user data storage and processing is carried out at a central server while user retains only the monitor and a small gadget. By using VDI, users can work from a remote location without any difficulty. Major benefits of VDI are capital cost saving, data security, centralised efficient processing, low maintenance cost and bigger work space for users. Presently, Bank has implemented VDI for about 740 users at 57 locations and plans to complete the project in 2014.
- Server consolidation exercise has been started to further reduce Operational Cost of IT.
- Bank upgraded HRMS application and consolidated Oracle Financials environment to reduce operational cost.
- Internet Banking solution in close user group was launched. It will be commercially launched by end of Q1, 2014.
- Bank also implemented Visa Money transfer project and now customers can transfer funds from ATM using Visa card or Visa enabled debit card.
- Various applications were consolidated on virtualised environment for efficiency and cost saving.
- Implemented a new solution for the Business Development Unit of the Customer Interaction Centre.
- Transport Layer Security implemented to comply with SBP regulation and integrated with 15 banks as well for secure email communication between banks.

Corporate and Social Responsibility (CSR)

Bank recognises its moral and corporate social responsibility. In this regard, CSR Trustees engaged and worked with various institutions renowned for humanitarian efforts including SIUT, FATMID and Children Foundation etc. and also provided them donations on behalf of the Faysal Bank.

Faysal Bank continued contribution for Institute of Business Administration (IBA) new building. This contribution is part of the ongoing commitment to support development work at the IBA over a 6 year period. As a gesture of appreciation, the main academic block at the IBA City Campus has been named Faysal Bank Academic Centre.

5) Financial Perspective

a) Management Information

The Financial Control Unit efforts were focused on providing timely and accurate MIS to business partners. In this regard, further improvement was brought in QlikView Business Intelligence implementation. The dashboards today not only provide data regarding deposits mobilisation, lending, documentary credit and CRM but also provide segment wise Monthly Profitability Report to user for reviewing their segment's performance. Businesses have been provided with their customer wise profitability to evaluate their relationships and to explore the opportunities for Cross Sell.

b) Cost Efficiency

The bank's strategy to improve cost efficiency continued during 2013. The focus is on reducing costs without affecting smooth operations and to improve return to shareholders. A Business Process Reengineering Exercise with the help of a leading consultant was initiated which has a focus on improving customer services by eliminating unnecessary processes.

c) Energy Saving Measures

Special emphasis was given to energy saving measures not only for controlling cost but also for saving precious natural resources. In this regard, the Bank has adopted various initiatives like compulsory working hours schedule and installation of heavy duty UPS to reduce generator working hours. Also Air Conditioner usage is restricted to working hours.

Administrative cost was subject to close monitoring to eliminate wastages and as a result overall increase in bank's cost was only 2.5% as compared to the inflation of 7.7%. The bank's administrative cost since 2011 has increased by PKR 0.265 million only i.e. from PKR 10,814 million in 2011 to PKR 11,079 million in 2013.

Future Outlook

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

Keeping in view the current economic environment demand for credit from the private sector is likely to increase marginally. Bank intends to selectively grow its corporate book and invest in consumer finance and agriculture lendings leading to improvement in margins as well as non-markup income. Efforts to bring cost efficiencies and reducing the impact of provisions for non-performing loans through their recoveries will continue.

Financial Highlights

	2013	2012
	Rs. in million	
Operating profit	4,277	3,236
Provision for non-performing advances*	(1,994)	(946)
Provision for diminution in value of investments	(111)	(414)
Provision against off balance sheet obligations	(11)	(40)
	(2,116)	(1,400)
Profit before tax	2,161	1,836
Provision for taxation	(311)	(416)
Profit after tax	1,850	1,420
Un-appropriated profit brought forward	3,206	2,974
	5,056	4,394
Appropriations / Transfers:		
Issue of bonus shares – September'13 @ 12.5% (September '12 @ 12.5%)	(1,159)	(1,030)
Transfer to statutory reserve	(370)	(285)
Transfer from surplus on revaluation of fixed assets – net of tax	79	79
Re measurement of post employment obligation – net of tax	(5)	48
	(1,455)	(1,188)
Un-appropriated Profit carried forward	3,601	3,206
Earning per share – Rupees	1.77	1.36

*Excluding provisions reflected in equity.

Despite non-ideal economic conditions, Bank was able to achieve operating profit of Rs. 4,277 Million which is 32.2% higher than corresponding year figure of Rs. 3,236 Million. This performance is commendable as Bank was able to absorb negative impact of mark up rate cuts by the central bank which directly affected the markup income. In view of the changed circumstances, the bank focused on mobilising low priced core deposits and controlling administrative expenses. Jointly, these factors not only offset decline in mark up revenue of Rs. 1.0 Billion but also took care of additional provision of Rs. 716 Million. Due to reduction in cost of deposits the bank's Net Interest Margins increased by PKR 1,882 million or 20.9%. This trend is contrary to the industry where in by large the net margins are showing a significant reduction. The improvement in quality of deposits and reduction in cost of funds is going to have a positive effect on long term profitability of the bank.

The bank's focus on consumer business and Alternate Delivery Channels has resulted in increase of fee based income which is showing a 20% growth during the year.

With an objective of strengthening the balance sheet, the bank made provisions against its exposures to weak customers and increased its NPL coverage from 66.3 to 71.5%. Consequently, provision against advances and investments increased from PKR 1,400 million in 2012 to PKR 2,116 million during 2013.

Rigorous efforts on cost reduction enabled the bank to maintain administrative expenses of year 2013 at almost 2011 and 2012 level. Practically bank was able to freeze cost efficiently for 3 years in a row while continuing with normal business activities like opening / relocating branches and withstanding economic factors like prevailing inflation, ever increasing energy prices and indirect taxes on services.

As a result of all the above factors, profit after tax at Rs. 1,850 million registered an impressive growth of 30.3% over last year. This translates into an EPS of Rs. 1.77 as against PKR 1.36 last year.

On the balance sheet side, net advances grew by PKR 11.9 billion to stand at Rs. 184.2 billion at the end of December 2013 as against Rs. 172.3 billion previous years. Deposits also showed a healthy growth of 12.6% over last year with CASA concentration improving from 60.9% to 64.9%. As a result of this growth total assets of your bank crossed PKR 350 billion landmark and were at PKR 355 billion at the end of 2013.

Credit Rating:

JCR-VIS Credit Rating Company Limited (JCR) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity ratings as on December 31, 2012:

Long-Term	AA
Short-Term	A1+

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

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

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

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

Definitions of PACRA for the assigned rating are reproduced below:

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

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

Corporate Governance:

The Bank has implemented the requirements of the Code of Corporate Governance (the Code) relevant to the year ended December 31, 2013. A prescribed statement by the management along with the auditor's review report thereon forms part of this Annual Report.

Statement under clause xix of the code:

- The financial statements prepared by the management of the bank present fairly the state of affairs, the results of its operations cash flows and changes in equity;
- Proper books of account of the bank have been maintained;

- Appropriate accounting policies have consistently been applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgement;
- Approved accounting standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about the bank continuing as a going concern;
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- Summarised key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report;
- The value of investment of provident and gratuity funds are Rs. 888 million and Rs. 416 million respectively as per the latest audited financial statements.
- The details of the Board and Committees' meetings held and attended by the directors form part of this Annual Report;
- As at December 31, 2013 four directors have completed director's training as per the criteria specified by the SECP.
- The prescribed pattern of shareholding is given as part of this Annual Report. The movement in the directors' shareholding, if any, is disclosed in the pattern of shareholding.

Statement of Internal Control:

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

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

Accordingly, policies and procedures encompassing various business and operational areas are in place, kept updated and communicated across all pertinent levels of the organisation. The policies are approved by the Board of Directors and the procedures are approved by the Senior Management. The bank's Internal Audit function keeps monitoring of compliance with these policies & procedures and regularly apprises the management and the Board on the same through Board's Audit Committee. Similarly, financial performance is also regularly reviewed by the Board.

Additionally, the bank has completed all stages of the ICFR roadmap, issued vide BSD Circular No. 05 dated February 24, 2009 of the State Bank of Pakistan (SBP). The bank has adopted the "COSO Internal Control Integrated Framework" in relation to its Internal Control program in order to ensure consistency in the process of compliance with SBP's Internal Control Guidelines involving documentation, risk assessment, gap analysis, controls testing and controls implementation. Furthermore, as per the latest instructions of State Bank of Pakistan on the subject, the Bank will submit the Long Form Report of statutory auditors review for the ICFR program 2013 by June 30, 2014.

The management feels confident that through adoption of these measures, the bank's internal control environment is maintained at a satisfactory level. The Board of Directors endorses the above stated management's evaluation of internal controls and ICFR program.

Risk Management Framework

Risk Management Group (RMG) organised under the Chief Risk Officer (CRO), has been authorised by the Board of Directors (BoD) to implement a Risk Management framework across the Bank. Risk Management framework is built around the principles of Integrated Risk Management for managing Credit Risk, Market Risk, Liquidity Risk and Operational Risk. The primary objective of this architecture is to inculcate risk management into the organisation flows to ensure that risks are accurately identified & assessed, properly documented, approved and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Banks depositors and shareholders.

The salient features of the Risk Management Framework include:

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

The Risk Management framework is built on the following elements:-

Comprehensive risk governance:

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

Risk Processes:

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

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

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

Holding Company:

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

Subsidiary Company:

Faysal Bank had one subsidiary Faysal Management Services (Pvt.) Limited (FMSL) with 60% holding. During 2010 the board of directors of FMSL decided to voluntary wind up the company. The winding up proceedings were completed in February 2013.

Auditors:

The present auditors, A F Ferguson & Co., Chartered Accountants, will retire on the date of next Annual General Meeting. As per Code of Corporate Governance they are eligible for reappointment. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of A. F. Ferguson & Co., Chartered Accountants, as the auditors of the bank for the financial year 2014.

Acknowledgement:

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

On behalf of the Board of Directors



President & CEO
Karachi

Dated: February 27, 2014

We have audited the annexed statement of financial position of **Faysal Bank Limited** (the bank) as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches, except for thirty branches, which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.5 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2013, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A F Ferguson & Co.
Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: March 6, 2014
Karachi

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

	Note	2013	2012 Restated	2011 Restated
-----Rupees '000-----				
ASSETS				
Cash and balances with treasury banks	8	28,422,497	24,508,852	18,445,108
Balances with other banks	9	1,011,980	1,209,313	4,685,718
Lendings to financial institutions	10	300,000	-	-
Investments	11	113,319,478	88,019,396	93,438,545
Advances	12	184,190,304	172,299,205	148,161,995
Operating fixed assets	13	10,250,910	10,859,963	10,849,607
Deferred tax assets - net	14	3,980,541	4,387,267	5,180,181
Other assets	15	13,803,997	11,839,475	11,821,428
		355,279,707	313,123,471	292,582,582
LIABILITIES				
Bills payable	16	4,968,610	4,244,494	3,075,642
Borrowings	17	45,446,528	35,568,109	39,696,986
Deposits and other accounts	18	271,134,303	240,708,109	214,610,052
Sub-ordinated loans	19	3,495,400	4,195,001	4,395,197
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities - net		-	-	-
Other liabilities	20	8,068,673	7,370,715	11,576,790
		333,113,514	292,086,428	273,354,667
NET ASSETS				
		22,166,193	21,037,043	19,227,915
REPRESENTED BY				
Share capital	21	10,432,697	9,273,508	8,243,118
Reserves	22	6,554,197	6,309,083	6,591,131
Unappropriated profit		3,600,828	3,205,439	2,973,934
		20,587,722	18,788,030	17,808,183
Surplus on revaluation of assets - net of tax	23	1,578,471	2,249,013	1,419,732
		22,166,193	21,037,043	19,227,915
CONTINGENCIES AND COMMITMENTS				
	24			

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


PRESIDENT & CEO


DIRECTOR


DIRECTOR


DIRECTOR


PRESIDENT & CEO


DIRECTOR


DIRECTOR


DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 Restated
-----Rupees '000-----			
Mark-up / return / interest earned	26	27,790,468	28,802,150
Mark-up / return / interest expensed	27	16,945,315	19,838,745
Net mark-up / interest income		10,845,153	8,963,405
Provision against non-performing loans and advances - net	12.4 & 22.2	1,905,541	963,901
Provision for consumer and small enterprise loans - general	12.4 & 12.5	122,546	24,607
Provision against off balance sheet obligations		11,167	39,798
Provision for diminution in value of investments - net	11.3	111,043	414,702
Recoveries against written-off debts - net	12.8	(33,903)	(42,188)
		2,116,394	1,400,820
Net mark-up / interest income after provisions		8,728,759	7,562,585
Non mark-up / interest income			
Fee, commission and brokerage income		2,237,474	1,857,688
Dividend income		479,352	431,656
Income from dealing in foreign currencies		948,598	769,394
Gain on sale of securities - net	28	306,329	1,214,560
Unrealised (loss) / gain on revaluation of investments classified as held for trading		(19,127)	42,887
Other income	29	573,558	965,534
Total non mark-up / interest income		4,526,184	5,281,719
		13,254,943	12,844,304
Non mark-up / interest expenses			
Administrative expenses	30	11,079,122	10,809,749
(Reversals of other provisions) / other provisions - net	15.3	(94,976)	91,117
Other charges	31	116,675	102,825
Total non mark-up / interest expenses		11,100,821	11,003,691
		2,154,122	1,840,613
Share of profit / (loss) of associate	3.5.3 & 11.7.1	6,657	(5,186)
Extraordinary / unusual items		-	-
Profit before taxation		2,160,779	1,835,427
Taxation - Current	32	1,078,186	268,139
Taxation - Prior years	32	(1,612,830)	(227,147)
Taxation - Deferred	32	845,517	374,591
		310,873	415,583
Profit after taxation		1,849,906	1,419,844
-----Rupees-----			
Basic earnings per share	33	1.77	1.36

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 -----Rupees '000-----	2012 Restated
Profit after taxation for the year		1,849,906	1,419,844
Other comprehensive income:			
Items that will not be reclassified to profit and loss account			
Components of comprehensive income reflected in equity			
- Remeasurements of defined benefit plan		(7,005)	72,955
- Deferred tax asset / (liability) on remeasurements of defined benefit plan		2,452	(25,534)
	3.5.2	(4,553)	47,421
Comprehensive income transferred to equity		1,845,353	1,467,265
Items that may be reclassified subsequently to profit and loss account			
Components of comprehensive income not reflected in equity			
- Net change in value of available for sale securities		(960,438)	1,368,332
- Deferred tax asset / (liability) on change in value of available for sale securities		369,102	(459,845)
		(591,336)	908,487
Total comprehensive income		1,254,017	2,375,752

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


PRESIDENT & CEO


DIRECTOR


DIRECTOR


DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

Share capital	Reserves					Total	Unappropriated profit	Total	
	Capital				Statutory reserve (note 22.1)				
	Reserve for issue of bonus shares	Share premium	Non-distributable Capital Reserve (NCR) - gain on bargain purchase (note 22.2)	Reserve arising on amalgamation					
-----Rupees '000-----									
Balance as at January 1, 2012 as previously reported	8,243,118	-	10,131	3,169,399	23,952	3,387,649	6,591,131	2,959,178	17,793,427
- Effect of change in accounting policy with respect to accounting for remeasurement losses on defined benefit plan - net of tax (note 3.5.2)	-	-	-	-	-	-	-	(4,327)	(4,327)
- Effect of change in accounting policy with respect to Bank's investment in associate (note 3.5.3)	-	-	-	-	-	-	-	19,083	19,083
Balance as at January 1, 2012 - restated	8,243,118	-	10,131	3,169,399	23,952	3,387,649	6,591,131	2,973,934	17,808,183
Profit after taxation for the year - restated	-	-	-	-	-	-	-	1,419,844	1,419,844
Other comprehensive income for the year									
- Remeasurements of defined benefit plan (note 3.5.2)	-	-	-	-	-	-	-	72,955	72,955
- Tax on remeasurements of defined benefit plan (note 3.5.2)	-	-	-	-	-	-	-	(25,534)	(25,534)
	-	-	-	-	-	-	-	47,421	47,421
Transactions with owners recognised directly in equity									
- Transfer to reserve for issue of bonus shares	-	1,030,390	-	-	-	-	1,030,390	(1,030,390)	-
- Issue of bonus shares	1,030,390	(1,030,390)	-	-	-	-	(1,030,390)	-	-
	1,030,390	-	-	-	-	-	-	(1,030,390)	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(124,867)	-	-	(124,867)	-	(124,867)
Transfer to statutory reserve	-	-	-	-	-	284,576	284,576	(284,576)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	79,206	79,206
Provision identified by the Banking Inspection Department of the SBP in respect of acquired portfolio of RBS Pakistan	-	-	-	(441,757)	-	-	(441,757)	-	(441,757)
Balance as at December 31, 2012 - restated	9,273,508	-	10,131	2,602,775	23,952	3,672,225	6,309,083	3,205,439	18,788,030
Profit after taxation for the year	-	-	-	-	-	-	-	1,849,906	1,849,906
Other comprehensive income for the year									
- Remeasurements of defined benefit plan (note 3.5.2)	-	-	-	-	-	-	-	(7,005)	(7,005)
- Tax on remeasurements of defined benefit plan (note 3.5.2)	-	-	-	-	-	-	-	2,452	2,452
	-	-	-	-	-	-	-	(4,553)	(4,553)
Transactions with owners recognised directly in equity									
- Transfer to reserve for issue of bonus shares	-	1,159,189	-	-	-	-	1,159,189	(1,159,189)	-
- Issue of bonus shares	1,159,189	(1,159,189)	-	-	-	-	(1,159,189)	-	-
	1,159,189	-	-	-	-	-	-	(1,159,189)	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(124,867)	-	-	(124,867)	-	(124,867)
Transfer to statutory reserve	-	-	-	-	-	369,981	369,981	(369,981)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	79,206	79,206
Balance as at December 31, 2013	10,432,697	-	10,131	2,477,908	23,952	4,042,206	6,554,197	3,600,828	20,587,722

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


PRESIDENT & CEO


DIRECTOR


DIRECTOR


DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	2,160,779	1,835,427
Less: dividend income	(479,352)	(431,656)
	<u>1,681,427</u>	<u>1,403,771</u>
Adjustments for non-cash and other items:		
Depreciation	799,763	914,790
Amortisation	155,664	123,378
Workers' Welfare Fund	58,836	42,990
Provision against non-performing loans and advances - net	1,905,541	963,901
Provision for consumer and small enterprise loans - general	122,546	24,607
Provision for diminution in value of investments - net	111,043	414,702
(Reversals of other provisions) / other provisions - net	(94,976)	91,117
Provision against off balance sheet obligations	11,167	39,798
Unrealised loss / (gain) on revaluation of investments classified as held for trading	19,127	(42,887)
Net profit on disposal of operating fixed assets	(19,667)	(44,610)
Net profit on disposal of non-banking assets	(123,436)	(5,658)
Charge for defined benefit plan	94,100	71,713
Amortisation of prepaid employee benefits	143,449	208,531
Recoveries against written-off debts	(33,903)	(42,188)
Share of (profit) / loss from associate	(6,657)	5,186
	<u>3,142,597</u>	<u>2,765,370</u>
	<u>4,824,024</u>	<u>4,169,141</u>

(Increase) / decrease in operating assets

Lendings to financial institutions	(300,000)	-
Held for trading securities	(851,458)	(2,001,070)
Advances	(13,885,283)	(25,525,287)
Other assets	(588,395)	43,429
	<u>(15,625,136)</u>	<u>(27,482,928)</u>

Increase / (decrease) in operating liabilities

Bills payable	724,116	1,168,852
Borrowings	9,085,160	(4,032,798)
Deposits and other accounts	30,426,194	26,094,349
Other liabilities	687,047	(4,242,023)
	<u>40,922,517</u>	<u>18,988,380</u>
	<u>30,121,405</u>	<u>(4,325,407)</u>

Income tax paid	(1,294,163)	(373,616)
Contribution to gratuity fund	(94,142)	(109,615)
Net cash generated from / (used in) operating activities	<u>28,733,100</u>	<u>(4,808,638)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net investment in available for sale securities	(23,993,166)	7,355,252
Net investment in held to maturity securities	(1,539,409)	1,056,298
Dividend income received	480,988	433,241
Investment in operating fixed assets	(564,577)	(1,264,702)
Proceeds realised on disposal of operating fixed assets	45,767	68,685
Proceeds realised on disposal of non-banking assets	460,205	43,620
Net cash (used in) / generated from investing activities	<u>(25,110,192)</u>	<u>7,692,394</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of sub-ordinated loan	(699,601)	(200,196)
Dividends paid	(254)	(142)
Net cash used in financing activities	<u>(699,855)</u>	<u>(200,338)</u>
Increase in cash and cash equivalents	<u>2,923,053</u>	<u>2,683,418</u>
Cash and cash equivalents at beginning of the year	<u>25,693,981</u>	<u>23,010,563</u>

Cash and cash equivalents at end of the year

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


PRESIDENT & CEO


DIRECTOR


DIRECTOR


DIRECTOR

Note	2013	2012 Restated
	-----Rupees '000-----	
	2,160,779	1,835,427
	(479,352)	(431,656)
	<u>1,681,427</u>	<u>1,403,771</u>
	799,763	914,790
	155,664	123,378
	58,836	42,990
	1,905,541	963,901
	122,546	24,607
	111,043	414,702
	(94,976)	91,117
	11,167	39,798
	19,127	(42,887)
	(19,667)	(44,610)
	(123,436)	(5,658)
	94,100	71,713
	143,449	208,531
	(33,903)	(42,188)
	(6,657)	5,186
	<u>3,142,597</u>	<u>2,765,370</u>
	<u>4,824,024</u>	<u>4,169,141</u>
	(300,000)	-
	(851,458)	(2,001,070)
	(13,885,283)	(25,525,287)
	(588,395)	43,429
	<u>(15,625,136)</u>	<u>(27,482,928)</u>
	724,116	1,168,852
	9,085,160	(4,032,798)
	30,426,194	26,094,349
	687,047	(4,242,023)
	<u>40,922,517</u>	<u>18,988,380</u>
	<u>30,121,405</u>	<u>(4,325,407)</u>
	(1,294,163)	(373,616)
	(94,142)	(109,615)
	<u>28,733,100</u>	<u>(4,808,638)</u>
	(23,993,166)	7,355,252
	(1,539,409)	1,056,298
	480,988	433,241
	(564,577)	(1,264,702)
	45,767	68,685
	460,205	43,620
	<u>(25,110,192)</u>	<u>7,692,394</u>
	(699,601)	(200,196)
	(254)	(142)
	<u>(699,855)</u>	<u>(200,338)</u>
	<u>2,923,053</u>	<u>2,683,418</u>
	<u>25,693,981</u>	<u>23,010,563</u>
	<u>28,617,034</u>	<u>25,693,981</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

1 STATUS AND NATURE OF BUSINESS

1.1 Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the Companies Ordinance, 1984. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The Bank is mainly engaged in Corporate, Commercial and Consumer banking activities. The Bank has a network of 269 branches (2012: 265); including 53 Islamic banking branches (2012: 52).

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

Ithmaar Bank B.S.C., a Bahrain based retail bank, is the parent company of the Bank, holding, directly and indirectly through subsidiaries 66.78% (2012: 66.78%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMI), (ultimate parent of the Bank) is the holding company of Ithmaar Bank B.S.C. The DMI group owns and operates an international network of Islamic Banks, Investments Banks and Insurance Companies.

1.2 Based on the financial statements of the Bank for the year ended December 31, 2012, the Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' and the short term rating as 'A1+'.

2 BASIS OF PRESENTATION

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

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

3 STATEMENT OF COMPLIANCE

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.4 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

3.5 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year and other changes in accounting policies

3.5.1 IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a new requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit and loss subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.

3.5.2 IAS 19 (revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses and the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur. Previously, actuarial gains and losses were recognised by the Bank in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date. The Bank has applied the requirements of the new standards retrospectively in accordance with the transition provisions of the standard and the comparative figures have been restated in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

The Bank's financial statements are affected only by the 'remeasurements' relating to prior years. The effects for the current and prior year have been summarised below:

	December 31, 2013	December 31, 2012	December 31, 2011
-----Rupees in '000-----			
Impact on Statement of Financial Position			
Increase / (decrease) in other assets	59,805	66,810	(6,657)
(Decrease) / increase in deferred tax asset	(20,932)	(23,384)	2,330
Increase / (decrease) in unappropriated profit	38,873	43,426	(4,327)
Impact on Statement of Comprehensive Income			
Remeasurements of defined benefit plan	(7,005)	72,955	-
Tax on remeasurements of defined benefit plan	2,452	(25,534)	-
(Decrease) / increase in other comprehensive income	(4,553)	47,421	-
Impact on Statement of Changes in Equity			
Increase / (decrease) in unappropriated profit			
- Impact on reported unappropriated profit for 2011	-	-	(4,327)
- Impact for the year	(4,553)	47,754	-
Impact on Profit and Loss account			
Decrease in administrative expenses	-	(512)	(2,148)
Increase in taxation - current	-	179	752

There is no material impact of this change on earnings per share for the years ended December 31, 2013, December 31, 2012 and December 31, 2011. There is no impact of this change on the cash flow statement for the current or prior years.

The Bank's policy for Staff Retirement Benefits (note 7.11) has been amended to comply with the requirement of IAS 19 (revised). The revised standard also requires additional disclosures to present the characteristics of benefit plans and risks associated with them and a description of how the defined benefit plan may affect the amount, timing and uncertainty of the Bank's future cash flows. These disclosures have been set out in note 36 to these financial statements.

3.5.3 Consequent to winding up of Faysal Management Services (Private) Limited (which was a 60% owned subsidiary of the Bank), the Bank is not required to prepare the consolidated financial statements for the current year. Accordingly, the Bank has decided to change its accounting policy in respect of accounting for its investment in associate as per the requirements of IAS 28 "Investment in Associates". Associate is now carried in these financial statements using the equity method. Previously, it was carried at cost less impairment losses, if any, in these financial statements while the equity method of accounting was used for valuing the investment in associate in the consolidated financial statements. The Bank's policy for associates (note 7.4) has been amended to comply with the requirement of IAS 28.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

The effect of this change in accounting policy has been applied retrospectively in accordance with the treatment specified in International Accounting Standard 8 (IAS-8) "Accounting Policies, Changes in Accounting Estimates and Errors" and accordingly comparative figures have been restated.

The effects for the current and prior year have been summarised below:

	December 31, 2013	December 31, 2012	December 31, 2011
-----Rupees in '000-----			
Impact on Statement of Financial Position			
Increase in investments - net	30,829	24,172	29,358
Decrease in deferred tax asset	(10,790)	(8,460)	(10,275)
Increase in unappropriated profit	20,039	15,712	19,083
Impact on Statement of Changes in Equity			
Increase / (decrease) in unappropriated profit			
- Impact on reported unappropriated profit for 2011	-	-	19,083
- Impact for the year	4,327	(3,371)	-
Impact on Profit and Loss account			
Share in net profit / (loss) from associate	6,657	(5,186)	1,411
Dividend income from associate	-	-	(7,875)
Increase / (decrease) in taxation - Deferred	2,330	(1,815)	2,262

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

3.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

3.6.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard would result in certain new disclosures in the financial statements of the Bank.

3.6.2 IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist where the determination of control is difficult to assess. The amendments may impact the financial statements of the Bank and the management is in the process of assessing the full impact of the change.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

3.6.4 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

4 BASIS OF MEASUREMENT

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are disclosed in note 40 to these financial statements.

6 FUNCTIONAL AND PRESENTATION CURRENCY

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

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed as at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. The excess of the consideration transferred over the fair value of the Bank's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account. However, as more fully described in note 22.2 to these financial statements, the gain on bargain purchase arising on an acquisition made in 2010 has been recognised directly in equity as per the directives of the SBP.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account and is not subsequently reversed.

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

7.2 Cash and cash equivalents

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

7.3 Lendings to / borrowings from financial institutions

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

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under repurchase agreements

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

7.4 Investments

The Bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

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

(d) Associates

Associates are all entities over which the bank has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

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

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

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

7.5 Advances

(a) Loans and advances

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

(b) Net investment in finance lease

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on the commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. Specific and general provisions for net investment in finance lease are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account.

(c) Ijara Assets (IFAS 2)

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

(d) Murabaha

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

(e) Diminishing Musharakah

In Diminishing Musharakah based financing, the Bank enters into Musharakah based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payments agreement for the utilization of the Bank's Musharakah share by the customer. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account.

(f) Write-off

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

7.6 Fixed assets and depreciation

(a) Tangible assets - owned

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Depreciation on operating fixed assets (excluding land which is not depreciated) is charged using the straight line method in accordance with the rates specified in note 13.2 to these financial statements after taking into account residual value, if significant. The asset's residual values and useful lives are reviewed and adjusted, if required, at each balance sheet date. Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

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

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

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

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

Gains / losses on disposal of fixed assets, if any, are taken to the profit and loss account in the period in which they arise except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

(b) Tangible assets - leased

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

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

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

Depreciation on assets held under finance lease, subsequent costs and gains / losses are recognised in a manner consistent with that for depreciable assets which are owned by the Bank.

(c) Capital work in progress

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

(d) Intangibles

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The intangible assets include directly attributable cost that are capitalised as part of the intangible asset and mainly comprise employee cost and an appropriate portion of relevant overheads. Amortisation except for customer relationship is charged applying the straight-line method over the useful lives of the assets. Amortisation is calculated so as to write-off the assets over their expected economic lives at rates specified in note 13.3 to these financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed off. The intangible asset comprising customer relationship is being amortised over the life expectancy of the deposits. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which they arise.

7.7 Impairment

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

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

7.8 Taxation

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

Current

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

Deferred

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

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

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

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

7.9 Non-current assets held for sale and assets acquired in satisfaction of claim

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

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

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

7.10 Provisions and contingent assets and liabilities

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

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

7.11 Staff retirement benefits

(a) Defined contribution plan

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

(b) Defined benefit scheme

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

As more fully stated in note 3.5.2 the amounts arising as a result of remeasurements are recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

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

7.12 Borrowings / deposits and their cost

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

7.13 Proposed dividend and transfer between reserves

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

7.14 Revenue recognition and other items

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

7.15 Pool management

The Bank's Islamic Banking Division (FBL IBD) has maintained the following pools during 2013:

- i. 'General Pool' for local and foreign currency deposits
- ii. 'Islamic Export Refinance Pool'
- iii. 'Treasury Musharaka Pool'

Funds accepted under the above mentioned pools are invested / deployed to diversified sectors and avenues of the economy / business. The full break down of these sectors and avenues is given in Annexure III, which forms an integral part of these financial statements.

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

Key features and risk & reward characteristics of all pools

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

7.16 Foreign currencies

(a) Foreign currency transactions

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

(b) Translation gains and losses

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

7.17 Commitments

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

7.18 Acceptances

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

7.19 Financial instruments

Financial assets and financial liabilities

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

Derivative financial instruments

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

Offsetting

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

7.20 Earnings per share

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

7.21 Segment reporting

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(a) Business Segments

(i) Corporate finance

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

(ii) Trading and Sales

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

(iii) Retail banking

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

(iv) Corporate and commercial banking

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

(b) Geographical segment

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 -----Rupees '000-----	2012
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		5,276,275	4,736,518
- foreign currencies		1,610,342	1,192,541
With the State Bank of Pakistan in			
- local currency current accounts	8.1	13,362,758	10,925,398
- foreign currency current accounts	8.2	1,331,830	1,194,941
- foreign currency deposit accounts	8.3	3,981,210	3,648,435
With the National Bank of Pakistan in			
- local currency current accounts		2,855,297	2,802,684
National prize bonds		4,785	8,335
		<u>28,422,497</u>	<u>24,508,852</u>
8.1	These include local currency current accounts maintained with the SBP as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in a current account with SBP at a sum not less than such percentage of the Bank's time and demand liabilities in Pakistan as may be prescribed.		
8.2	This represents cash reserve of 5% maintained with the SBP in US dollars current account on deposits held under the New Foreign Currency Accounts (FE-25 deposits) as per BSD Circular No. 14 and 15 dated June 21, 2008.		
8.3	This represents special cash reserve of 15% maintained with SBP in US dollars under the requirements of BSD Circular No.14 dated June 21, 2008 and local USD clearing account maintained with SBP to facilitate USD clearing and 6% special cash reserve requirement on FE-25 deposits maintained by Islamic Banking branches under the requirements of BSD Circular No.15 dated June 21, 2008. Profit rates on these balances are fixed on monthly basis by the SBP. The SBP has not remunerated any amount on these deposits during the current and the last year.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 -----Rupees '000-----	2012
9 BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		544,138	677,630
Outside Pakistan			
- Current accounts		415,180	366,529
- Deposit account	9.1	52,662	165,154
		<u>1,011,980</u>	<u>1,209,313</u>
9.1	This represents deposit of USD 0.5 million (2012: USD 1.7 million) placed with the Royal Bank of Scotland, UK (RBS PLC) as margin against interest rate and cross currency derivative contracts entered with RBS PLC. It carries mark-up at the rate of 0.09% (2012: 0.09%) per annum. The deposit balance varies according to the outstanding balance of the derivative contracts and will be released completely on maturity of last derivative contract in September 2014.		
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	10.2	<u>300,000</u>	-
10.1 Particulars of lendings			
In local currency		<u>300,000</u>	-
10.2	Call money lendings have been extended to a bank at the rate of 10.70% per annum, maturing on January 24, 2014.		
11 INVESTMENTS			
	Investments by type and segments, details of strategic investments and particulars of provisions are given below. The full break down of available for sale investments is given in Annexure I, which forms an integral part of these financial statements.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

11.1 Investments by type

Note	2013			2012			2011		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral Restated	Total	Held by Bank	Given as collateral Restated	Total
-----Rupees '000-----									
Held for trading securities									
Market Treasury Bills	7,195,165	1,031,758	8,226,923	7,290,934	-	7,290,934	2,645,477	-	2,645,477
Pakistan Investment Bonds	-	-	-	546,307	-	546,307	16,058	-	16,058
Fully paid up ordinary shares / certificates of closed end mutual funds	461,776	-	461,776	-	-	-	921,136	-	921,136
Ijara Sukuk Bonds	-	-	-	-	-	-	2,253,500	-	2,253,500
	7,656,941	1,031,758	8,688,699	7,837,241	-	7,837,241	5,836,171	-	5,836,171
Available for sale securities									
Market Treasury Bills	39,771,651	22,593,710	62,365,361	16,403,998	16,451,346	32,855,344	29,611,270	21,834,936	51,446,206
Pakistan Investment Bonds	19,280,139	-	19,280,139	19,579,271	-	19,579,271	13,355,470	-	13,355,470
Ijara Sukuk Bonds	15,038,802	-	15,038,802	17,112,183	-	17,112,183	7,039,259	-	7,039,259
Units of open end mutual funds									
- National Investment (Unit) Trust	-	-	-	-	-	-	2,200,000	-	2,200,000
- NIT Income Fund	-	-	-	-	-	-	50,000	-	50,000
- Faysal Balanced Growth Fund **	12,480	-	12,480	80,374	-	80,374	80,374	-	80,374
- Faysal Income Growth Fund **	62,919	-	62,919	200,000	-	200,000	200,000	-	200,000
- Faysal Savings Growth Fund **	100,411	-	100,411	407,411	-	407,411	208,228	-	208,228
- Faysal Islamic Savings Growth Fund **	88,000	-	88,000	100,000	-	100,000	425,000	-	425,000
- Faysal Money Market Fund **	745,000	-	745,000	1,100,000	-	1,100,000	1,100,000	-	1,100,000
- Faysal Asset Allocation Fund **	15,491	-	15,491	300,000	-	300,000	-	-	-
- Faysal Financial Sector Opportunity Fund **	54,000	-	54,000	-	-	-	-	-	-
- JS Large Capital Fund	-	-	-	-	-	-	27,888	-	27,888
- JS KSE 30 Index Fund	-	-	-	-	-	-	3,702	-	3,702
- Al-Meezan Mutual Fund	-	-	-	-	-	-	35,263	-	35,263
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds	2,025,629	-	2,025,629	3,968,636	-	3,968,636	6,250,378	-	6,250,378
Fully paid up preference shares	197,652	-	197,652	122,652	-	122,652	414,368	-	414,368
Term finance certificates	960,273	-	960,273	1,019,120	-	1,019,120	1,364,107	-	1,364,107
	78,352,447	22,593,710	100,946,157	60,393,645	16,451,346	76,844,991	62,365,307	21,834,936	84,200,243
Held to maturity securities									
Term finance certificates	3,033,053	-	3,033,053	2,637,030	-	2,637,030	3,545,546	-	3,545,546
Sukuk Bonds	3,356,434	-	3,356,434	2,213,048	-	2,213,048	2,360,830	-	2,360,830
	6,389,487	-	6,389,487	4,850,078	-	4,850,078	5,906,376	-	5,906,376
Associate **									
Fully paid up ordinary shares of Faysal Asset Management Limited*	75,829	-	75,829	69,172	-	69,172	74,358	-	74,358
Subsidiary **									
Fully paid up ordinary shares of Faysal Management Services (Private) Limited	-	-	-	108,000	-	108,000	108,000	-	108,000
Investments at cost	92,474,704	23,625,468	116,100,172	73,258,136	16,451,346	89,709,482	74,290,212	21,834,936	96,125,148
Less: provision for diminution in the value of investments	(2,430,829)	-	(2,430,829)	(2,319,786)	-	(2,319,786)	(1,905,084)	-	(1,905,084)
Investments (net of provisions)	90,043,875	23,625,468	113,669,343	70,938,350	16,451,346	87,389,696	72,385,128	21,834,936	94,220,064
(Deficit) / surplus on revaluation of investments classified as held for trading - net	(14,417)	(474)	(14,891)	4,236	-	4,236	(38,651)	-	(38,651)
(Deficit) / surplus on revaluation of investments classified as available for sale - net	(325,107)	(9,867)	(334,974)	432,643	192,821	625,464	(798,937)	56,069	(742,868)
Total investments - net	89,704,351	23,615,127	113,319,478	71,375,229	16,644,167	88,019,396	71,547,540	21,891,005	93,438,545

*restated amount
** related parties

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

11.1.1 Strategic Investments

Available for sale securities - Listed

Note	2013	2012 Restated	2011 Restated
-----Rupees '000-----			
Fully paid up ordinary shares / modaraba certificates / units of closed end mutual funds	317,410	1,369,550	1,558,140
Units of open ended mutual funds	7,480	80,374	143,526

Available for sale securities - Unlisted

Fully paid up ordinary shares	568,755	730,750	784,250
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Associate* - unlisted

11.7	75,829	69,172	74,358
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Subsidiary

11.8	-	108,000	108,000
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Provision for diminution in the value of investments

969,474	2,357,846	2,668,274
(496,965)	(839,646)	(731,418)

Surplus / (deficit) on revaluation of investments classified as available for sale

472,509	1,518,200	1,936,856
145,935	14,141	(62,142)
618,444	1,532,341	1,874,714

*restated amount

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 Restated	2011 Restated
-----Rupees '000-----				
11.2 Investments by segments				
Federal Government Securities				
- Market Treasury Bills	11.2.1	70,592,284	40,146,278	54,091,683
- Pakistan Investment Bonds	11.2.2	19,280,139	20,125,578	13,371,528
- Ijara Sukuk Bonds	11.2.3	15,038,802	17,112,183	9,292,759
		104,911,225	77,384,039	76,755,970
Fully Paid up Ordinary Shares / Modaraba Certificates / Closed end Mutual Fund Units				
- Listed companies / modarabas / mutual funds	11.3.4	1,837,739	3,160,395	6,340,151
- Unlisted companies*		725,495	985,413	1,013,721
		2,563,234	4,145,808	7,353,872
Fully Paid up Preference Shares				
- Listed companies		122,652	22,652	314,368
- Unlisted companies		75,000	100,000	100,000
		197,652	122,652	414,368
		2,760,886	4,268,460	7,768,240
Term Finance Certificates				
- Listed		251,080	369,013	801,215
- Unlisted	11.3.2 & 11.3.3	3,742,246	3,287,137	4,108,438
		3,993,326	3,656,150	4,909,653
Units of Open ended Mutual Funds		1,078,301	2,187,785	4,330,455
Sukuk Bonds	11.3.3	3,356,434	2,213,048	2,360,830
Total investments at cost		116,100,172	89,709,482	96,125,148
Less: provision for diminution in the value of investments	11.3 & 12.4.2	(2,430,829)	(2,319,786)	(1,905,084)
Investments (net of provisions)		113,669,343	87,389,696	94,220,064
(Deficit) / surplus on revaluation of investments classified as held for trading	11.5	(14,891)	4,236	(38,651)
(Deficit) / surplus on revaluation of investments classified as available for sale	23.2	(334,974)	625,464	(742,868)
Total investments - net		113,319,478	88,019,396	93,438,545

*restated amount

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

11.2.1	Market Treasury Bills have tenures of three months to one year. The Bank's return on these instruments ranges from 9.18% to 11% per annum (2012: 9.10% to 11.96% per annum) with maturities up to June 2014.		
11.2.2	Pakistan Investment Bonds have tenures of 3 to 10 years. The Bank's return on these investments ranges from 9.31% to 14.30% per annum (2012: 4.58% to 14.30% per annum) with maturities from April 2014 to July 2022.		
11.2.3	These represent GoP Ijara sukuk bonds having tenures of three years with maturities upto March 2016. The Bank's return on these investments ranges from 8.90% to 13.68% per annum (2012: 9.79% to 13.68% per annum).		
11.3	Particulars of provision for diminution in the value of investments	2013	2012
		-----Rupees '000-----	
	Opening balance	2,319,786	1,905,084
	Charge for the year	663,826	921,683
	Reversals during the year	(552,783)	(506,981)
		111,043	414,702
	Closing balance	2,430,829	2,319,786
11.3.1	Particulars of provision for diminution in the value of investments by type and segment		
	Available for sale securities		
	- Fully Paid up Ordinary Shares / Modaraba Certificates / Certificates of Closed end Mutual Funds		
	- Listed companies / modarabas / mutual funds	480,002	717,636
	- Unlisted companies	498,983	627,089
	- Fully Paid up Preference Shares		
	- Listed companies	22,652	22,490
	- Units of Open ended Mutual Funds	1,486	4,722
	- Term Finance Certificates		
	- Listed	167,902	72,613
	- Unlisted	450,000	460,347
	Held to maturity securities		
	- Term Finance Certificates		
	- Unlisted	533,087	288,833
	- Sukuk Bonds	276,717	126,056
		2,430,829	2,319,786

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

11.3.2 These include Pre IPO investment of Rs 500 million made in the unlisted term finance certificates (TFCs) of Dewan Cement Limited. The SBP through its letter BPRD/BLRD-3/DMG/2011-1035 dated January 26, 2011 had advised banks to maintain provision at least upto the level of 90% in five quarters (commencing from December 31, 2010) by December 31, 2011. The Bank, as per the above directive, had availed the relaxation and maintained a provision of Rs 450 million against this investment. Had the provision been made as per the time based criteria specified in the Prudential Regulations issued by the SBP, the provision for diminution in the value of investments for the year ended December 31, 2013 would have been higher by Rs 50 million (2012: Rs 50 million) and the profit before taxation for the year ended December 31, 2013 would have been lower by Rs 50 million (2012: Rs 50 million).

11.3.3 These include the term finance certificates and Sukuk Bonds of Rs 999.172 million (2012: Rs 999.172 million) and Rs 500 million (2012: Rs 500 million) respectively issued by Agritech Limited. The impact of relaxation availed by the Bank for maintaining the provision against these investments is disclosed in note 12.4.1 to these financial statements.

11.3.4 This includes 8,868,843 equity shares (2012: 8,868,843) of Agritech Limited acquired at the rate of Rs 35 each as part of debt share swap agreement with Azgard Nine Limited. The impact of relaxation availed by the Bank for impairment against these shares is disclosed in note 12.4.1 to these financial statements.

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.

	2013	2012
	-----Rupees '000-----	

11.5 (Deficit) / surplus on revaluation of investments classified as held for trading

Market Treasury Bills	(3,424)	1,843
Pakistan Investment Bonds	-	2,393
Fully paid up ordinary shares / certificates of closed end mutual fund	<u>(11,467)</u>	-
	<u>(14,891)</u>	<u>4,236</u>

11.6 These include an investment of the Bank in unlisted shares of DHA Cogen Limited (DHA) (a related party of the bank) representing 19.1% equity holding of DHA. During 2013, the Bank has acquired additional equity shares of 9.35% by exercising its right over pledged shares after eventual non-compliance by DHA in respect of 'Rehabilitation and Standstill Agreement' made between the consortium banks (including FBL) and DHA for repayment of liabilities.

11.7 The Bank does not prepare consolidated financial statements as it does not have any subsidiary company as at December 31, 2013. Accordingly, investment of the Bank in Faysal Asset Management Limited (FAML) has been accounted for under the equity method of accounting as per the requirement of IAS 28. The Bank's share of post acquisition profit or loss is recognised using the latest available financial statements of FAML which relate to the period ended December 31, 2013 with a corresponding adjustment to the carrying amount of investment. The details of Bank's investment and post acquisition changes relating to FAML are as under:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

11.7.1 Faysal Asset Management Limited - percentage holding - 30% (2012: 30%)

At January 1
Post acquisition changes during the year
- Recognised in the profit and loss account

Less: dividend income

At December 31

Cost of Investment

2013	2012 Restated	2011 Restated
-----Rupees '000-----		

69,172	74,358	80,822
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6,657	(5,186)	1,411
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-	-	(7,875)
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<u>75,829</u>	<u>69,172</u>	<u>74,358</u>
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<u>45,000</u>	<u>45,000</u>	<u>45,000</u>
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2013	2012	2011
-----Rupees '000-----		

11.7.2 Particulars of the assets and liabilities of the associate

Assets
Liabilities
Revenue
Profit / (loss)

<u>282,478</u>	<u>257,482</u>	<u>294,270</u>
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<u>29,714</u>	<u>26,908</u>	<u>46,410</u>
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<u>145,596</u>	<u>123,577</u>	<u>138,599</u>
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<u>22,189</u>	<u>(17,287)</u>	<u>4,702</u>
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11.8 The Board of Directors of Faysal Management Services (Private) Limited (FMSL) [a subsidiary of the Bank in which the Bank had 60% shareholding] decided to voluntarily wind up the company and accordingly, resolved to initiate proceedings of winding up by the members of FMSL under the Companies Ordinance, 1984. An Official Assignee was appointed by the Court to distribute the net assets of the Company. The Official Assignee of FMSL has realised assets (held in the form of cash equivalents) of the Company after obtaining permission from the High Court to distribute the cash balances in his custody to shareholders of FMSL and has distributed cash to the respective shareholders including the Bank.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013			2012		
	Specific	General	Total	Specific	General	Total
	Note 12.5 & 12.6			Note 12.5 & 12.6		
	Rupees '000					
Opening balance	18,268,251	283,819	18,552,070	17,062,123	259,212	17,321,335
Charge for the year included in the profit and loss account	3,825,655	122,546	3,948,201	3,064,747	24,607	3,089,354
Reversals during the year	(1,920,114)	-	(1,920,114)	(2,100,846)	-	(2,100,846)
Provision for the year adjusted against NCR - note 22.2	1,905,541	122,546	2,028,087	963,901	24,607	988,508
Net charge	-	-	-	441,757	-	441,757
Amounts written off - note 12.8.1	1,905,541	122,546	2,028,087	1,405,658	24,607	1,430,265
Closing balance	(427,275)	-	(427,275)	(199,530)	-	(199,530)
	<u>19,746,517</u>	<u>406,365</u>	<u>20,152,882</u>	<u>18,268,251</u>	<u>283,819</u>	<u>18,552,070</u>

12.4.1 This includes classified advances of Rs 350 million disbursed to Agritech Limited (AGL). In addition, as disclosed in notes 11.3.3 and 11.3.4, the Bank had also made investments in term finance certificates, sukuk bonds and equity shares of Rs 999.172 million, Rs 500 million and Rs 310.410 million respectively of AGL. In accordance with the requirements of the approved accounting standards as applicable in Pakistan the Bank was required to maintain a provision of Rs 1,963.147 (net of FSV benefit) million as at December 31, 2013 against the above exposure of AGL. The required provision as per the approved accounting standards as applicable in Pakistan has not been fully made by the Bank as the SBP has given relaxation to the Bank in maintaining provision against the outstanding exposure of AGL. The Bank is required to make the provisions against the outstanding exposure (including investment in equity shares) of at least 30%, 40%, 50%, 60%, 75%, 85% and 100% of the required provision as at June 30, 2013, September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014 respectively. The Bank has availed the relaxation provided by the SBP and has recorded total provision of Rs 986.408 million - net of FSV benefit (including impairment loss of Rs 103.855 million) (2012: Rs 410.607 million - net of FSV benefit including impairment loss of Rs 20.692 million).

Had the SBP not provided this exemption, the profit before taxation for the current year would have been lower by Rs 976.739 million and the provision against advances and investments would have been higher by Rs 170.056 million and Rs 806.683 million respectively.

12.4.2 As allowed by the SBP the Bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs. 3,678.156 million [Rs 3,601.242 million (2012: Rs 3,775.7 million) relating to advances and Rs. 76.914 million (2012: Rs.101.1 million) relating to investments] while determining the provisioning requirement against non-performing financing (including investments) as at December 31, 2013. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2013 which is not available for distribution as either cash or stock dividend to shareholders amounted to approximately Rs 2,390.801 million (2012: Rs 2,519.9 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

12.4.3 Particulars of provision against non-performing advances:

	2013			2012		
	Specific	General	Total	Specific	General	Total
	Rupees '000					
In local currency	19,746,517	406,365	20,152,882	18,268,251	283,819	18,552,070
In foreign currencies	-	-	-	-	-	-
Total	<u>19,746,517</u>	<u>406,365</u>	<u>20,152,882</u>	<u>18,268,251</u>	<u>283,819</u>	<u>18,552,070</u>

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

	Note	Secured	Unsecured
Consumer portfolio		1.5%	5.0%
Small enterprise portfolio	12.6	1.0%	2.0%

12.6 Amendments in Prudential Regulations for Small and Medium Enterprises

During the year, the SBP has issued revised Prudential Regulations (PRs) for Small and Medium Enterprises vide IH&SMEFD Circular No.8 dated May 07, 2013 (effective September 30, 2013). Based on the revised regulations, certain parameters have been re-defined in order to segregate the SME portfolio into Small Enterprises (SE) and Medium Enterprises (ME) and the guidelines have been introduced for maintenance of general provision @ 1% and 2% in respect of secured and unsecured SE portfolio respectively. The revised guidelines have also changed the classification criteria based on overdue days and percentage of provision for making specific provision against SE portfolio. Under the revised guidelines the category of Other Assets Especially Mentioned (OAEM) has been re-introduced and the basis of classification of loans and advances under remaining three categories have been redefined whereby all loans and advances overdue by 90 days, 180 days, 365 days and 18 months are now required to be classified as OAEM, substandard, doubtful and loss respectively. Previously, these loans were classified as substandard, doubtful and loss based on different prescribed ageing criteria. The revised guidelines specify that provision should be made in the financial statements equal to 10 percent, 25 percent, 50 percent and 100 percent, in respect of overdue loans and advances classified as OAEM, substandard, doubtful and loss respectively, of the outstanding balances of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged asset.

Had the provision against non-performing loans and advances been determined in accordance with the previous guidelines of the SBP, the specific provision would have been higher by Rs 3.197 million and general provision would have been lower by Rs 7.111 million and consequently profit before taxation and advances would have been higher by Rs 3.914 million.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		-----Rupees '000-----	
12.8 Particulars of write-offs			
12.8.1 Against provisions		427,275	199,530
Bad debts written-off directly		164,301	226,188
Recoveries against written-off debt		(198,204)	(268,376)
Net recoveries against written-off debt credited to profit and loss account		(33,903)	(42,188)
		393,372	157,342
12.8.2 Write-offs of Rs. 500,000 and above	12.9	441,058	158,421
Write-offs below Rs. 500,000		150,518	267,297
Recoveries against write-offs		(198,204)	(268,376)
		393,372	157,342

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2013 is given in Annexure - II to these financial statements. However, the write-off of loans does not affect the Bank's right to recover the outstanding loans from these customers.

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

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons *

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 **

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

	2013	2012
	-----Rupees '000-----	
Balance at beginning of the year	2,500,839	2,787,379
Loans granted during the year	836,762	215,444
Repayments during the year	(735,340)	(501,984)
Balance at end of the year	2,602,261	2,500,839
Balance at beginning of the year	3,639,386	2,052,847
Loans granted during the year	11,579,524	4,261,088
Repayments during the year	(12,563,940)	(2,674,549)
Balance at end of year	2,654,970	3,639,386
Balance at beginning of the year	800,735	801,708
Loans granted during the year	-	-
Repayments during the year	-	(973)
Balance at end of the year	800,735	800,735

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

** Provision held against the loans provided to related parties amounted to Rs 2,583.053 million (2012: Rs 2,412.997 million)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	Note	2013	2012
		-----Rupees '000-----	
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		2,602,261	2,500,867
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		9,598,729	5,529,386
Debts due by subsidiaries, controlled firms, managed modarabas and other related parties		800,735	801,708

13 OPERATING FIXED ASSETS

	Note	2013	2012
Capital work-in-progress	13.1	220,325	1,032,030
Tangible fixed assets	13.2	7,560,732	7,528,378
Intangible assets	13.3	2,469,853	2,299,555
		10,250,910	10,859,963

13.1 Capital work-in-progress

	2013	2012
Civil works	1,805	169,483
Equipment	99,449	407,299
Advances to suppliers and contractors	119,071	455,248
	220,325	1,032,030

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

13.2 Tangible fixed assets

Particulars	2013 COST				2013 ACCUMULATED DEPRECIATION				Book value as at December 31, 2013	Rate of depreciation (%)
	As at January 1, 2013	Additions / adjustments*	Deletions / write-off	As at December 31, 2013	As at January 1, 2013	Additions	On deletions / write-off	As at December 31, 2013		
------(Rupees '000)-----										
Owned										
Freehold land	1,260,795	-	(17,500)	1,243,295	-	-	-	-	1,243,295	-
Leasehold land	2,253,080	-	-	2,253,080	-	-	-	-	2,253,080	-
Building on freehold	234,796	-	-	234,796	105,908	36,614	-	142,522	92,274	5
Building on leasehold land	3,307,191	165,139 (14,480) *	-	3,457,850	523,994	259,050	(14,476)	768,568	2,689,282	5
Leasehold property and improvement	1,559,437	121,048 14,480 *	(169,701)	1,525,264	1,188,651	106,185	(154,093)	1,140,743	384,521	5 to 20
Office furniture, fixtures, equipment and computers	4,690,801	516,805	(51,360)	5,156,246	4,093,071	367,034	(49,588)	4,410,517	745,729	20 to 33.33
Vehicles	228,516	55,225	(21,834)	261,907	94,614	30,880	(16,138)	109,356	152,551	20
Total Owned	13,534,616	858,217	(260,395)	14,132,438	6,006,238	799,763	(234,295)	6,571,706	7,560,732	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

13.2.1 Included in cost of operating fixed asset are fully depreciated items still in use having cost of Rs 4,905.113 million (2012: Rs 4,363.238 million).

13.2.2 Freehold and leasehold land and building on freehold and leasehold land were last revalued on December 31, 2011 on the basis of market values determined by valuation and engineering consultant. Had there been no revaluation, the net book value of these assets would have been lower by Rs 2,196.311 million (2012: Rs 2,318.167 million) i.e. Rs 4,081.620 million (2012: Rs 4,107.793 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

13.3 Intangible assets

Particulars	2013								Book value as at December 31, 2013	Rate of amortisation % per annum
	COST			ACCUMULATED AMORTISATION						
	As at January 1, 2013	Additions	Deletions	As at December 31, 2013	As at January 1, 2013	Charge to profit and loss account / transferred to equity	Charge on deletions	As at December 31, 2013		
	------(Rupees '000)-----									
Computer software	975,818	518,065	-	1,493,883	801,199	155,664	-	956,863	537,020	20 to 33.33
Customer Relationship - note 13.3.2	2,557,167	-	-	2,557,167	432,231	-	-	624,334	1,932,833	Note 13.3.2
						192,103				
	3,532,985	518,065	-	4,051,050	1,233,430	155,664	-	1,581,197	2,469,853	
						192,103				

Particulars	2012								Book value as at December 31, 2012	Rate of amortisation % per annum
	COST			ACCUMULATED AMORTISATION						
	As at January 1, 2012	Additions	Deletions	As at December 31, 2012	As at January 1, 2012	Charge to profit and loss account / transferred to equity	Charge on deletions	As at December 31, 2012		
	------(Rupees '000)-----									
Computer software	840,949	134,869	-	975,818	677,821	123,378	-	801,199	174,619	20 to 33.33
Customer Relationship - note 13.3.2	2,557,167	-	-	2,557,167	240,128	-	-	432,231	2,124,936	Note 13.3.2
						192,103				
	3,398,116	134,869	-	3,532,985	917,949	123,378	-	1,233,430	2,299,555	
						192,103				

13.3.1 Intangible assets include fully amortised items still in use having cost of Rs 706.798 million (2012: Rs 685.570 million).

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

14

DEFERRED TAX ASSETS - NET

Deferred credits arising due to:

- Accelerated tax depreciation
- Surplus on revaluation of securities
- Fair value adjustments relating to net assets acquired upon amalgamation
- Surplus on revaluation of fixed assets
- Remeasurement of defined benefit obligations*
- Share of profit from associate*

Deferred debits arising due to:

- Net investment in finance leases
- Deficit on revaluation of securities
- Provision against non-performing advances
- Provision for diminution in the value of investments
- Provision against other assets
- Minimum tax
- Unused tax losses (including unabsorbed depreciation)
- Remeasurement of defined benefit obligations*

*restated amount / amounts included as a result of change in accounting policies.

Note	2013	2012 Restated	2011 Restated
-----Rupees '000-----			
	(127,153)	(95,115)	(82,956)
23.2	-	(215,377)	-
	(678,944)	(744,965)	(797,159)
23.1	(436,591)	(479,241)	(521,891)
3.5.2	(20,932)	(23,384)	-
3.5.3	(10,790)	(8,460)	(10,275)
	-	-	11,659
23.2	153,725	-	244,468
	3,083,128	5,010,472	5,016,746
	856,002	810,442	680,308
	99,653	132,895	99,637
	-	-	524,068
	1,062,443	-	13,246
3.5.2	-	-	2,330
	<u>3,980,541</u>	<u>4,387,267</u>	<u>5,180,181</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 Restated	2011 Restated
-----Rupees '000-----				
15 OTHER ASSETS				
Income / mark-up accrued in local currency		4,910,605	5,159,697	5,280,826
Income / mark-up accrued in foreign currencies		51,213	30,967	16,887
Advances, deposits, advance rent and other prepayments		874,863	712,103	666,531
Taxation (payments less provisions)		3,323,957	1,553,986	1,264,173
Branch adjustment account		-	-	29,862
Non-banking assets acquired in satisfaction of claims	15.1, 15.4 & 15.5	2,305,011	2,511,052	1,879,327
Credit cards and other products fee receivable		168,802	193,790	241,340
Suspense account		-	-	5,138
Unrealised gain on revaluation of forward foreign exchange contracts		-	22,605	230,732
Fair value of derivative contracts	25.3 & 25.4	330,534	396,680	-
Dividend receivable		94,393	96,029	97,614
Receivable from brokers against sale of shares		27,047	2,490	640,473
Prepaid employee benefits	15.2	529,347	672,796	881,327
Advance against islamic financing		825,051	507,781	332,713
Others*		806,241	517,542	701,411
		14,247,064	12,377,518	12,268,354
Less: Provision held against other assets	15.3	(443,067)	(538,043)	(446,926)
Other assets (net of provisions)		13,803,997	11,839,475	11,821,428
*restated amount				
15.1	Market value of non-banking assets acquired in satisfaction of claims - determined by professional valuer	2,938,709	2,895,184	2,337,601
15.2	The prepaid employee benefits represent the impact of fair value adjustment on employee loans and advances which was determined at the time of acquisition of Ex-RBS Pakistan and is being amortized over the loan periods.			
		2013	2012	2011
-----Rupees '000-----				
The movement of prepaid employee benefits is as follows:				
Prepaid employee benefits at beginning of the year		672,796	881,327	1,192,575
Employee benefits expensed during the year		(143,449)	(208,531)	(311,248)
Prepaid employee benefits at the end of the year		529,347	672,796	881,327

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012	2011
-----Rupees '000-----			
15.3 Provision against other assets			
Opening balance	538,043	446,926	221,927
Charge for the year	109,489	185,325	282,941
Reversals	(204,465)	(94,208)	(57,942)
	(94,976)	91,117	224,999
Closing balance	443,067	538,043	446,926
15.4 Non- current assets held for sale			
This includes properties having carrying value of Rs 2,176.722 million which have been classified as 'Non-current assets held for sale' as at December 31, 2013. A formal plan to dispose of these properties is in place and it is expected that the process of sale of these properties will be completed in the near future.			
15.5	On one of these properties is a claim by an individual to the extent of Rs 35 million.		
16 BILLS PAYABLE		2013	2012
-----Rupees '000-----			
In Pakistan		4,965,424	4,228,181
Outside Pakistan		3,186	16,313
		4,968,610	4,244,494
17 BORROWINGS			
In Pakistan		44,629,085	35,544,985
Outside Pakistan		817,443	23,124
		45,446,528	35,568,109
17.1 Particulars of borrowings with respect to currencies			
In local currency		44,629,085	35,544,985
In foreign currencies		817,443	23,124
		45,446,528	35,568,109

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		-----Rupees '000-----	
17.2	Details of borrowings secured / unsecured		
	Secured		
	Borrowings from the State Bank of Pakistan		
	- Under export refinance scheme - Part I and II	17.3	14,514,026
	- Under scheme for long term financing for export oriented projects	17.4	652,307
	- Under long term financing facility	17.5	3,052,719
	- Agri finance (flood affected)	17.6	5,200
	- Under scheme of financing facility for storage of agricultural produce	17.7	434,693
	- Islamic export refinance scheme	17.8	165,000
	Repurchase agreement borrowings	17.9	16,619,980
		42,779,085	35,443,925
	Unsecured		
	Call borrowings	17.10	100,000
	Overdrawn nostro accounts		24,184
		817,443	124,184
		2,667,443	35,568,109
		45,446,528	35,568,109
17.3	In accordance with the ERF scheme, the Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Borrowing from the SBP under the export refinance scheme is secured by the Bank's cash and security balances held by the SBP. The mark-up rate on this facility is 8.2% to 8.4% per annum (2012: 8.5% to 10% per annum) payable on quarterly basis with maturities upto 180 days from the date of grant.		
17.4	These represent borrowings from the SBP under scheme for long term financing for export oriented projects. The mark-up rate on these facilities is 5% per annum (2012: 5% per annum) payable on quarterly basis with maturities upto May 2018. As per the terms of the agreement, the Bank has granted the SBP a right to recover the outstanding amount from the Bank at the maturity date of finances by directly debiting the current account of the Bank maintained with the SBP.		
17.5	These represent borrowings from the SBP under scheme for Long Term Financing facility. The markup rates on these facilities are ranging from 6.5% to 10.10% per annum (2012: 6.50% to 10.10% per annum), payable on quarterly basis, with maturities upto May 2022. As per the terms of the agreement, the Bank has granted the SBP a right to recover the outstanding amount from the Bank at the maturity date of finances by directly debiting the current account of the Bank maintained with the SBP.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

17.6	These represent borrowings from the SBP under scheme for revival of SME and agricultural activities in flood affected areas. The mark-up rates on these facilities is 5% per annum (2012: 5% per annum) payable on half yearly basis with maturities upto November 2014. As per the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the maturity date of the finances by directly debiting the current account maintained by the Bank with the SBP.
17.7	These represent borrowings from the SBP under scheme of financing facility for storage of agricultural produce. The mark-up rates on these facilities are ranging from 5.5% to 6.5% per annum (2012: 5.5% to 6.5% per annum) payable on quarterly basis with maturities upto October 2020. As per the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the maturity date of the finance by directly debiting the current account maintained by the Bank with the SBP.
17.8	In accordance with IERS scheme, the Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the maturity date of the finance by directly debiting the current account maintained by the Bank with the SBP. The mark-up rate on this facility is 5.36% per annum (2012: 7.81% per annum) payable on quarterly basis with maturities upto 180 days from the date of the grant.
17.9	These represent collateralized borrowings against market treasury bills at the rate of 10% per annum (2012: 6.60% to 8.85% per annum) payable on maturity with maturities upto January 2014.
17.10	These borrowings are from the financial institutions. The mark-up rates on these borrowings are ranging from 6.00% to 10.00% per annum (2012: 8.70% per annum) payable on maturity with maturities up to January 2014.

18 DEPOSITS AND OTHER ACCOUNTS

Customers

	2013	2012
	-----Rupees '000-----	
Fixed deposits	92,803,300	92,187,537
Saving deposits	86,464,689	73,676,936
Current accounts – Remunerative	2,306,983	1,659,044
Current accounts – Non-remunerative	78,787,509	60,908,054
Margin accounts	2,032,215	2,298,894
	262,394,696	230,730,465

Financial Institutions

Remunerative deposits	8,467,508	9,759,282
Non-remunerative deposits	272,099	218,362
	8,739,607	9,977,644
	271,134,303	240,708,109

18.1 Particulars of deposits

In local currency	244,449,273	216,613,566
In foreign currencies	26,685,030	24,094,543
	271,134,303	240,708,109

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

19 SUB-ORDINATED LOANS

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

	Note	2013 -----Rupees '000-----	2012
Outstanding amount	19.1 & 19.2	<u>3,495,400</u>	<u>4,195,001</u>
Total issue amount		<u>4,000,000</u>	<u>4,800,000</u>

19.1	Particulars	TFC (issue date: 12-11-2007)	TFC (issue date: 27-12-2010)
	Outstanding amount	Rs. 499 million (2012: Rs. 998 million)	Rs. 2,996.4 million (2012: Rs. 2,997.6 million)
	Issue amount	Rs. 1,000 million	Rs. 3,000 million
	Rating	"AA-" (Double A Minus) by JCR-VIS	"AA-" (Double A Minus) by JCR-VIS
	Listing	Listed	Unlisted
	Rate	Base Rate Plus 1.40%	Base Rate Plus 2.25%
		The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.	The Base Rate is defined as the ask side of six months Karachi Inter bank Offered Rate (KIBOR) prevailing on the base rate setting date.
	Subordination	The TFCs are subordinated to all other indebtedness of the Bank including deposits.	The TFCs are subordinated to all other indebtedness of the Bank including deposits.
	Date of issue	November 2007	December 2010
	Tenure and maturity	7 years from the date of issue.	7 years from the date of issue.
	Principal Repayment	Semi annually as follows: 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month	Semi annually as follows: 0.20% of principal in first 60 months and remaining principal in four semi-annual installments of 24.95% starting from 66th month
	Profit Payment	Profit is payable semi-annually in arrears.	Profit is payable semi-annually in arrears.

19.2 The comparative number of 2012 also includes Rs 199.5 million paid in the current year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

20 OTHER LIABILITIES

	Note	2013 -----Rupees '000-----	2012
Mark-up / return / interest payable in local currency		1,855,010	2,923,421
Mark-up / return / interest payable in foreign currencies		9,726	11,369
Unearned commission / income		167,202	26,122
Accrued expenses		1,118,883	962,322
Unclaimed dividends		39,835	40,089
Branch adjustment account		12,713	-
Unrealised loss on revaluation of forward foreign exchange contracts		123,483	-
Withholding tax payable		74,138	665
Federal excise duty payable		25,713	38,600
Security deposits against finance leases	20.1	3,371,724	2,450,522
Payable to brokers against purchase of shares		24,941	3,181
Others		1,245,305	914,424
		<u>8,068,673</u>	<u>7,370,715</u>

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

21 SHARE CAPITAL

21.1 Authorised Share capital

	2013 -----Number of Shares-----	2012	2013 -----Rupees '000-----	2012
Ordinary shares of Rs. 10 each	<u>1,200,000,000</u>	<u>1,200,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

21.2 Issued, subscribed and paid-up capital

2013	2012	Ordinary shares
-----Number of shares-----		
201,451,420	201,451,420	Fully paid in cash
824,346,006	708,427,156	Issued as bonus shares
17,472,226	17,472,226	Issued on amalgamation
<u>1,043,269,652</u>	<u>927,350,802</u>	

21.3 As at December 31, 2013, Ithmaar Bank B.S.C. (the holding company of the Bank) through its subsidiaries and nominees held 696,666,196 ordinary shares of Rs. 10 each (2012: 619,258,842 ordinary shares).

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

2013	2012	Note
-----Number of shares-----		
927,350,802	824,311,827	Opening balance at January 1
115,918,850	103,038,975	Bonus shares issued during the year
<u>1,043,269,652</u>	<u>927,350,802</u>	Closing balance at December 31

22 RESERVES

Statutory reserve

22.1 4,042,206 3,672,225

Capital reserve

Reserve arising on amalgamation

23,952 23,952

Share premium

10,131 10,131

Non-distributable capital reserve - gain on bargain purchase

22.2 2,477,908 2,602,775

6,554,197 6,309,083

2013	2012
-----Rupees '000-----	
2,014,514	2,014,514
8,243,461	7,084,272
174,722	174,722
<u>10,432,697</u>	<u>9,273,508</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

22.2 NON-DISTRIBUTABLE CAPITAL RESERVE- GAIN ON BARGAIN PURCHASE

As per the directive of the State Bank of Pakistan (SBP) vide letter BPRD (R&P -02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (RBS Pakistan) was credited directly into equity as Non-Distributable Capital Reserve (NCR). The SBP allowed the Bank to adjust the amortisation of intangible asset (recognised at the time of acquisition and disclosed in note 13.3 to the financial statements) against the portion of reserve which arose on account of such assets. The directives of the SBP further specified that any subsequent provision / deficit identified by the Banking Inspection Department (BID) of the SBP in the acquired portfolio of RBS Pakistan will be adjusted against the reserve. The balance amount of reserve after incorporation of the above adjustment as identified by BID and amortisation of intangible asset will be available for distribution only as stock dividend after the prior approval of the SBP.

The BID of SBP had issued a final inspection report in 2013. The report identified an adjustment of Rs 441.757 million which essentially represented the additional provision suggested by the BID in the acquired loans and advances portfolio of the RBS Pakistan. In accordance with the above directive of the SBP the management adjusted the aforementioned amount against the NCR at the time of finalisation of the financial statements of the Bank for the year ended December 31, 2012. In August 2013, the management of the Bank sought approval for the transfer of bargain purchase gain (net of unamortised balance of intangible assets) to unappropriated profit which may become available for distribution as stock dividend to the shareholders of the Bank.

In reply to the approval sought by the management, the SBP allowed the Bank vide letter BPRD (R&P-02)/625-99/2013/17 dated November 25, 2013 to transfer the bargain purchase gain (net of unamortised balance of intangible assets) to unappropriated profit for onward distribution as stock dividend to the shareholders of the Bank subject to certain conditions.

The management has written to the SBP seeking its clarification on certain conditions attached to the transfer of bargain purchase gain. The management intends to determine the amount of bargain purchase gain, if any, which may be transferred to unappropriated profit, after the reply of the SBP. Pending reply of the SBP, the entire amount of bargain purchase gain has been shown as part of NCR.

23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) arising on revaluation of:

- Fixed assets
- Available for sale securities

Note	2013	2012
	-----Rupees '000-----	
23.1	1,759,720	1,838,926
23.2	(181,249)	410,087
	<u>1,578,471</u>	<u>2,249,013</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	-----Rupees '000-----	-----Rupees '000-----
23.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets at January 1	2,318,167	2,440,023
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(79,206)	(79,206)
Related deferred tax liability in respect of incremental depreciation charged during the year	(42,650)	(42,650)
	(121,856)	(121,856)
	2,196,311	2,318,167
Related deferred tax liability on surplus as at January 1	(479,241)	(521,891)
Related deferred tax liability in respect of incremental depreciation charged during the year	42,650	42,650
	(436,591)	(479,241)
	1,759,720	1,838,926
23.2 (Deficit) / surplus on revaluation of investments classified as available for sale		
Federal Government Securities		
- Market Treasury Bills	(30,229)	315,246
- Pakistan Investment Bonds	(669,405)	298,282
- Ijara Sukuk Bonds	144,770	118,314
Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds		
- Listed companies / modarabas / mutual funds	200,491	(164,842)
Fully Paid up Preference Shares		
- Listed companies	-	289
Term Finance Certificates		
- Listed	(298)	(1,812)
- Unlisted	11,312	9,325
Units of Open end Mutual Funds	8,385	50,662
	(334,974)	625,464
Related deferred tax asset / (liability)	153,725	(215,377)
	(181,249)	410,087

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	-----Rupees '000-----	-----Rupees '000-----
24 CONTINGENCIES AND COMMITMENTS		
24.1 Direct credit substitutes		
Contingent liability in respect of guarantees favouring:		
- Banking companies and other financial institutions	825,498	966,911
Acceptances		
- Others	13,139,248	11,513,312
24.2 Transaction-related contingent liabilities		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
- Government	7,382,176	8,150,674
- Banking companies and other financial institutions	18,777	60,332
- Others	2,830,604	2,670,724
	10,231,557	10,881,730
24.3 Trade-related contingent liabilities		
Letters of credit		
- Government	6,903,344	4,841,029
- Others	18,317,222	15,760,764
	25,220,566	20,601,793
24.4 Other contingencies		
(i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case	2,500,000	2,500,000
(ii) Indemnity issued favouring the High Court in the above case	457,543	457,543
(iii) Claims against the Bank not acknowledged as debt	32,373,712	33,362,656

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

- (iv) Income tax assessments of the Bank have been finalised upto the tax year 2013 (Accounting year 2012). Return of income for tax year 2014 will be e-filed within due date.

The department and the Bank have disagreements on certain matters for tax years from 1994 to 2013. These include disallowance on initial depreciation of leases, provision for bad debts, bad debts written off, provision against investments, taxability of dividend and profit accrued on deposits. The additional tax liability on these matters is Rs 1,734.720 million.

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

24.5 Commitments to extend credits

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

24.6 Commitments in respect of forward exchange contracts

Purchase

- Customers
- Banks

	2013	2012
	-----Rupees '000-----	
	1,629,491	1,215,250
	31,733,550	20,816,450
	33,363,041	22,031,700

Sale

- Customers
- Banks

	2,337,278	686,361
	12,948,403	7,310,088
	15,285,681	7,996,449

24.7 Commitments for the acquisition of operating fixed assets

	286,323	234,680
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24.8 Commitments in respect of donation

	8,000	26,000
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24.9 Commitments in respect of repo transactions

Repurchase

	23,622,480	16,646,373
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Resale

	299,186	289,265
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	-----Rupees '000-----	

25 DERIVATIVE INSTRUMENTS

Interest rate swaps and cross currency swaps (notional principal)

	20,130,348	26,013,457
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Derivative instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and FX Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business provides risk solutions for the existing and potential customers of the Bank. All Derivative transactions are governed by the Financial Derivatives Business Regulations (FDBR) issued by the State Bank of Pakistan (SBP).

25.1 Derivative Risk Management

The Bank's derivatives risk management is performed under Market Risk Management which is an independent unit reporting into the Chief Risk Officer. The risk management policies are governed by regulatory and internal guidelines. Risk management department of the Bank reviews credit risk, market risk and other risks associated with the derivative transactions or related area of activity and assigns limits within which the transactions / area of activity can be carried out. Adherence to these limits is ensured through independent monitoring and control functions.

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

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

Major risks associated with derivative instruments are market risk, credit risk and liquidity risk. The Bank uses SunGard-Sierra to measure and manage these risks which provides end-to-end capability with respect to transaction life cycle.

Market risk

The risk that the value of a derivative contract will be adversely affected by movements in equity prices, interest rates, currency exchange rates and commodity prices. The authority for approving policies, limits and periodic reviews rests with the Board of Directors. The critical measures used to manage market risks are Interest Rate Delta, Currency Delta Basis and Value-at-Risk. These measures involve extreme shifts in a variety of parameters, such as FX rates, interest rates, equity prices, implied volatility levels and combinations of the above. These measures are calculated through the relevant systems.

Credit risk

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

Liquidity risk

Liquidity risk is managed as part of the overall liquidity risk of the Bank. The risk management policies related to liquidity risk is explained in more detail in note 44.7 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

25.2 Product Analysis

	2013		2012	
	Interest Rate and Cross Currency Swaps		Interest Rate and Cross Currency Swaps	
	No. of Contracts	Notional Principal Rupees '000	No. of Contracts	Notional Principal Rupees '000
Counterparties				
With Banks for				
Hedging	2	9,743,356	15	11,931,368
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	13	10,386,992	39	14,082,089
Total				
Hedging	2	9,743,356	15	11,931,368
Market Making	13	10,386,992	39	14,082,089
	15	20,130,348	54	26,013,457

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

25.3 Maturity Analysis

Interest Rate Swaps and Cross Currency Swaps

Remaining Maturity

Upto 1 month
1 to 3 months
3 to 6 months
6 months to 1 year
1 to 2 years
2 to 3 years
3 to 5 years
5 to 10 years

	No. of Contracts	Notional Principal	2013		Net
			Mark to Market		
			Negative	Positive	
----- Rupees '000 -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	9	300,103	(300,610)	202,078	(98,532)
3 to 6 months	-	-	-	-	-
6 months to 1 year	4	19,486,713	(326,563)	756,653	430,090
1 to 2 years	1	138,960	(142,151)	143,623	1,472
2 to 3 years	1	204,572	(212,735)	210,239	(2,496)
3 to 5 years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
	15	20,130,348	(982,059)	1,312,593	330,534

Remaining Maturity

Upto 1 month
1 to 3 months
3 to 6 months
6 months to 1 year
1 to 2 years
2 to 3 years
3 to 5 years
5 to 10 years

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

25.4 As at December 31, 2013 the fair value of the derivative financial instruments has been determined using valuation techniques with significant inputs such as forecasted market interest rate and foreign exchange rate. The determination of the fair value of these instruments is most sensitive to these key assumptions. Any significant change in these key assumptions may have an effect on the fair value of these derivative financial instruments.

	2013	2012
	-----Rupees '000-----	
26 MARK-UP / RETURN / INTEREST EARNED		
a) On financing to:		
i) customers	19,684,893	20,866,894
ii) financial institutions	45,128	22,363
b) On investments in:		
i) held for trading securities	462,722	401,029
ii) available for sale securities	6,707,461	6,781,993
iii) held to maturity securities	392,084	647,249
c) On deposits with treasury bank and financial institutions	46,486	27,354
d) On securities purchased under resale agreements	160,189	55,268
e) Others	291,505	-
	<u>27,790,468</u>	<u>28,802,150</u>
27 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	12,654,607	14,510,879
Securities sold under repurchase agreements	893,885	1,471,421
Other short term borrowings	1,488,813	1,719,568
SBP borrowings	1,471,953	1,547,437
Sub-ordinated loans	436,057	589,440
	<u>16,945,315</u>	<u>19,838,745</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

28 GAIN ON SALE OF SECURITIES

Gain / (loss) on sale of:

Federal Government Securities

- Market Treasury Bills

- Pakistan Investment Bonds

- Ijara Sukuk Bonds

Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds

Units of Open end Mutual Funds

29 OTHER INCOME

Rent on property

Net profit on disposal of operating fixed assets

Net profit on disposal of non-banking assets

Income on derivative contracts - net

Recovery against written off balances

Income from disposal of scrap

Notice pay recovered from outgoing employees

Commission received

Gain on realisation of proceeds on liquidation of a subsidiary

Miscellaneous charges recovered

	2013	2012
	-----Rupees '000-----	
Federal Government Securities	345,244	398,342
- Market Treasury Bills	23,893	666,947
- Pakistan Investment Bonds	137	37,652
- Ijara Sukuk Bonds	(120,987)	162,114
Fully Paid up Ordinary Shares / Modaraba Certificates / Units of Closed end Mutual Funds	58,042	(50,495)
Units of Open end Mutual Funds	<u>306,329</u>	<u>1,214,560</u>
29 OTHER INCOME		
Rent on property	148,905	102,577
Net profit on disposal of operating fixed assets	19,667	44,610
Net profit on disposal of non-banking assets	123,436	5,658
Income on derivative contracts - net	235,138	773,117
Recovery against written off balances	-	26,743
Income from disposal of scrap	1,451	4,207
Notice pay recovered from outgoing employees	3,589	4,525
Commission received	-	2,334
Gain on realisation of proceeds on liquidation of a subsidiary	17,129	-
Miscellaneous charges recovered	24,243	1,763
	<u>573,558</u>	<u>965,534</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 Restated
		-----Rupees '000-----	
30 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other employee benefits	30.1	4,885,383	4,818,550
Charge for defined benefit plan	36	94,100	71,713
Contribution to defined contribution plan	37	137,136	133,913
Non-executive directors' fees		24,940	24,966
Rent, taxes, insurance, electricity, etc.		1,921,914	1,814,069
Legal and professional charges		195,490	122,864
Communications		397,395	379,060
Repairs and maintenance		654,976	590,799
Stationery and printing		177,075	197,774
Advertisement and publicity		116,066	141,635
Donations	30.3	46,458	44,606
Auditors' remuneration	30.4	24,861	20,634
Depreciation	13.2	799,763	914,790
Amortisation	13.3	155,664	123,378
License and technical fee		170,204	198,029
Travelling, conveyance and entertainment		166,061	147,139
Vehicle running expenses		250,560	300,309
Books, periodicals and subscription		85,479	111,576
Brokerage and commission		45,565	62,044
Bank fees and charges		64,062	37,392
Security expenses		291,770	248,007
Public relation and sponsorship		110,119	144,194
Fee and documentation charges		87,326	68,388
Others		176,755	93,920
		<u>11,079,122</u>	<u>10,809,749</u>

30.1 This includes charge amounting to Rs 143.449 million (2012: Rs 208.531 million) in respect of amortisation of prepaid employee benefits as disclosed in note 15.2 to these financial statements.

30.2 The Bank operates a short term employee benefit scheme which includes special bonus for all employees. Under this scheme, the bonus for all Executives, including the Chief Executive Officer and President of the Bank is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate amount determined for eligible employees in respect of the above scheme relating to all Executives and for the President of the Bank amounted to Rs 253.249 million (2012: Rs 229.2 million) and Rs 55 million (2012: Rs 53.797 million) respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	-----Rupees '000-----	
30.3 Donations made during the year were as follows:		
Donee		
Flood Relief affectees supply of blankets	-	836
Institute of Business Administration (IBA)	18,000	19,000
Waqf Faisal (Trust)	28,458	24,770
	<u>46,458</u>	<u>44,606</u>

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

	2013	2012
	-----Rupees '000-----	
30.4 Auditors' remuneration		
Statutory audit fee	2,822	2,520
Fee for quarterly and annual group reporting	6,209	5,544
Fee for the review of the half yearly financial statements	753	672
Tax services	6,000	5,500
Special certifications and sundry advisory services	7,077	5,898
Out-of-pocket expenses	2,000	500
	<u>24,861</u>	<u>20,634</u>

31 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan
Workers' Welfare Fund

	57,839	59,835
	58,836	42,990
	<u>116,675</u>	<u>102,825</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012 Restated
	-----Rupees '000-----	
32 TAXATION		
For the year		
Current	1,078,186	268,139
Deferred	(467,370)	374,591
	610,816	642,730
For prior years		
Current	(1,612,830)	(227,147)
Deferred	1,312,887	-
	(299,943)	(227,147)
	310,873	415,583
32.1 Relationship between tax expense and accounting profit		
Profit before tax	2,160,779	1,835,427
Tax calculated at the rate of 35% (2012: 35%)	756,273	642,399
Effect of:		
- permanent differences	(22,960)	20,781
- income chargeable to tax at reduced rate	(104,627)	(83,076)
- prior year reversal	(299,943)	(227,147)
- others	(17,870)	62,626
Tax charge for the year	310,873	415,583
33 EARNINGS PER SHARE		Restated
Profit after tax for the year	1,849,906	1,419,844
	Number of shares in thousands	
Weighted average number of ordinary shares outstanding during the year	1,043,270	1,043,270
	-----Rupees-----	
Earnings per share - basic	1.77	1.36
33.1	Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2013 and December 31, 2012 which would have any effect on the earnings per share if the option to convert is exercised.	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		-----Rupees '000-----	
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	28,422,497	24,508,852
Balances with other banks	9	1,011,980	1,209,313
Overdrawn nostros	17.2	(817,443)	(24,184)
		28,617,034	25,693,981
35 STAFF STRENGTH			
Permanent		3,596	3,457
Temporary / on contractual basis		14	8
Bank's own staff strength at the end of the year		3,610	3,465
Outsourced	35.1	3,256	2,997
Total staff strength		6,866	6,462
35.1	Outsourced staff are employees hired by an outside contractor / agency and posted in the Bank to perform various tasks / activities of the Bank.		
36 DEFINED BENEFIT PLAN			
36.1 General description			
	The Bank operates an approved funded gratuity scheme for all its permanent employees and employees who are on contractual service in non-management cadre. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof. The minimum qualifying eligible service for gratuity is 1 year for employees who became members of the Fund before November 12, 2002. In the case of other members of the Fund the minimum qualifying eligible service is 5 years. The minimum qualifying eligible service for contractual employees not employed under the management cadre is 6 months. The latest actuarial valuation of the Bank's defined benefit plan, based on Projected Unit Credit Actuarial Cost Method, was carried out as at December 31, 2013.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

The Gratuity scheme exposes the entity to the following risks:

Mortality risks

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

Investment risks

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

Risk of insufficiency of assets

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

Final salary risks

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

Withdrawal risks

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012	2011			
36.2 Principal actuarial assumptions							
Discount factor used (% per annum)		12.75	12.00	13.00			
Expected rate of salary increase (% per annum)		12.75	12.00	13.00			
Normal retirement age (years)		60	60	60			
		2013	2012	2011			
			Restated	Restated			
36.3 The amount recognised in the statement of financial position are determined as follows:		-----Rupees '000-----					
Present value of defined benefit obligations	36.5	541,719	430,334	374,945			
Fair value of plan assets	36.4	(639,308)	(534,886)	(368,641)			
		<u>(97,589)</u>	<u>(104,552)</u>	<u>6,304</u>			
36.4 Plan assets consist of the following:							
		2013		2012		2011	
		Quoted	Non-Quoted	Quoted	Non-Quoted	Quoted	Non-Quoted
		----- Rupees '000 -----					
Balances with banks and financial institutions		-	7,039	-	25,977	-	3,002
Debt instruments:							
- Government		632,269	-	507,645	-	361,668	-
- Corporates		-	-	1,264	-	3,971	-
		<u>632,269</u>	<u>7,039</u>	<u>508,909</u>	<u>25,977</u>	<u>365,639</u>	<u>3,002</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013		
	Present value of obligation	Fair value of plan assets	Total
	----- Rupees '000 -----		
At January 1 (Restated)	430,334	(534,886)	(104,552)
Current service cost	105,936	-	105,936
Interest expense / (income)	56,853	(68,689)	(11,836)
	<u>593,123</u>	<u>(603,575)</u>	<u>(10,452)</u>
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense	-	23,823	23,823
- Gain from change in demographic assumptions	(315)	-	(315)
- Gain from change in financial assumptions	(897)	-	(897)
- Experience gains	(15,606)	-	(15,606)
	<u>(16,818)</u>	<u>23,823</u>	<u>7,005</u>
Contribution	(34,586)	(94,142)	(128,728)
Benefit payments	-	34,586	34,586
At December 31	<u>541,719</u>	<u>(639,308)</u>	<u>(97,589)</u>
	2012		
	Present value of obligation	Fair value of plan assets	Total
	----- Rupees '000 -----		
At January 1 (Restated)	374,945	(368,641)	6,304
Current service cost	88,367	-	88,367
Interest expense / (income)	48,914	(65,568)	(16,654)
	<u>512,226</u>	<u>(434,209)</u>	<u>78,017</u>
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	(19,778)	(19,778)
- (Gain) / loss from change in demographic assumptions	-	-	-
- (Gain) / loss from change in financial assumptions	-	-	-
- Experience gains	(53,177)	-	(53,177)
	<u>(53,177)</u>	<u>(19,778)</u>	<u>(72,955)</u>
Contribution	(28,715)	(109,615)	(138,330)
Benefit payments	-	28,716	28,716
At December 31 (Restated)	<u>430,334</u>	<u>(534,886)</u>	<u>(104,552)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

36.6 Analysis of present value of defined benefit obligation

Split by type of members
(i) Active employees
(ii) Deferred
(iii) Pensioners / Retired members

Split by vested / non-vested
(i) Vested benefits
(ii) Non-vested benefits

Split by cadre of members
(i) Management
(ii) Non-Management (Contractuals)

Split by benefits earned to date
(i) Present value of guaranteed benefits
(ii) Present value of benefits attributable to future increase in salary

36.7 Charge for defined benefit plan

Current service cost
Net interest cost

	2013	2012 Restated	2011 Restated
	----- Rupees '000 -----		
	<u>541,719</u>	430,334	374,945
	-	-	-
	<u>541,719</u>	<u>430,334</u>	<u>374,945</u>
	<u>346,348</u>	237,121	209,435
	<u>195,371</u>	193,213	165,510
	<u>541,719</u>	<u>430,334</u>	<u>374,945</u>
	<u>541,077</u>	429,661	368,678
	<u>642</u>	673	6,267
	<u>541,719</u>	<u>430,334</u>	<u>374,945</u>
	<u>189,506</u>	147,838	124,343
	<u>352,213</u>	282,496	250,602
	<u>541,719</u>	<u>430,334</u>	<u>374,945</u>
	2013	2012	2011
	----- Rupees '000 -----		
Current service cost	105,936	88,367	111,236
Net interest cost	56,853	48,914	46,830
	<u>162,789</u>	<u>137,281</u>	<u>158,066</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

	Impact on defined benefit obligation - Increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	----- Rupees '000 -----		
Discount rate	1%	489,578	603,191
Salary increase rate	1%	603,927	488,068
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy / withdrawal rate		541,050	542,330

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

36.11 The weighted average duration of the defined benefit obligation is 11.53 years.

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

At December 31, 2013	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees '000 -----				
Gratuity	20,459	36,073	223,326	27,387,861	27,667,719

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

36.13 Historical information

Defined benefit obligation
Fair value of plan assets
Surplus / (deficit)

Remeasurements of plan liabilities

Remeasurements of plan assets

	2013	2012	2011	2010	2009
	----- Restated -----				
	----- Rupees '000 -----				
Defined benefit obligation	(541,719)	(430,334)	(374,945)	(277,157)	(229,961)
Fair value of plan assets	639,308	534,886	368,641	245,286	168,135
Surplus / (deficit)	97,589	104,552	(6,304)	(31,871)	(61,826)
Remeasurements of plan liabilities	16,818	53,177	38,924	24,523	(6,124)
Remeasurements of plan assets	(23,823)	19,778	(15,508)	1,277	64

36.14 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Gratuity cost comprising the service cost and the net interest cost for the next year works out to Rs. 104.481 million as per the actuarial valuation report of the Bank as of December 31, 2013.

36.15 The disclosure made in notes 36.2 to 36.14 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2013.

37 DEFINED CONTRIBUTION PLAN

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

38 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	----- Rupees '000 -----					
Managerial remuneration	68,399	56,351	-	-	775,729	796,704
Fees	-	-	24,940	24,966	-	-
Charge for defined benefit plan	3,614	-	-	-	55,640	57,099
Contribution to defined contribution plan	4,336	3,388	-	-	66,768	68,519
Rent and house maintenance	10,544	9,901	-	-	301,608	308,618
Utilities	312	309	-	-	68,499	70,371
Medical	700	784	-	-	49,092	51,376
Leave fare assistance	-	-	-	-	103,805	105,913
Others	2,936	843	-	-	575,117	527,725
	<u>90,841</u>	<u>71,576</u>	<u>24,940</u>	<u>24,966</u>	<u>1,996,258</u>	<u>1,986,325</u>
Number of persons	<u>1</u>	<u>1</u>	<u>9</u>	<u>7</u>	<u>697</u>	<u>741</u>

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

On-balance sheet financial instruments

Assets

	Book value		Fair value	
	2013	2012 Restated	2013	2012 Restated
	----- Rupees '000 -----			
Cash balances with treasury banks	28,422,497	24,508,852	28,422,497	24,508,852
Balances with other banks	1,011,980	1,209,313	1,011,980	1,209,313
Lendings to financial institutions	300,000	-	300,000	-
Investments*	113,319,478	87,911,396	113,284,002	87,909,466
Advances	184,190,304	172,299,205	184,190,304	172,299,205
Other assets*	7,213,886	6,927,581	7,213,886	6,927,581
	<u>334,458,145</u>	<u>292,856,347</u>	<u>334,422,669</u>	<u>292,854,417</u>

Liabilities

Bills payable	4,968,610	4,244,494	4,968,610	4,244,494
Borrowings	45,446,528	35,568,109	45,446,528	35,568,109
Deposits and other accounts	271,134,303	240,708,109	271,134,303	240,708,109
Sub-ordinated loans	3,495,400	4,195,001	3,495,400	4,195,001
Other liabilities	7,801,620	7,305,328	7,801,620	7,305,328
	<u>332,846,461</u>	<u>292,021,041</u>	<u>332,846,461</u>	<u>292,021,041</u>

*restated amount

Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>33,363,041</u>	<u>22,031,700</u>	<u>33,080,784</u>	<u>22,096,981</u>
Commitments in respect of repurchase transactions	<u>23,622,480</u>	<u>16,646,373</u>	<u>23,622,480</u>	<u>16,646,373</u>
Forward sale of foreign exchange	<u>15,285,681</u>	<u>7,996,449</u>	<u>15,126,907</u>	<u>8,039,125</u>
Commitments in respect of resale transactions	<u>299,186</u>	<u>289,265</u>	<u>299,186</u>	<u>289,265</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

The notional amounts and fair value of derivative financial instruments are disclosed in note 25.3 of these financial statements.

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

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

The repricing profile and effective rates and maturity are stated in note 44.6 and 44.7 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 substantial deposits, are regularly repriced.

40 ACCOUNTING ESTIMATES AND JUDGMENTS

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

- classification and provisioning against investments (notes 7.4 and 11).
- income taxes (notes 7.8, 14 and 32).
- classification and provisioning against advances (notes 7.5 and 12).
- depreciation / amortisation of operating fixed assets (notes 7.6 and 13).
- accounting for defined benefit plan (notes 7.11 and 36).
- fair value of derivative financial instruments (notes 7.19 and 25).
- impairment of intangible assets (note 7.6 and 13.3).

41 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

The Bank is organised into four major business segments:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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.

December 31, 2013

Total income
Total expenses
Net income / (loss)

Segment assets (Gross)
Segment non-performing loans
Segment provision required against loans **
Segment liabilities

Segment return on assets (ROA) (%) *

Segment cost of funds (%) *

December 31, 2012

Total income ***
Total expenses ***
Net income / (loss)

Segment assets (Gross) ***
Segment non-performing loans
Segment provision required against loans **
Segment liabilities

Segment return on assets (ROA) (%)

Segment cost of funds (%)

* These percentages have been computed based on average balances.

** includes general provision

*** restated amount

	Corporate Finance	Trading & Sales	Retail Banking	Corporate & Commercial Banking	Total
----- Rupees '000 -----					
	217,876	4,346,821	21,557,001	6,201,611	32,323,309
	(105,445)	(2,807,601)	(21,569,936)	(5,990,421)	(30,473,403)
	112,431	1,539,220	(12,935)	211,190	1,849,906
	-	99,565,986	91,637,468	187,103,031	378,306,485
	-	-	4,395,393	23,223,226	27,618,619
	-	-	(2,170,676)	(17,982,206)	(20,152,882)
	-	(30,059,699)	(255,218,107)	(47,835,708)	(333,113,514)
	-	2.19%	(0.02%)	0.12%	
	-	8.57%	5.71%	8.78%	
	103,377	5,696,734	21,996,046	6,282,526	34,078,683
	(70,592)	(4,329,037)	(22,348,823)	(5,910,387)	(32,658,839)
	32,785	1,367,697	(352,777)	372,139	1,419,844
	-	82,193,118	76,991,264	175,348,988	334,533,370
	-	-	4,167,698	23,382,031	27,549,729
	-	-	(1,859,770)	(16,692,300)	(18,552,070)
	-	(21,278,382)	(219,863,393)	(50,944,653)	(292,086,428)
	-	2.66%	(0.46%)	1.37%	
	-	8.09%	7.21%	10.24%	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

42 RELATED PARTY TRANSACTIONS

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

Banking transactions with the related parties are executed substantially on the same terms, except 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.

	2013				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings *
	----- Rupees '000 -----				
Deposits					
Balance at the beginning of the year	126,680	55,800	-	2,053	86,234
Placements during the year	2,253,814	907,756	-	1,798,545	29,261,746
Withdrawals during the year	(2,190,095)	(847,183)	-	(1,798,054)	(28,207,278)
Balance at end of the year	<u>190,399</u>	<u>116,373</u>	<u>-</u>	<u>2,544</u>	<u>1,140,702</u>
Advances					
Balance at the beginning of the year	39,434	-	-	-	4,440,121
Disbursements during the year	5,546	-	-	-	11,579,524
Repayments during the year	(20,079)	-	-	-	(12,563,940)
Balance at end of the year	<u>24,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,455,705</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

* Provision held against advances amounted to Rs 2,583.053 million (2012: Rs 2,412.997 million).

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

42.2 Details of outstanding investments and donations made during the year relating to related parties are given in note 11.6 and 30.3 to these financial statements. Details of advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, loans due by directors, executives, subsidiary companies and other related parties are given in note 12.10 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 36 and 37 to these financial statements for the details of the plans). Remuneration of the President and Chief Executive Officer, directors' fee and certain related information are disclosed in note 38 and 30.2 to these financial statements. Such remuneration is determined in accordance with the terms of their employment. Details of disposal of vehicles to key management personnel and other executives are disclosed in Annexure IV to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	2013				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings
	----- Rupees '000 -----				
Shares / units purchased during the year	-	-	-	-	1,956,913
Shares / units sold during the year	-	-	-	-	2,099,551
Government securities purchased during the year	1,352,730	-	-	-	-
Government securities sold during the year	1,360,004	561,001	-	-	-
Profit paid / accrued	8,132	16,876	-	238	21,405
Profit return / earned	2,198	-	-	-	352,139
Gain on realisation of proceeds on liquidation of a subsidiary	-	-	17,129	-	-
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	339,448	-	-	-	-
- Post-employment benefits	18,619	-	-	-	-
Contribution / charge relating to staff retirement benefits	-	231,236	-	-	-
Guarantees issued favouring related parties or on their behalf	-	-	-	-	37,013 *
Advisory fee paid	-	-	-	69,505	-
Dividend income	-	-	-	-	118,538
Facilitation fee received	-	-	-	2,413	-

* represents outstanding guarantee

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	2012				
	Directors and key management personnel	Retirement Benefit Plans	Subsidiary	Associate	Group Companies and associated undertakings
	----- Rupees '000 -----				
Shares / units purchased during the year	-	-	-	-	602,650
Shares / units sold during the year	-	-	-	-	704,164
Government securities purchased during the year	601,236	146,436	-	-	-
Government securities sold during the year	704,440	664,521	-	-	-
Profit paid / accrued	2,916	2,790	-	249	8,503
Profit return / earned	4,017	-	-	-	612,815
Remuneration of key management personnel					
- Salaries and other short-term employee benefits	321,275	-	-	-	-
- Post-employment benefits	14,018	-	-	-	-
Contribution / charge relating to staff retirement benefits	-	206,138	-	-	-
Guarantees issued favouring related parties or on their behalf	-	-	-	-	29,397*
Advisory fee paid	-	-	-	16,853	-
Dividend income	-	-	-	-	165,584
Facilitation fee received	-	-	-	2,334	-

* represents outstanding guarantee

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CAPITAL - ASSESSMENT AND ADEQUACY BASEL SPECIFIC

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of Banks vide its communication dated February 4, 2014. These disclosures are based on the requirements of Base III which were introduced earlier by the SBP in August 2013 for implementation by Banks in Pakistan. The SBP has specified a transitional period till 2018 for the implementation of Basel III. The comparative information is as per Basel II requirements which were applicable last year.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes subordinated debt, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (upto a maximum of 45% net of tax) investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%).

The sub-ordinated debt is not entirely eligible under Basel III guidelines due to introduction of Loss absorbency clause. This instrument will be phased out from Tier 2 capital as per the defined phase out arrangement in the regulatory guidelines.

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

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

- (a) Adequate level of paid up capital;
- (b) Adequate risk profile of asset mix;
- (c) Ensuring better recovery management; and
- (d) Maintaining acceptable profit margins.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

43.1 Capital adequacy ratio

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

Particulars	Note	2013		2012
		Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees '000 -----				
Common Equity Tier 1 capital (CET1): Instruments and reserves				
- Fully paid-up capital / capital deposited with the SBP	21.2	10,432,697	-	9,273,508
- Balance in share premium account		10,131	-	10,131
- Reserve for issue of bonus shares		-	-	-
- General / statutory reserves / other reserves		6,544,066	-	6,298,952
- Gain / (losses) on derivatives held as cash flow hedge		-	-	-
- Unappropriated profits		3,600,828	-	3,205,439
- Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-	-
CET 1 before regulatory adjustments		20,587,722	-	18,788,030

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	Note	2013		2012
		Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees '000 -----				
Common Equity Tier 1 capital: Regulatory adjustments				
- Goodwill (net of related deferred tax liability)		-	-	-
- All other intangibles (net of any associated deferred tax liability)	43.3	1,840,785	-	1,932,466
- Shortfall of provisions against classified assets	43.4 & 43.5	-	-	15,670
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-	1,062,443	-
- Defined-benefit pension fund net assets		-	-	-
- Reciprocal cross holdings in CET1 capital instruments		-	-	-
- Cash flow hedge reserve		-	-	-
- Investment in own shares / CET1 instruments		-	-	-
- Securitization gain on sale		-	-	-
- Capital shortfall of regulated subsidiaries		-	-	-
- Deficit on account of revaluation from bank's holdings of property / AFS		-	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-
- Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		-	-	-
- Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		-	3,594,590	-
- Amount exceeding 15% threshold of which:				
- significant investments in the common stocks of financial entities		-	-	-
- deferred tax assets arising from temporary differences		-	-	-
- National specific regulatory adjustments applied to CET1 capital		-	-	-
- Investment in TFCs of other banks exceeding the prescribed limit		-	-	-
- Any other deduction specified by the SBP		-	-	-
- Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		37,914	37,914	88,586
Total regulatory adjustments applied to CET1		1,878,699	4,694,947	2,036,722
Common Equity Tier 1 (a)		18,709,023		16,751,308

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees '000 -----			
Additional Tier 1 (AT 1) Capital			
- Qualifying Additional Tier-1 instruments plus any related share premium of which:			
- classified as equity	-	-	-
- classified as liabilities	-	-	-
- Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties of which:			
- instrument issued by subsidiaries subject to phase out	-	-	-
AT1 before regulatory adjustments	-	-	-
Additional Tier 1 Capital: regulatory adjustments			
- Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
- Investment in own AT1 capital instruments	-	-	-
- Reciprocal cross holdings in additional Tier 1 capital instruments	-	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
- Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
- Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-
- Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
Total of regulatory adjustment applied to AT1 capital	-	-	-
Additional Tier 1 capital	-	-	-
Additional Tier 1 capital recognised for capital adequacy (b)	-	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	18,709,023		16,751,308

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
	Rupees '000		
Tier 2 Capital			
- Qualifying Tier 2 capital instruments under Basel III	-	-	-
- Capital instruments subject to phase out arrangement from Tier 2	1,618,056	1,618,056	2,597,680
- Tier 2 capital instruments issued to third party by consolidated subsidiaries of which:			
- instruments issued by subsidiaries subject to phase out	-	-	-
- General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	406,365	-	283,819
- Revaluation reserves of which:			
- revaluation reserves on property	988,340	967,846	1,043,175
- unrealized losses on AFS	(150,738)	(99,687)	281,459
- Foreign exchange translation reserves	-	-	-
- Undisclosed / other reserves (if any)	-	-	-
T2 before regulatory adjustments	2,862,023	2,486,215	4,206,133
Tier 2 Capital: regulatory adjustments			
- Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	37,915	37,915	88,586
- Reciprocal cross holdings in Tier 2 instruments	150,000	-	150,000
- Investment in own Tier 2 capital instrument	-	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
- Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of regulatory adjustment applied to T2 capital	187,915	37,915	238,586
Tier 2 capital (T2)	2,674,108		3,967,547
Tier 2 capital recognised for capital adequacy	2,674,108		3,967,547
Excess additional Tier 1 capital recognised in Tier 2 capital	-		-
Total Tier 2 capital admissible for capital adequacy (d)	2,674,108		3,967,547
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	21,383,131		20,718,855
Total risk weighted assets (i=f+g+h)	189,419,298		193,843,079

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	2013	2012
	Amount	Basel II treatment (Restated)
	Rupees '000	
Total Credit Risk Weighted Assets (f)	155,349,241	155,556,755
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment of which:		
- recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
- deferred tax assets	4,657,033	-
- defined-benefit pension fund net assets	-	-
Total Market Risk Weighted Assets (g)	6,612,977	13,041,979
Total Operational Risk Weighted Assets (h)	27,457,080	25,244,345
Capital ratios and buffers (in percentage of risk weighted assets)		
- CET1 to total RWA (a / i)	9.88%	8.64%
- Tier-1 capital to total RWA (c / i)	9.88%	8.64%
- Total capital to RWA (e / i)	11.29%	10.69%
- Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:		
- capital conservation buffer requirement	N/A	N/A
- countercyclical buffer requirement	N/A	N/A
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	N/A	N/A
- CET1 available to meet buffers (as a percentage of risk weighted assets)	9.88%	8.64%
National minimum capital requirements prescribed by SBP		
- CET1 minimum ratio	5%	N/A
- Tier 1 minimum ratio	6.5%	N/A
- Total capital minimum ratio	10%	N/A
Amounts below the thresholds for deduction (before risk weighting)		
- Non-significant investments in the capital of other financial entities - net	984,147	-
- Significant investments in the common stock of financial entities	-	-
- Deferred tax assets arising from temporary differences (net of related tax liability)	3,594,590	-
Applicable caps on the inclusion of provisions in Tier 2		
- Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	406,365	283,819
- Cap on inclusion of provisions in Tier 2 under standardized approach	1,941,866	1,944,459
- Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
- Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

43.2 Capital Management

The objective of capital management is to ensure the Bank's ability to operate as a going concern by maintaining appropriate capital base in line with minimum regulatory requirements. The Bank has implemented the applicable requirements of Basel III capital adequacy framework that applies to all Banks as prescribed under BPRD Circular No. 06 of August 15, 2013 and amendments made by State Bank of Pakistan through circulars. The Bank has adopted Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The Bank ensures that it:

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

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

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

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

- Tier 1 Capital:
 - Common Equity Tier 1 (CET 1): share capital, unappropriated profits and reserves;
 - Additional Tier 1 (AT1): AT1 Qualifying Instruments as described by SBP in its guidelines. The Bank has no eligible additional tier 1 capital.
- Tier 2 Capital qualifying; (i) subordinated debt; (ii) general provision; (iii) unrealized gains arising on the fair valuation of instruments classified as available for sale; and (iv) surplus on revaluation of fixed assets.

Book value of goodwill and intangible assets including software are deducted from Tier 1 capital whereas investments in associates as disclosed in Note 11.1 are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital. State Bank of Pakistan (SBP) through BPRD Circular No. 06 of August 15, 2013 has introduced new capital deductions under Basel III framework, such as Deferred Tax Asset (DTA), cash flow hedge reserve etc. The newly prescribed deductions are applicable in phased manner requiring 20% of applicable deductions from December 31, 2014. The deductions will increase by 20% each year and will be fully implemented from December 31, 2018.

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

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs. The SBP through BSD Circular No. 07 of 2009 has prescribed a minimum paid-up capital requirement (net of losses) of Rs. 10 billion for 2013. The required minimum Capital Adequacy Ratio (CAR) is 10%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	Book value	Risk adjusted value	Book value	Risk adjusted value
	2013	2013	2012	2012
	-----Restated-----			
	----- Rupees '000 -----			
43.2.1 Risk-weighted exposures				
Credit risk				
Balance sheet items				
- Cash and balances with treasury banks	28,422,497	110,531	24,508,852	118,986
- Balances with other banks	1,011,980	224,729	1,209,313	260,925
- Lendings to financial institutions	300,000	60,000	-	-
- Investments	113,319,478	4,956,796	88,019,396	8,790,326
- Advances	184,190,304	108,099,989	172,299,205	104,703,091
- Operating fixed assets	10,250,910	7,733,632	10,859,963	8,183,768
- Deferred tax assets - net	3,980,541	4,657,033	4,387,267	5,130,995
- Other assets	13,803,997	9,255,885	11,839,475	10,131,697
	<u>355,279,707</u>	<u>135,098,595</u>	<u>313,123,471</u>	<u>137,319,788</u>
Off balance sheet items				
Purchase and resale agreements	23,921,666	68,368	16,935,638	92,736
Commitments for the acquisition of operating fixed assets	286,323	286,323	234,680	234,680
Transaction-related contingent liabilities	10,231,557	5,023,643	10,881,730	5,139,299
Other contingencies	457,543	-	457,543	-
Direct credit substitutes				
- Contingent liability in respect of guarantees favouring banks and other financial institutions	825,498	461,130	966,911	399,443
- Acceptances - others	13,139,248	8,119,154	11,513,312	6,847,364
Irrevocable commitments	2,710,852	2,279,310	2,149,066	1,532,387
Trade related contingent liabilities	25,220,566	3,210,177	20,601,793	2,723,909
Commitments in respect of donation	8,000	8,000	-	-
Derivative instruments	20,130,348	486,698	26,013,457	1,068,455
Commitments in respect of forward exchange contracts				
-Purchase	33,363,041	147,804	22,031,700	147,633
-Sale	15,285,681	160,039	7,996,449	51,061
	<u>145,580,323</u>	<u>20,250,646</u>	<u>119,782,279</u>	<u>18,236,967</u>
		<u>155,349,241</u>		<u>155,556,755</u>
Credit risk-weighted exposures				
Market risk				
- General market risk		5,714,523		12,322,205
- Specific market risk		898,454		719,774
Market risk-weighted exposures		<u>6,612,977</u>		<u>13,041,979</u>
Operational risk		<u>27,457,080</u>		<u>25,244,345</u>
Total risk-weighted exposures		<u>189,419,298</u>		<u>193,843,079</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

43.2.2	Capital adequacy	Note	Capital Requirements		Risk Weighted Assets	
			2013	2012	2013	2012
			-----Restated-----			
			----- Rupees '000 -----			
	Credit risk					
	- Public sector enterprise		312,279	222,791	3,122,785	2,227,908
	- Financial institution		130,865	163,520	1,308,649	1,635,203
	- Corporate		10,051,206	9,854,644	100,512,059	98,546,443
	- Retail		1,914,359	1,842,143	19,143,589	18,421,430
	- Past due loans		891,258	1,157,673	8,912,579	11,576,734
	- Other	43.3	2,234,958	2,314,904	22,349,580	23,149,037
	Total credit risk		15,534,925	15,555,675	155,349,241	155,556,755
	Market Risk - capital requirement for portfolios subject to standardised approach					
	- Interest rate risk		458,494	1,142,223	4,584,940	11,422,230
	- Equity position risk		179,691	143,955	1,796,908	1,439,549
	- Foreign exchange risk		23,113	18,020	231,129	180,200
	Total market risk		661,298	1,304,198	6,612,977	13,041,979
	Operational Risk - Capital requirement for operational risks					
	Total operational risk		2,745,708	2,524,435	27,457,080	25,244,345
			18,941,931	19,384,308	189,419,298	193,843,079
	Capital adequacy ratio					
	Total eligible regulatory capital held	(a)	21,383,131	20,718,855		
	Total risk weighted assets	(b)	189,419,298	193,843,079		
	Capital adequacy ratio	(a) / (b)	11.29%	10.69%		

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

43.6 Capital Structure Reconciliation

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

Particulars	Balance sheet as in published financial statements	Under regulatory scope of reporting
	----- Rupees '000 -----	
Assets		
Cash and balances with treasury banks	28,422,497	28,422,497
Balances with other banks	1,011,980	1,011,980
Lendings to financial institutions	300,000	300,000
Investments	113,319,478	113,319,478
Advances	184,190,304	184,190,304
Operating fixed assets	10,250,910	10,250,910
Deferred tax assets - net	3,980,541	3,980,541
Other assets	13,803,997	13,803,997
Total assets	355,279,707	355,279,707
Liabilities and equity		
Bills payable	4,968,610	4,968,610
Borrowings	45,446,528	45,446,528
Deposits and other accounts	271,134,303	271,134,303
Sub-ordinated loans	3,495,400	3,495,400
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	8,068,673	8,068,673
Total liabilities	333,113,514	333,113,514
Share capital	10,432,697	10,432,697
Reserves	6,554,197	6,554,197
Unappropriated profit	3,600,828	3,600,828
Surplus on revaluation of assets - net of tax	1,578,471	1,578,471
Total equity	22,166,193	22,166,193
Total liabilities and equity	355,279,707	355,279,707

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

43.6.2 Reconciliation of balance sheet to eligible regulatory capital

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
----- Rupees '000 -----			
Assets			
Cash and balances with treasury banks		28,422,497	28,422,497
Balances with other banks		1,011,980	1,011,980
Lendings to financial institutions		300,000	300,000
Investments of which:		113,319,478	113,319,478
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	150,000	150,000
- others	e	-	-
Advances		184,190,304	184,190,304
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	406,365	406,365
Operating fixed assets of which:		10,250,910	10,250,910
- Intangibles	k	1,840,785	1,840,785
Deferred tax assets of which:		3,980,541	3,980,541
- DTAs excluding those arising from temporary differences	h	1,062,443	1,062,443
- DTAs arising from temporary differences exceeding regulatory threshold	i	3,594,590	3,594,590
Other assets of which:		13,803,997	13,803,997
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		355,279,707	355,279,707

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
----- Rupees '000 -----			
Liabilities and Equity			
Bills payable		4,968,610	4,968,610
Borrowings		45,446,528	45,446,528
Deposits and other accounts		271,134,303	271,134,303
Sub-ordinated loans of which:		3,495,400	3,495,400
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	1,618,056	1,618,056
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		8,068,673	8,068,673
Total liabilities		333,113,514	333,113,514
Share capital		10,432,697	10,432,697
- of which: amount eligible for CET1	s	10,432,697	10,432,697
- of which: amount eligible for AT1	t	-	-
Reserves of which:		6,554,197	6,554,197
- portion eligible for inclusion in CET1 - Statutory reserves	u	4,042,206	4,042,206
- portion eligible for inclusion in CET1 - General and other reserves	v	2,511,991	2,511,991
- portion eligible for inclusion in Tier 2	w	-	-
Unappropriated profit		3,600,828	3,600,828
Minority Interest of which:		-	-
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		1,578,471	1,578,471
- Revaluation reserves on property		1,759,720	1,759,720
- Unrealized gains / losses on AFS securities	aa	(181,249)	(181,249)
- In case of deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and equity		355,279,707	355,279,707

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

43.6.3 Basel III Disclosure (with added column)

Particulars		Source based on reference number from 43.6.2	Component of regulatory capital reported by the bank
		----- Rupees '000 -----	
Common equity Tier 1 capital (CET1): instruments and reserves			
1	Fully paid-up capital	(s)	10,432,697
2	Balance in share premium account		10,131
3	Reserve for issue of bonus shares		-
4	General / statutory reserves	(u)	6,544,066
5	Gain / (losses) on derivatives held as cash flow hedge		-
6	Unappropriated / unremitted profits	(w)	3,600,828
7	Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	CET 1 before Regulatory Adjustments		20,587,722
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	(j) - (s)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	1,840,785
11	Shortfall of provisions against classified assets	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * 0%	-
13	Defined-benefit pension fund net assets	(l) - (q) * 0%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS securities	(ab)	-
20	Investments in the capital instruments of banking, financial and insurance		-
	- entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking,		-
	- financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars		Source based on reference number from 43.6.2	Component of regulatory capital reported by the bank
		----- Rupees '000 -----	
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital		-
25	Investment in TFCs of other banks exceeding the prescribed limit		-
26	Any other deduction specified by the SBP		-
27	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		37,914
28	Total regulatory adjustments applied to CET1		1,878,699
	Common equity tier 1		18,709,023
Additional Tier 1 (AT 1) Capital			
29	Qualifying additional Tier-1 instruments plus any related share premium of which:		-
30	- classified as equity	(t)	-
31	- classified as liabilities	(m)	-
32	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
33	- of which: instrument issued by subsidiaries subject to phase out		-
34	AT1 before regulatory adjustments		-
Additional Tier 1 Capital: regulatory adjustments			
35	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
36	Investment in own AT1 capital instruments		-
37	Reciprocal cross holdings in additional Tier 1 capital instruments		-
38	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
39	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
40	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
41	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		-
42	Total of regulatory adjustment applied to AT1 capital		-
43	Additional Tier 1 capital		-
44	Additional Tier 1 capital recognised for capital adequacy		-

Particulars	Source based on reference number from 43.6.2	Component of regulatory capital reported by the bank
		----- Rupees '000 -----
Tier 1 Capital (CET1 + admissible AT1)		18,709,023
Tier 2 Capital		
45 Qualifying Tier 2 capital instruments under Basel III	(n)	-
46 Capital instruments subject to phase out arrangement from Tier 2		1,618,056
47 Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	-
- of which: instruments issued by subsidiaries subject to phase out		-
48 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	406,365
49 Revaluation reserves eligible for Tier 2 of which:		837,602
- portion pertaining to property		988,340
51 - portion pertaining to AFS securities		(150,738)
52 Foreign exchange translation reserves	(v)	-
53 Undisclosed / other reserves (if any)		-
54 T2 before regulatory adjustments		2,862,023
Tier 2 Capital: regulatory adjustments		
55 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		37,915
56 Reciprocal cross holdings in Tier 2 instruments		150,000
57 Investment in own Tier 2 capital instruments		-
58 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60 Amount of regulatory adjustment applied to T2 capital		187,915
61 Tier 2 capital (T2)		2,674,108
62 Tier 2 capital recognised for capital adequacy		2,674,108
63 Excess additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		2,674,108
TOTAL CAPITAL (T1 + admissible T2)		21,383,131

43.7 Main features of regulatory capital instruments

S. No.	Main Features	Common Shares	Subordinated Debt-1 1 Billion	Subordinated Debt - 2 3 billion
1	Issuer	Faysal Bank Limited	Faysal Bank Limited	Faysal Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	FABL	FABLTF2	N/A
3	Governing law(s) of the instrument	Listing regulations of Karachi, Lahore and Islamabad Stock Exchanges	TFC regulations of Securities and Exchange Commission of Pakistan	TFC regulations of Securities and Exchange Commission of Pakistan
4	Regulatory treatment			
5	Transitional Basel III rules	Common Equity Tier 1	Tier 2	Tier 2
6	Post-transitional Basel III rules	Common Equity Tier 1	Tier 2	Tier 2
7	Eligible at solo / group / group & solo	Solo	Solo	Solo
8	Instrument type	Ordinary shares	Other Tier 2	Other Tier 2
9	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	10,432,697	-	1,618,056
10	Par value of instrument	10	5,000	5,000
11	Accounting classification	Shareholders' equity	Liability - fair value option	Liability - fair value option
12	Original date of issuance	October 3, 1994	November 12, 2007	December 27, 2010
13	Perpetual or dated	Perpetual	Dated	Dated
14	Original maturity date	N/A	November 12, 2014	December 27, 2017
15	Issuer call subject to prior supervisory approval	No	No	No
16	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A
17	Subsequent call dates, if applicable	N/A	N/A	N/A
18	Coupons / dividends			
19	Fixed or floating dividend / coupon	N/A	Floating	Floating
20	Coupon rate and any related index / benchmark	N/A	Kibor	Kibor
21	Existence of a dividend stopper	No	No	No
22	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory
23	Existence of step up or other incentive to redeem	No	No	No
24	Noncumulative or cumulative	Non - Cumulative	Non - Cumulative	Non - Cumulative
25	Convertible or non-convertible	Non - Convertible	Non - Convertible	Non - Convertible
26	If convertible, conversion trigger (s)	N/A	N/A	N/A
27	If convertible, fully or partially	N/A	N/A	N/A
28	If convertible, conversion rate	N/A	N/A	N/A
29	If convertible, mandatory or optional conversion	N/A	N/A	N/A
30	If convertible, specify instrument type convertible into	N/A	N/A	N/A
31	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
32	Write-down feature	No	No	No
33	If write-down, write-down trigger(s)	N/A	N/A	N/A
34	If write-down, full or partial	N/A	N/A	N/A
35	If write-down, permanent or temporary	N/A	N/A	N/A
36	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
37	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest	Refer 43.7.1	Refer 43.7.1
	Non-compliant transitioned features	No	No	No
	If yes, specify non-compliant features	No	No	No

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

44 RISK MANAGEMENT

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

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

The risk management framework at the Bank encompasses:

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

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

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

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

The Risk Management framework is built on the following elements:

- Comprehensive risk governance; and
- Effective risk processes.

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

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

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

The Board of Directors (BoD) monitoring and oversight is facilitated through the Board Risk Management Committee (BRMC); comprising of 6 Directors including the President & CEO, it is appointed and authorized by the BoD to assist in the design, regular evaluation and timely updating of the Risk Management framework. The BRMC has further authorized management committees such as Country Credit Committee (CCC), Enterprise Risk Management Committee (ERMC) and Assets & Liabilities Committee (ALCO) to supervise risk management activities within their respective scopes.

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

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

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

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

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

- The Enterprise Risk Management function is responsible for managing and controlling Market, Operational and Liquidity Risks at an enterprise level and monitoring regulatory capital requirements of the Bank.
- Credit Administration Department looks after the security, loan documentation, disbursement and post disbursement monitoring aspects of the credit portfolio.
- Risk Policy and Portfolio Management unit ensures formulation of synchronized and adhesive policies in conjunction with the Bank's strategy and practices while adhering to the local and regulatory guidelines within Corporate, Commercial and Retail business segments. This also encompasses detailed review of macro risk factors, NPL status and monitoring of internal credit rating models including model documentation and the coordination of analytics within the Enterprise Risk Management functionalities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

44.1 Credit Risk

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

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

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

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

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

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

44.1.1 Segment by class of business

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

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

Retail Risk Management Framework covers and operates on a Program lending approach to manage, mitigate and approve risk on a portfolio level. Retail Risk Management is responsible for managing the entire retail credit cycle through the Retail Credit Policy and analytics teams in line with the business strategy on various Key Performance Indicators (KPIs). Retail credit cycle and its scope include, product planning, credit acquisition & underwriting, portfolio & account management, collections and recovery.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceuticals	10,116,814	4.95	3,768,195	1.39	4,357,071	8.74
Agriculture	8,684,048	4.25	7,219,363	2.66	866,223	1.74
Textile	27,029,981	13.23	1,476,129	0.54	2,871,870	5.76
Cement	2,965,229	1.45	162,389	0.06	589,370	1.18
Sugar	2,899,388	1.42	138,978	0.05	71,113	0.14
Construction	2,729,910	1.34	4,384,778	1.62	1,037,864	2.08
Ready made garments	3,465,961	1.70	470,038	0.17	174,889	0.35
Footwear and leather garments	1,219,025	0.60	139,437	0.05	111,303	0.22
Automobile and transportation equipment	499,911	0.24	965,223	0.36	16,982	0.03
Financial	478,458	0.23	9,966,233	3.68	2,634,792	5.28
Oil refining / marketing	861,822	0.42	6,982,871	2.58	13,746,940	27.56
Distribution / trading	10,878,106	5.32	52,309,386	19.29	3,512,020	7.04
Electronics and electrical appliances	4,726,177	2.31	827,398	0.31	665,585	1.33
Production and transmission of energy	34,923,614	17.09	5,176,659	1.91	4,437,192	8.90
Iron and steel	6,008,580	2.94	522,564	0.19	1,514,482	3.04
Food and allied	9,174,289	4.49	1,835,941	0.68	1,844,217	3.70
Synthetic and rayon	2,062,936	1.01	39,480	0.01	1,419,965	2.85
Paper and board	1,413,146	0.69	91,200	0.03	1,049,380	2.10
Individuals	20,307,326	9.94	98,380,089	36.28	75,511	0.15
Telecommunication	2,952,617	1.44	796,560	0.29	4,851,280	9.73
Transportation, road and air	8,196,835	4.01	772,946	0.29	277,480	0.56
Mining and quarrying	4,570,281	2.24	91,588	0.03	1,458	0.00**
Others	38,178,732	18.69	74,616,858	27.53	3,747,425	7.52
	204,343,186	100.00	271,134,303	100.00	49,874,412	100.00

** Due to rounding off

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2012					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceuticals	12,247,648	6.42	3,932,624	1.63	5,311,781	11.96
Agriculture	8,233,910	4.31	6,557,346	2.72	233,687	0.53
Textile	27,716,043	14.52	1,434,665	0.60	3,244,589	7.30
Cement	2,152,779	1.13	101,156	0.04	500,157	1.13
Sugar	4,458,614	2.34	43,202	0.02	10	0.00**
Construction	3,145,274	1.65	930,460	0.39	846,526	1.91
Ready made garments	3,312,056	1.74	497,043	0.21	198,636	0.45
Footwear and leather garments	1,287,814	0.67	199,197	0.08	85,418	0.19
Automobile and transportation equipment	225,837	0.12	1,215,539	0.50	8,056	0.02
Financial	762,498	0.40	11,153,715	4.63	1,548,186	3.49
Oil refining / marketing	4,095,001	2.15	7,048,372	2.93	5,681,150	12.79
Distribution / trading	10,260,043	5.38	22,027,864	9.15	8,556,110	19.26
Electronics and electrical appliances	4,994,258	2.62	903,677	0.38	890,584	2.00
Production and transmission of energy	34,236,048	17.94	4,829,191	2.01	4,193,686	9.44
Iron and steel	6,406,487	3.36	1,023,538	0.43	2,115,894	4.76
Food and allied	7,224,715	3.79	892,072	0.37	1,274,692	2.87
Synthetic and rayon	1,672,155	0.88	16,490	0.01	2,051,660	4.62
Paper and board	1,433,102	0.75	484,335	0.20	720,846	1.62
Individuals	15,123,181	7.92	116,666,545	48.47	9,275	0.02
Telecommunication	5,042,690	2.64	633,271	0.26	1,080,608	2.43
Transportation, road and air	6,338,847	3.32	1,807,196	0.75	284,334	0.64
Mining and quarrying	57,518	0.03	42,197	0.02	13,236	0.03
Others	30,424,757	15.92	58,268,414	24.20	5,572,168	12.54
	<u>190,851,275</u>	<u>100.00</u>	<u>240,708,109</u>	<u>100.00</u>	<u>44,421,289</u>	<u>100.00</u>

** Due to rounding off

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

44.1.2 Segment by sector

	2013					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	44,796,423	21.92	18,801,440	6.93	11,313,260	22.68
Private	159,546,763	78.08	252,332,863	93.07	38,561,152	77.32
	<u>204,343,186</u>	<u>100.00</u>	<u>271,134,303</u>	<u>100.00</u>	<u>49,874,412</u>	<u>100.00</u>
	2012					
	Advances (Gross)		Deposits		Contingent liabilities *	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / Government	34,073,397	17.85	14,562,814	6.05	6,458,442	14.54
Private	<u>156,777,878</u>	<u>82.15</u>	<u>226,150,012</u>	<u>93.95</u>	<u>37,962,847</u>	<u>85.46</u>
	<u>190,851,275</u>	<u>100.00</u>	<u>240,712,826</u>	<u>100.00</u>	<u>44,421,289</u>	<u>100.00</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013		2012	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- Rupees '000 -----			
Chemical and Pharmaceuticals	783,997	476,332	1,473,578	903,604
Agriculture	1,297,129	595,440	1,078,511	548,315
Textile	7,391,086	5,032,384	6,135,415	4,425,778
Cement	426,522	276,241	538,722	338,441
Sugar	93,797	17,476	69,797	-
Construction	786,459	413,745	1,380,440	415,322
Ready made garments	1,991,298	1,509,280	1,246,976	668,157
Footwear and leather garments	118,015	69,868	84,610	16,400
Automobile and transport equipment	140,567	59,458	131,006	10,043
Financial	155,852	155,308	185,707	185,163
Oil refining / marketing	54,963	10,241	-	-
Distribution / trading	2,474,525	1,900,692	2,674,618	1,944,875
Electronics and electrical appliances	1,433,067	1,097,875	1,255,490	891,333
Production and transmission of energy	2,952,281	2,936,369	2,968,902	2,935,693
Iron and steel	701,763	602,685	790,549	689,676
Food and allied	659,074	468,270	635,470	453,169
Synthetic and rayon	482,084	458,076	487,189	448,739
Paper and board	100,178	87,455	194,877	128,780
Transportation, road and air	1,897,812	996,116	220,949	132,165
Telecommunications	3,408	3,316	3,408	3,316
Individuals	190,156	126,488	2,018,381	862,845
Mining and quarrying	21,957	5,742	-	-
Others	3,462,629	2,447,660	3,975,134	2,266,437
	27,618,619	19,746,517	27,549,729	18,268,251

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

Public / Government	829	192	1,498	263
Private	27,617,790	19,746,325	27,548,231	18,267,988
	27,618,619	19,746,517	27,549,729	18,268,251

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

44.1.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	----- Rupees '000 -----			
Pakistan	2,160,779	355,279,707	22,166,193	49,874,412
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	2,160,779	355,279,707	22,166,193	49,874,412
	----- Rupees '000 -----			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	----- Rupees '000 -----			
Pakistan	1,835,427	313,123,471	21,037,043	44,421,289
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	1,835,427	313,123,471	21,037,043	44,421,289

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

44.2 Credit Risk: General disclosures Basel II specific

The Bank has adopted the Standardised Approach under Basel. According to the regulatory statement submitted under the Standardised Approach, the portfolio has been divided into claims on public sector entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 64.7% (2012: 63.39%) of the total exposure, 2.01% (2012: 1.43%) represents claims on PSEs and 12.32% (2012: 11.85%) exposure pertains to claims categorized as retail portfolio.

44.2.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach

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

Types of exposure for which each agency is used in the year ended December 31, 2013 are as follows;

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
----- Rupees '000 -----				
- Cash and Cash Equivalent		6,886,617	-	6,886,617
- Corporate	1	11,406,079	262	11,405,817
	2	15,859,614	-	15,859,614
	3,4	1,472,487	-	1,472,487
	5,6	-	-	-
	Unrated	74,015,587	2,842,731	71,172,856
- Public Sector Entities	1	8,066,834	-	8,066,834
	2,3	-	-	-
	Unrated	385,458	-	385,458
- Banks	1,2,3	4,247,807	-	4,247,807
	4,5	79,757	-	79,757
	Unrated	64,787	-	64,787
- Sovereigns etc.		110,531	-	110,531
- Government of Pakistan		82,716,480	-	82,716,480
- SBP		5,202,509	-	5,202,509
- Retail		25,853,586	3,392,929	22,460,657
- Residential Mortgage		4,772,512	-	4,772,512
- Past Dues Loans		7,952,022	499,053	7,452,969
- Past Dues against Residential Mortgage		781,577	-	781,577
- Significant investment in Commercial entities		144,063	-	144,063
- Significant investment and DTAs above 15% threshold		4,657,033	-	4,657,033
- Unlisted Equity Investments		6,621	-	6,621
- Listed Equity Investments		954,780	-	954,780
- Operating Fixed Assets		7,733,633	-	7,733,633
- Other Assets		7,137,974	-	7,137,974
		270,508,348	6,734,975	263,773,373

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

44.3 Market risk

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

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Treasury front office, Market risk management and Treasury middle office perform market risk management activities within the Bank. The Bank has enterprise risk management committee which is responsible for recommending market risk policies and strategies for Board approval and its subsequent implementation and quarterly review. The market risk is further divided into various sub-categories, which are defined as follows:

44.4 Foreign exchange risk / currency risk

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

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

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

44.4.1 Currency Risk

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

2013			
Assets	Liabilities	Off-balance sheet items	Net currency exposure
----- Rupees '000 -----			
345,735,975	305,533,026	(17,836,649)	22,366,300
8,204,497	21,701,328	13,265,701	(231,130)
788,908	3,497,953	2,718,711	9,666
9,351	6,733	(2,006)	612
496,886	2,372,474	1,880,551	4,963
44,090	2,000	(26,308)	15,782
355,279,707	333,113,514	-	22,166,193

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

2012			
Assets	Liabilities	Off-balance sheet items	Net currency exposure
----- Rupees '000 -----			
Restated			
303,159,525	268,084,542	(13,873,731)	21,201,252
8,707,360	18,953,327	10,080,394	(165,573)
580,607	2,858,777	2,280,610	2,440
6,452	7,190	2,257	1,519
660,362	2,182,554	1,507,305	(14,887)
9,165	38	3,165	12,292
313,123,471	292,086,428	-	21,037,043

44.5 Equity position risk

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

		2013										
		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	28,422,497	-	-	-	-	-	-	-	-	-	28,422,497	
Balances with other banks	1,011,980	-	-	-	52,662	-	-	-	-	-	959,318	
Lendings to financial institutions	300,000	300,000	-	-	-	-	-	-	-	-	-	
Investments	113,319,478	22,354,040	46,173,162	14,173,918	1,897,326	2,777,527	1,008,406	8,155,834	11,799,573	-	4,979,692	
Advances	184,190,304	56,921,744	64,642,061	23,451,286	15,462,245	4,212,426	3,356,988	4,991,530	1,629,945	1,767,977	7,754,102	
Other assets	7,213,886	-	-	-	-	-	-	-	-	-	7,213,886	
	334,458,145	79,575,784	110,815,223	37,625,204	17,412,233	6,989,953	4,365,394	13,147,364	13,429,518	1,767,977	49,329,495	
Liabilities												
Bills payable	4,968,610	-	-	-	-	-	-	-	-	-	4,968,610	
Borrowings	45,446,528	26,672,677	10,783,943	4,273,254	83,457	106,764	34,704	596,354	2,895,375	-	-	
Deposits and other accounts	271,134,303	50,586,669	51,466,581	60,723,932	24,091,306	1,269,162	1,147,605	609,545	147,680	-	81,091,823	
Sub-ordinated loans	3,495,400	-	3,495,400	-	-	-	-	-	-	-	-	
Other liabilities	7,801,620	-	-	-	-	-	-	-	-	-	7,801,620	
	332,846,461	77,259,346	65,745,924	64,997,186	24,174,763	1,375,926	1,182,309	1,205,899	3,043,055	-	93,862,053	
On-balance sheet gap	1,611,684	2,316,438	45,069,299	(27,371,982)	(6,762,530)	5,614,027	3,183,085	11,941,465	10,386,463	1,767,977	(44,532,558)	
Off-balance sheet financial instruments												
Forward Lending												
Cross currency and interest rate swaps	19,830,245	-	-	-	19,486,713	138,960	204,572	-	-	-	-	
Forward foreign exchange contracts	33,363,041	2,150,907	10,575,894	13,522,008	7,114,232	-	-	-	-	-	-	
	53,193,286	2,150,907	10,575,894	13,522,008	26,600,945	138,960	204,572	-	-	-	-	
Forward Borrowing												
Cross currency and interest rate swaps	300,103	-	300,103	-	-	-	-	-	-	-	-	
Forward foreign exchange contracts	15,285,681	11,494,419	145,037	3,646,225	-	-	-	-	-	-	-	
	15,585,784	11,494,419	445,140	3,646,225	-	-	-	-	-	-	-	
Off-balance sheet gap	37,607,502	(9,343,512)	10,130,754	9,875,783	26,600,945	138,960	204,572	-	-	-	-	
Total Yield / Interest Risk Sensitivity Gap		(7,027,074)	55,200,053	(17,496,199)	19,838,415	5,752,987	3,387,657	11,941,465	10,386,463	1,767,977		
Cumulative Yield / Interest Risk Sensitivity Gap		(7,027,074)	48,172,979	30,676,780	50,515,195	56,268,182	59,655,839	71,597,304	81,983,767	83,751,744		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

		2012										
		Exposed to Yield / Interest risk										
Effective Yield / Interest rate	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	Non-interest bearing financial instruments	
----- Restated -----												
----- Rupees in '000 -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	24,508,852	-	-	-	-	-	-	-	-	-	24,508,852	
Balances with other banks	1,209,313	165,154	-	-	-	-	-	-	-	-	1,044,159	
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	
Investments*	87,911,396	2,602,437	8,699,693	23,198,156	29,096,455	3,348	1,034,257	9,094,589	9,171,042	-	5,011,419	
Advances	172,299,205	40,226,784	55,476,339	35,452,672	20,264,063	3,023,231	2,315,588	3,073,433	3,038,187	307,678	9,121,230	
Other assets*	6,927,581	-	-	-	-	-	-	-	-	-	6,927,581	
	292,856,347	42,994,375	64,176,032	58,650,828	49,360,518	3,026,579	3,349,845	12,168,022	12,209,229	307,678	46,613,241	
Liabilities												
Bills payable	4,244,494	-	-	-	-	-	-	-	-	-	4,244,494	
Borrowings	35,568,109	17,004,492	1,139,725	13,552,861	379,374	921,765	907,621	1,135,116	504,031	-	23,124	
Deposits and other accounts	240,708,109	54,384,825	55,990,880	47,762,895	17,039,694	1,167,311	595,314	330,130	11,750	-	63,425,310	
Sub-ordinated loans	4,195,001	-	199,520	3,995,481	-	-	-	-	-	-	-	
Other liabilities	7,305,328	-	-	-	-	-	-	-	-	-	7,305,328	
	292,021,041	71,389,317	57,330,125	65,311,237	17,419,068	2,089,076	1,502,935	1,465,246	515,781	-	74,998,256	
On-balance sheet gap	835,306	(28,394,942)	6,845,907	(6,660,409)	31,941,450	937,503	1,846,910	10,702,776	11,693,448	307,678	(28,385,015)	
Off-balance sheet financial instruments												
Forward Lending												
Cross currency and interest rate swaps	13,251,658	205,283	11,620,035	1,426,340	-	-	-	-	-	-	-	
Forward foreign exchange contracts	22,031,700	7,972,736	9,510,401	4,546,579	1,984	-	-	-	-	-	-	
	35,283,358	8,178,019	21,130,436	5,972,919	1,984	-	-	-	-	-	-	
Forward Borrowing												
Cross currency and interest rate swaps	12,761,799	-	12,350,754	411,045	-	-	-	-	-	-	-	
Forward foreign exchange contracts	7,996,449	4,671,354	2,546,839	778,256	-	-	-	-	-	-	-	
	20,758,248	4,671,354	14,897,593	1,189,301	-	-	-	-	-	-	-	
Off-balance sheet gap	14,525,110	3,506,665	6,232,843	4,783,618	1,984	-	-	-	-	-	-	
Total Yield / Interest Risk Sensitivity Gap		(24,888,277)	13,078,750	(1,876,791)	31,943,434	937,503	1,846,910	10,702,776	11,693,448	307,678		
Cumulative Yield / Interest Risk Sensitivity Gap		(24,888,277)	(11,809,527)	(13,686,318)	18,257,116	19,194,619	21,041,529	31,744,305	43,437,753	43,745,431		

*restated amount

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

44.6.1 Yield curve risk is the risk that a financial instrument will suffer either a decline in income or capital because future changes in prevailing interest rates impact assets more or less than they impact liabilities.

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

44.6.3 Major sources of Interest rate risk are;

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

44.7 Liquidity Risk

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

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

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

Maturities of Treasury's and Capital Market's balances are monitored on monthly basis so as to provide management with cash flow measurement and projections.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013									
	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	28,422,497	28,422,497	-	-	-	-	-	-	-	-
Balances with other banks	1,011,980	1,011,980	-	-	-	-	-	-	-	-
Lendings to financial institutions	300,000	300,000	-	-	-	-	-	-	-	-
Investments	113,319,478	27,625,533	43,474,003	5,047,433	5,266,129	9,483,746	2,297,230	8,695,548	11,354,027	75,829
Advances	184,190,304	66,829,108	26,811,405	16,241,341	12,909,097	18,785,291	15,387,091	17,361,056	6,867,097	2,998,818
Operating fixed assets	10,250,910	12,391	3,255	21,294	58,320	151,757	533,245	1,199,090	1,207,849	7,063,709
Deferred tax assets - net	3,980,541	-	-	-	-	-	1,221,004	2,059,102	700,435	-
Other assets	13,803,997	927,795	1,012,405	6,829,703	2,605,326	-	-	2,428,768	-	-
	355,279,707	125,129,304	71,301,068	28,139,771	20,838,872	28,420,794	19,438,570	31,743,564	20,129,408	10,138,356
Liabilities										
Bills payable	4,968,610	4,968,610	-	-	-	-	-	-	-	-
Borrowings	45,446,528	26,248,446	10,783,943	4,273,254	83,457	106,764	34,704	596,354	3,319,606	-
Deposits and other accounts	271,134,303	212,114,693	20,201,952	11,552,360	24,091,306	1,269,162	1,147,605	609,545	147,680	-
Sub-ordinated loans	3,495,400	-	-	250,100	250,100	1,200	1,497,000	1,497,000	-	-
Other liabilities	8,068,673	959,879	711,915	2,552,105	1,218,622	685,376	782,017	1,141,357	17,402	-
	333,113,514	244,291,628	31,697,810	18,627,819	25,643,485	2,062,502	3,461,326	3,844,256	3,484,688	-
Net assets	22,166,193	(119,162,324)	39,603,258	9,511,952	(4,804,613)	26,358,292	15,977,244	27,899,308	16,644,720	10,138,356
Share capital	10,432,697									
Reserves	6,554,197									
Unappropriated profit	3,600,828									
	20,587,722									
Surplus on revaluation of assets - net	1,578,471									
	22,166,193									

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Maturities of Assets and Liabilities (based on contractual maturities)

	2012									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
	----- Restated -----									
	----- Rupees in '000 -----									
Assets										
Cash and balances with treasury banks	24,508,852	24,508,852	-	-	-	-	-	-	-	-
Balances with other banks	1,209,313	1,209,313	-	-	-	-	-	-	-	-
Investments*	88,019,396	7,472,564	3,480,145	6,800,166	29,418,143	7,729,033	10,884,686	10,194,902	12,039,757	-
Advances	172,299,205	35,682,101	24,472,769	26,238,184	21,595,072	14,903,050	16,340,501	16,931,443	11,984,875	4,151,210
Operating fixed assets	10,859,963	17,071	44,586	12,847	100,488	221,178	227,298	1,776,106	1,196,182	7,264,207
Deferred tax assets - net*	4,387,267	-	-	-	-	-	1,101,420	2,585,652	700,195	-
Other assets*	11,839,475	1,001,083	743,711	7,477,451	282,478	-	1,770,065	564,687	564,687	-
	313,123,471	69,890,984	28,741,211	40,528,648	51,396,181	22,853,261	28,553,905	33,258,168	26,485,696	11,415,417
Liabilities										
Bills payable	4,244,494	4,244,494	-	-	-	-	-	-	-	-
Borrowings	35,568,109	17,027,616	1,139,725	13,552,861	379,374	921,765	907,621	1,135,116	504,031	-
Deposits and other accounts	240,708,109	180,626,330	19,911,339	21,030,960	17,039,692	1,167,310	595,315	325,413	11,750	-
Sub-ordinated loans	4,195,001	-	199,520	250,100	250,100	500,200	1,200	2,993,881	-	-
Other liabilities	7,370,715	809,265	41,830	2,301,662	2,303,476	672,904	650,831	588,397	2,350	-
	292,086,428	202,707,705	21,292,414	37,135,583	19,972,642	3,262,179	2,154,967	5,042,807	518,131	-
Net assets	21,037,043	(132,816,721)	7,448,797	3,393,065	31,423,539	19,591,082	26,398,938	28,215,361	25,967,565	11,415,417
Share capital	9,273,508									
Reserves	6,309,083									
Unappropriated profit - restated	3,205,439									
	18,788,030									
Surplus on revaluation of assets - net	2,249,013									
	21,037,043									
*restated amount										

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

	2013									
	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	28,422,497	279,962	278,540	839,885	1,975,364	5,042,151	4,652,763	8,336,318	6,136,417	881,097
Balances with other banks	1,011,980	1,011,980	-	-	-	-	-	-	-	-
Lendings to financial institutions	300,000	300,000	-	-	-	-	-	-	-	-
Investments	113,319,478	27,625,533	43,474,003	5,047,433	5,266,129	9,483,746	2,297,230	8,695,548	11,354,027	75,829
Advances	184,190,304	23,680,457	34,047,744	29,316,072	31,819,860	20,749,854	17,137,607	17,572,795	6,867,097	2,998,818
Operating fixed assets	10,250,910	12,391	3,255	21,294	58,320	151,757	533,245	1,199,090	1,207,849	7,063,709
Deferred tax assets - net	3,980,541	-	-	-	-	-	1,221,004	2,059,102	700,435	-
Other assets	13,803,997	927,795	1,012,405	6,829,703	2,605,326	-	-	2,428,768	-	-
	355,279,707	53,838,118	78,815,947	42,054,387	41,724,999	35,427,508	25,841,849	40,291,621	26,265,825	11,019,453
Liabilities										
Bills payable	4,968,610	4,968,610	-	-	-	-	-	-	-	-
Borrowings	45,446,528	26,248,446	10,783,943	4,273,254	83,457	106,764	34,704	596,354	3,319,606	-
Deposits and other accounts	271,134,303	37,857,770	21,926,246	16,714,502	36,007,996	31,598,574	29,506,616	51,893,408	39,890,588	5,738,603
Sub-ordinated loans	3,495,400	-	-	250,100	250,100	1,200	1,497,000	1,497,000	-	-
Other liabilities	8,068,673	959,879	711,915	2,552,105	1,218,622	685,376	782,017	1,141,357	17,402	-
	333,113,514	70,034,705	33,422,104	23,789,961	37,560,175	32,391,914	31,820,337	55,128,119	43,227,596	5,738,603
Net assets	22,166,193	(16,196,587)	45,393,843	18,264,426	4,164,824	3,035,594	(5,978,488)	(14,836,498)	(16,961,771)	5,280,850
Share capital	10,432,697									
Reserves	6,554,197									
Unappropriated profit	3,600,828									
	20,587,722									
Surplus on revaluation of assets - net	1,578,471									
	22,166,193									

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2012									
	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years
	----- Restated -----									
	----- Rupees in '000 -----									
Assets										
Cash and balances with treasury banks	24,508,852	286,754	257,343	794,087	1,908,014	4,914,025	4,281,696	6,765,669	4,657,907	643,357
Balances with other banks	1,209,313	1,209,313	-	-	-	-	-	-	-	-
Investments*	88,019,396	7,472,564	3,480,145	6,800,166	29,418,143	7,729,033	10,884,686	10,194,902	12,039,757	-
Advances	172,299,205	19,147,211	27,286,734	30,459,131	30,036,968	15,432,091	16,869,542	16,931,443	11,984,875	4,151,210
Operating fixed assets	10,859,963	17,071	44,586	12,847	100,488	221,178	227,298	1,776,106	1,196,182	7,264,207
Deferred tax assets - net*	4,387,267	-	-	-	-	-	1,101,420	2,585,652	700,195	-
Other assets*	11,839,475	1,001,083	743,711	7,477,451	282,478	-	-	1,770,065	564,687	-
	313,123,471	29,133,996	31,812,519	45,543,682	61,746,091	28,296,327	33,364,642	40,023,837	31,143,603	12,058,774
Liabilities										
Bills payable	4,244,494	4,244,494	-	-	-	-	-	-	-	-
Borrowings	35,568,109	17,027,616	1,139,725	13,552,861	379,374	921,765	907,621	1,135,116	504,031	-
Deposits and other accounts	240,708,109	35,537,654	21,455,076	25,709,911	27,818,762	28,726,076	25,651,612	40,494,077	31,030,001	4,284,940
Sub-ordinated loans	4,195,001	-	199,520	250,100	250,100	500,200	1,200	2,993,881	-	-
Other liabilities	7,370,715	809,265	41,830	2,301,662	2,303,476	672,904	650,831	583,680	7,067	-
	292,086,428	57,619,029	22,836,151	41,814,534	30,751,712	30,820,945	27,211,264	45,206,754	31,541,099	4,284,940
Net assets	21,037,043	(28,485,033)	8,976,368	3,729,148	30,994,379	(2,524,618)	6,153,378	(5,182,917)	(397,496)	7,773,834
Share capital	9,273,508									
Reserves	6,309,083									
Unappropriated profit	3,205,439									
	18,788,030									
Surplus on revaluation of assets - net	2,249,013									
	21,037,043									

*restated amount

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

44.8 OPERATIONAL RISK

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

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

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

45 TRUST ACTIVITIES

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

Category	No. of IPS Accounts	2013			
		Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuks	Total
		----- Rupees '000 -----			
Corporate	26	4,834,980	-	-	4,834,980
Insurance Companies	2	-	20,700,000	-	20,700,000
Asset Management Companies	40	6,185,700	-	4,053	6,189,753
Employees Funds	120	3,475,610	3,009,450	10,825	6,495,885
Charitable Institution / NGO's	17	962,200	32,900	-	995,100
Individuals	250	559,650	295,230	22,400	877,280
Related Parties	20	525,230	1,505,870	-	2,031,100
Others	5	575,000	1,720	-	576,720
	480	17,118,370	25,545,170	37,278	42,700,818

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Category	No. of IPS Accounts	2012			
		Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuks	Total
----- Rupees '000 -----					
Corporate	8	1,939,600	-	-	1,939,600
Insurance Companies	1	-	20,700,000	-	20,700,000
Asset Management Companies	21	8,497,195	756,000	500	9,253,695
Employees Funds	59	1,968,300	2,888,650	14,075	4,871,025
Charitable Institution/NGO's	7	1,106,100	28,900	-	1,135,000
Individuals	66	266,835	173,010	21,000	460,845
Related Parties	25	225,850	1,480,000	-	1,705,850
Others	4	2,320,860	78,720	-	2,399,580
	191	16,324,740	26,105,280	35,575	42,465,595

46 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

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

Gross income generated from relevant assets, calculated at the end of the month is first divided between the Bank and investors / depositors in the ratio of the Bank's equity commingled in a pool on pro rata basis, and then amongst the Bank and the depositors as per agreed mudarib fee and weightages declared before start of a month, respectively.

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Particulars	2013		2012	
	Rupees '000	Percent	Rupees '000	Percent
- Mudarib share amount and percentage of distributable income	773,564	49.29	1,175,647	57.4
- Amount and percentage of mudarib share transferred to depositors through Hiba	285,737	36.94	550,309	46.81
- Profit rate earned (annualised)	-	10.27	-	12.64
- Profit rate distributed (annualised)	-	6.97	-	8.36

47 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 27, 2014 by the Board of Directors of the Bank.

48 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

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

49 GENERAL

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

49.2 Comparative information relating to investments, other assets, administrative expenses and taxation (including deferred tax) has been changed consequent to the change in accounting policies as disclosed in note 3.5 to the financial statements.

49.3 Figures 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 in the statement of financial position and the profit and loss account.


PRESIDENT & CEO


DIRECTOR


DIRECTOR


DIRECTOR

Resolve

Nothing stands in the way when a goal is pursued with zealous determination. When there is an indomitable will to reach the destination, no sacrifice is too big, no hardship can deter enough.

ہوئیں زور کتنی ہی لگائیں آندھیاں بن کر
مگر جو گھر کے آتا ہے وہ بادل چھا ہی جاتا ہے
جوش

الاست

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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.

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

2013	2012	Name of company / modaraba / mutual fund	Quality of Available for Sale Securities		Quality of Available for Sale Securities		
			2013	2012	2013	2012	
Ordinary shares / certificates of Rs 10 each			At Cost Rupees in '000	Market Values Rupees in '000	Medium to Long Term Rating Assigned (where available)		
488,950	493,950	Equity Investment Instruments NAMCO Balanced Fund	4,890	4,940	3,173	2,346	
-	60	Modarabas Standard Chartered Modaraba	-	-	-	1	
1,762,772	1,762,772	Banks / Financial Services Prudential Investment Bank Limited * / ***	12,528	12,528	-	-	
3,006,500	8,899,500	Bank AL Habib Limited**	93,079	275,522	124,920	282,381	AA+
11,500,423	21,618,423	Habib Metropolitan Bank Limited**	224,331	421,775	288,316	407,507	AA+
-	1,290,000	National Bank of Pakistan Limited	-	67,089	-	63,713	AAA
10,665	10,665	Construction, Materials, Paints and Cements Dadabhoi Construction Technology Limited ***	16	16	1	1	
1,709,500	2,943,329	Akzo Nobel Pakistan Limited	249,127	429,003	215,161	256,631	
-	12,000	Oil and Gas Pakistan State Oil Limited ****	-	3,393	-	2,787	AA+
145,900	-	Pakistan Oilfields Limited	73,258	-	72,616	-	
-	3,506,500	Sui Northern Gas Pipelines Limited	-	73,886	-	81,526	AA
1,407,500	891,476	Electricity and Energy Hub Power Company Limited	100,034	30,004	85,464	40,330	AA+
		Balance carried forward	757,263	1,318,156	789,651	1,137,223	

* The Bank holds more than 10% of investees' capital in Prudential Investment Bank Limited – 17.10% (2012: 17.10%)

** 3,006,500 shares of Bank AL Habib Limited and 11,500,423 shares of Habib Metropolitan Bank Limited are classified as strategic investment

*** Delisted companies

**** Represents related parties of the Bank.

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

2013	2012	Name of company / modaraba / mutual fund	Quality of Available for Sale Securities		Quality of Available for Sale Securities		
			2013	2012	2013	2012	
Ordinary shares / certificates of Rs 10 each			At Cost Rupees in '000	Market Values Rupees in '000	Medium to Long Term Rating Assigned (where available)		
		Balance brought forward	757,263	1,318,156	789,651	1,137,223	
53,500	53,500	Personal Goods, Textile & Spinning (Colony) Sarhad Textile Limited ***	27	27	-	-	
-	74,500	Accord Textile Limited ***	-	93	-	-	
1,547	1,547	Al-Qaim Textile Mills Limited ***	3	3	-	-	
-	3,911	Amazai Textile Mills Limited ***	-	2	-	-	
178,648	178,648	Crown Textile Mills Limited ***	1,239	1,239	-	-	
-	3,700	Fateh Industries Limited	-	30	-	-	
-	7,300	Fateh Sports Wear Limited ***	-	69	-	-	
80	3,680	Fateh Textile Mills Limited	29	1,325	6	368	
41,612	41,612	Hakkim Textile Mills Limited ***	10	10	-	-	
9,075	39,425	Indus Dyeing Manufacturing Company Limited	2,247	13,391	10,618	24,641	A
-	26,059	Itti Textile Mills Limited ***	-	25	-	-	
8,500	8,500	Mehr Dastgir Textile Mills Limited ***	2	2	13	13	
1,045,001	1,148,001	Pakistan Synthetic Limited	20,554	22,581	18,079	22,949	
-	12,000	Qayyum Spinning Mills Limited ***	-	4	-	-	
1,000	1,000	Service (Textile) Industries Limited ***	1	1	1	1	
268	-	Service Fabrics Limited ***	-	-	-	-	
-	337,590	Service Industries	-	77,516	-	56,378	
-	17,000	Siftaq International Limited ***	-	30	-	-	
359	359	Sind Fine Textile Mills Limited	2	2	2	2	
-	2,376	Sunrise Textile Limited ***	-	-	-	78	
69,000	69,000	Sunshine Cotton Mills Limited ***	69	69	-	-	
79,306	79,306	Zahoor Cotton Mills Limited ***	22	22	-	-	
2,567,046	2,567,046	Zahoor Textile Mills Limited ***	2,500	2,500	-	-	
1,559,311	2,000,311	Non Life Insurance TPL Direct Insurance Limited	15,938	20,446	15,515	19,963	A-
-	7,270	Food Producers Fazal Vegetable Ghee Mills Limited ***	-	33	-	-	
9,500	9,500	Morafco Industries Limited ***	126	126	97	97	
-	9,084	Mubarak Dairies Limited ***	-	9	-	-	
-	10,000	Pak Ghee Industries Limited ***	-	5	-	-	
9,000	9,000	Suraj Ghee Industries Limited ***	117	117	-	-	
		Balance carried forward	800,149	1,457,833	833,982	1,261,713	

*** Delisted companies. However, in certain cases last available market value has been disclosed in the current and previous year.

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

2013		2012		Quality of Available for Sale Securities	
Ordinary shares / certificates of Rs 10 each		Name of company / modaraba / mutual fund		Medium to Long Term Rating Assigned (where available)	
		2013	2012	2013	2012
		At Cost Rupees in '000	At Cost Rupees in '000	Market Values Rupees in '000	Market Values Rupees in '000
Balance brought forward		800,149	1,457,833	833,982	1,261,713
Chemicals and Fertilizers					
15,868,843	15,868,843	519,824	519,824	201,058	185,189
-	11,685,450	-	642,253	-	380,245
-	6,985,500	-	67,458	-	51,343
23	223	-	-	-	2
-	500,141	-	73,286	-	86,970
Industrial Metals and Mining					
-	883,854	-	41,696	-	29,088
-	9,782,371	-	140,289	-	118,367
1,000	1,000	13	13	-	-
Health Care Equipment and Services					
48,000	48,000	38	38	-	-
Pharma and Bio Tech					
-	744,776	-	60,330	-	54,615
-	35,227	-	35,252	-	33,642
Media					
-	49,000	-	-	-	147
Household Goods					
156,399	165,899	4,361	4,626	2,533	2,905
Tobacco					
400	400	46	46	225	27
General Industrials / Others					
225	225	-	-	5,235	3,249
102,500	102,500	1,789	1,789	-	-
26,000	26,000	156	156	-	-
39,018	90,896	49,584	115,502	53,416	70,411
223	223	3	3	3	3
		1,375,963	3,160,394	1,096,452	2,277,916

*** Delisted companies

Provision for diminution in the value of investments against above shares amounts to Rs 480.002 million (2012: Rs 717.636 million)

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

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013		2012		Quality of Available for Sale Securities	
	At Cost Rupees in '000		Market Values Rupees in '000		Medium to Long Term Rating Assigned (where available)	
	2013	2012	2013	2012	2013	2012
AI Hamra Avenue (Private) Limited ** / + 28,812,500 (2012: 28,812,500) ordinary shares of Rs 10 each The bank holds 17.99% (2012 : 17.99%) of investee's capital. Chief Executive: Mr. Habib Ahmed Break up value per share: Rs. 12.48 (2012: Rs 9.21) Period of financial statements: June 30, 2012 (audited)	265,938	265,938	-	-	-	-
AI Hamra Hills (Private) Limited * / + 500 (2012 : 12,500,000) ordinary shares of Rs 10 each	5	125,000	-	-	-	-
DHA Cogen Limited * / + 63,694,475 (2012 : 32,500,000) ordinary shares of Rs 10 each The bank holds 19.10% (2012 : 9.75%) of investee's capital. Chief Executive: Siraj ul Haq Break up value per share: Rs. (0.02) Period of financial statements: December 31, 2012 (audited)	325,001	325,000	-	-	-	-
First Capital Investment (Private) Limited Nil (2012: 165,000) ordinary shares of Rs 10 each	-	750	-	-	AM4+	AM4+
Himont Chemical (Private) Limited * 810,000 (2012: 810,000) ordinary shares of Rs 10 each	1,037	1,037	-	-	-	-
Sukhchayn Gardens (Private) Limited + Nil (2012: 89,383) ordinary shares of Rs 100 each The bank holds Nil (2012: 2.03%) of investee's capital. Chief Executive: Mr. Shujaat Azeem Break up value per share: Nil (2012: 172.55) Period of financial statements: June 30, 2012 (audited)	-	37,000	-	-	-	-
Credit Rating Information Services Limited (Bangladesh) * Nil (2012: 260,000) ordinary shares of Taka 10 each.	-	2,452	-	-	-	-
Pace Barka Properties Limited 5,200,000 (2012: 5,200,000) ordinary shares of Rs 10 each The bank holds 1.70% (2012: 1.70%) of investee's capital. Chief Executive: Aamna Taseer Break up value per share: Rs. 17.82 Period of financial statements: June 30, 2011 (audited)	51,998	45,378	-	-	-	-
Pakistan Export Finance Guarantee Agency Limited * 568,044 (2012: 568,044) ordinary shares of Rs 10 each	5,687	5,687	-	-	-	-
	649,666	808,242				

* Fully provided investments

+ Strategic investments

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

Provision for diminution in the value of investments against above shares amounts to Rs 498.983 million (2012: Rs 627.089 million)

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

3. Preference shares – Listed companies

2013		2012				Quality of Available for Sale Securities			
Shares	of Rs 10 each	Name of Company	Rate	2013	2012	2013	2012	2013	2012
				At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
				Rupees in '000	Rupees in '000				
2,249,000	2,249,000	Azgard Nine Limited	8.95% Cumulative	22,490	22,490	-	-	D	D
36,066	36,066	Maple Leaf Cement Factory Limited	9.75% Cumulative Convertible	162	162	-	451	BB	D
40,000,000	-	Silk Bank Limited	14% Non-Cumulative Convertible	100,000	-	100,000	-	A-	
				122,652	22,652	100,000	451		

Provision for diminution in the value of investments against above shares amounts to Rs 22.652 million (2012: Rs 22.490 million)

4. Preference shares – Unlisted companies

2013		2012				Quality of Available for Sale Securities			
Shares	of Rs 10 each	Name of Company	Rate	2013	2012	2013	2012	2013	2012
				At Cost	Market Values	Medium to Long Term Rating Assigned (where available)			
				Rupees in '000	Rupees in '000				
-	2,500,000	Fazal Cloth Mills (Private) Limited Chief Executive: Mr. Sheikh Naseem Ahmad The Bank holds 10.00% (2012 : 10.00%) of investee's capital.	2.5% plus 6 months KIBOR	-	25,000	-	-	Not Applicable	A-
7,700,302	7,700,302	Pak Elektron Limited Chief Executive: Mr. Naseem Saigol The Bank holds 17.13% (2012: 17.13%) of Class A preference shares in investee's capital.	9.50% Cumulative Convertible	75,000	75,000	-	-	Not Applicable	A
				75,000	100,000				

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

5. Details of investments in open ended mutual funds:

2013		2012				Quality of Available for Sale Securities		
2013	2012	Name of Company	2013	2012	2013	2012	2013	2012
			At Cost	Net Asset Values	Medium to Long Term Rating Assigned (where available)			
			Rupees in '000	Rupees in '000				
Open ended Mutual funds								
589,512	1,873,887	Faysal Income Growth Fund	62,919	200,000	62,583	200,637	A+(f)	A(f)
980,470	4,052,906	Faysal Savings Growth Fund	100,411	407,411	100,557	418,260	AA-(f)	AA-(f)
880,000	1,000,000	Faysal Islamic Savings Growth Fund	88,000	100,000	90,086	103,390	AA-(f)	AA-(f)
7,368,048	10,908,996	Faysal Money Market Fund	745,000	1,100,000	749,478	1,122,754	AA+(f)	AA+(f)
227,692	4,405,746	Faysal Asset Allocation Fund	15,491	300,000	15,496	302,939		
203,373	1,310,292	Faysal Balanced Growth Fund *	12,480	80,374	12,515	85,745		
538,923	-	Faysal Financial Sector Opportunity Fund	54,000	-	54,485	-		
			1,078,301	2,187,785	1,085,200	2,233,725		

* 121,940 units (2012: 1,310,292 units) of Faysal Balanced Growth Fund represents Strategic investment

Provision for diminution in the value of investments against the units of above funds amounts to Rs 1.486 million (2012: Rs 4.722 million)

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

6. Term Finance Certificates - Listed	2013		2012		Quality of Available for Sale Securities	
	At Cost	Market / Carrying Values	At Cost	Market / Carrying Values	2013	2012
	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
Azgard Nine Limited 31,640 (2012: 31,640) certificates of Rs 5,000 each Mark-up: Different spread over six months KIBOR rate in different years with no floor and cap Redemption: 12 unequal semi annual instalments, 2012-2015: 47% and 2016-2017: 53% of the outstanding amount Maturity: September 2017 Chief Executive Officer: Mr. Ahmed H. Shaikh	51,476	51,476	10,709	41,581	D	D
United Bank Limited - Second Issue Nil (2012: 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	-	99,970	-	99,604	AA	AA
Financial Receivables Securitization Company Limited 20,000 (2012: 20,000) certificates of Rs 5,000 each Mark-up: 2.00% above six months KIBOR rate, floor-8%, cap-16% Redemption: Equal Semi annual installment with a grace period of 1 year Maturity: January 2014 Chief Executive Officer: Mr. Suleman Kanjiyani	9,600	28,801	9,601	29,020	A+	A+
Telecard Limited 70,233 (2012: 70,233) certificates of Rs 5,000 each Mark-up: 5.04% above three months KIBOR rate, with no floor and no cap Redemption: Ten unequal semi-annual installments commencing 18 months from the last date of public subscription. Maturity: May 2015 Chief Executive Officer: Mr. Syed Aamir Hussain	128,766	128,766	-	64,383		
Bank Alfalah Limited - Fifth Issue 12,250 (2012: Nil) certificates of Rs. 5,000 each Mark-up: 1.25% above six months KIBOR rate with no floor and cap Redemption: 0.30% semi annually in first 90 months, balance of 99.70% at maturity in the 96th month Maturity: February 2021 Chief Executive Officer: Mr. Atif Aslam Bajwa	61,238	-	62,570	-	AA-	
	251,080	309,013	82,880	234,588		

Provision for diminution in the value of investments against above TFCs amounts to Rs 167.902 million (2012: Rs 72.613 million).

ANNEXURE I TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

7. Term Finance Certificates - Unlisted	2013		2012		Quality of Available for Sale Securities	
	At Cost	Market / Carrying Values	At Cost	Market / Carrying Values	2013	2012
	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Medium to Long Term Rating Assigned (where available)	
Dewan Cement Limited (formerly Pakland Cement Limited) 100,000 (2012: 100,000) certificates of Rs. 5,000 each Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui	500,000	500,000	50,000	50,000	-	D
Bank Alfalah Limited - Fourth Issue 40,000 (2012: 40,000) certificates of Rs. 5,000 each Mark-up: 2.50% above six months KIBOR rate with no floor and cap Redemption: 0.26% semi annually in first 78 months, balance of 33.25% each starting from 84th month. Maturity: December 2017 Chief Executive Officer: Mr. Atif Aslam Bajwa	199,680	199,760	210,992	209,085	AA-	AA-
Dewan Sugar Mills Limited 10,000 (2012: 10,000) certificates of Rs 5,000 each Mark-up: SBP discount rate less 2% p.a. with 6% floor and 12% cap Maturity: June 2008 Chief Executive Officer: Mr. Dewan M. Yousuf Farooqui	9,513	10,347	9,513	-		
	709,193	710,107	270,505	259,085		

Provision for diminution in the value of investments against above TFCs amounts to Rs 450 million (2012: Rs 460.347 million)

ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2013 as referred in note 12.9 to these financial statements.

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in '000												
1	Mansoor Ali Memon	House No 12 B, Liaquat Town, Near Madni Park, Faisalabad	3310087041009	Muhammad Akram	481	96	29	606	481	96	29	606
2	Allah Ditta	581 G Gullistan Colony Near Mc Primary School Faisalabad	3310089475861	Muhammad Ramzan	430	87	15	532	430	87	15	532
3	M Naseer Ahmed	H# 181, Bela Rd, Sec#g-10/1, Islamabad Pakistan	6110117578457	Nazir Ahmed	431	25	50	506	426	31	55	512
4	Mehmood Ur Rehman	H # 1048 St # B Shareef Chowk Peoples Colony # 02 Faisalabad Pakistan H # 1048 St # B Shareef Chowk Peoples Colony # 02	3310099454199	Asmaial	474	83	16	573	474	97	16	587
5	Muhammad Arif	H # 01 Main Road Mor Harbanspura (near Ta) Bagh Canal Bridge Lahore Pakistan H # 01 Main Road Mor Harbanspura (near TA)	3520104709825	Malik Khalid Javed	445	52	19	516	445	102	26	574
6	Muhammad Tayyab	E-527 St # 2 Husnainabad Cantt Lahore	3520113081929	Syed Gul Hussain Shah	487	56	10	553	487	111	18	616
7	Junaid Jafri	H # 36 A St # 55 Sham Nagar Near The Lahore City School Lahore	3520267924319	Muhammad Ayub	414	42	64	520	414	84	70	567
8	Mohsin Iqbal	167- D Block PIA Colony AFC Street Lahore	3630239110703	Muhammad Din	489	42	2	533	489	121	14	624
9	Hafiz Muhammad Shahzad	H # B-14 S. Town A-block Rawalpindi	3740503825449	Khawaja Moazam	438	48	55	541	433	105	73	610
10	Muhammad Ashraf	H# SA-551 Dhok Parcha Satellite Town Rawalpindi	3740506673827	Muhammad Ishaq	500	27	-	527	500	113	14	627
11	Syed Zulfiqar Haider	House # 17-A St # 21 Chaklala Scheme III Noor Masjid Rawalpindi	3740515962773	Khawja Abdul Wahid Sahib	486	28	6	520	486	111	23	621
12	Tahir Sohail	Flat No C 202 2nd Flr Lakhani Pride 2 Gullistan e Johar Blk 13 Karachi	4130811137343	Abdul Kareem Memon	730	37	24	791	730	148	44	921
13	Abdul Wadood Roomi	C-105 Blue Veiw Appt Garden East Nr Telenor Office Karachi	4220106837421	Mohammad Hashim	487	14	1	502	488	122	18	627
14	Shahzad Ul Hassan Gul	Flat #18 E S T #5 Askari #4 Rashid Minhas Road Karachi Pakistan Flat #18 E St #5 Askari #4 Rashid Minhas Road Karachi	4220184054245	Javed Jafri	493	13	-	506	495	121	33	649
15	Mohammad Sultan Ahmed Jahngeer	Flat# 204 2-flr Karachi Beach Residency Clifton Block 3 Karachi	4230122633597	Muhammad Ismail	496	43	2	541	483	121	31	635
16	Muhammad Ali Hashmi	87/2 Khayaban e Hilal Main Shaheen DHA Phase 6 Karachi	4230124355163	Muhammad Shoalb	483	13	5	501	485	120	24	629
17	Muhammad Sarfaraz Khan	Plot 3 19-E 1st Flr 21st Comm St Dha Phase II Ext Rahat Malik Corner Karachi	4230147639471	Bashir Ahmed Sabir	406	47	41	494	391	96	56	543
18	Raja Nauman Jan Kyani	D 171/1 Rojhan Street Block 5 Clifton Karachi	4230161885939	Ghulam Hussain Choudhry	425	11	-	436	477	120	19	615
19	Salman Bashir	Flar # 22 Gilan Center Mutal Bai St Near Bheem Pura Karachi	4230163994375	Muhammad Yaqoob	483	23	3	509	499	110	19	628
20	Muhammad Wasif Taimouri	Plot# R-116 Bloch Goth Block 13d Gulshan e Iqbal Nr Evergreen Banglow Karachi	4240102886167	Ghulam Sarwar Gul	10	9	-	19	466	118	13	597

ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in '000												
21	Malik Zain Ul Abideen	Flat# B-11 2 Nd Flr Fahad Garden Gulsha-e-Iqbal Blk 13 E Nr Noman Hieghts Karachi P Flat# B-11 2nd Flr Fahad Garden Guls	4240198053365	Muhammad Saleem Memon	471	14	4	489	487	123	33	643
22	Abdullah	H No 136 St No 65 F-11/4 Islamabad	6110106345033	Muhammad Jan Kyani	443	13	-	456	442	111	22	575
23	Altaf Ismail Mondia	H No 41 St 20 F7/2 Isalmabad Islamabad	6110119482093	Ghara Khan	403	12	3	418	389	99	41	529
24	Syed Shahzad Hussain Bukhari	H # 1487-d D, Gate Muslim Streetsuter Mandi, Inside Lohari Lahore	3520293599803	Syed Shakir Hussain	922	140	-	1,062	922	148	-	1,070
25	Fahad Rasheed	H # 170-g Block Sabzazar Lahore	3520229542817	Muhammad Rasheed	611	110	-	721	611	126	-	737
26	Akram Khurshid	House # 576 Street 43 G-10/4 Nr Omar Market Islamabad	6110119169297	Aslam Khurahid	498	69	126	693	498	69	126	693
27	Abid Hussain	A-304 Soniya Appartments Plot No 166 Block 3 Pechs Karachi	4220104326097	Muhammad Ali	497	111	47	655	497	111	48	656
28	Shakil Aijaz	House No C-271 Block 14 Gullistan E Johar Karachi	4220120986945	Aijaz Uddin Qureshi	456	110	80	646	456	110	80	647
29	Talat Mahmud	Kashmir Automobile Plaza Square M A Jinnah Road Karachi	4220149679057	Shaikh Mahmood Hussain	430	55	42	527	430	55	42	526
30	Amir Chudhary	H # 104 Babar Block New Garden Town Lahore	3520228431225	Khalid Chudhary	443	88	42	573	443	103	70	617
31	Muhammad Waseem Mush	Baba Ismaiel S/o Ghulam Ilahi Bukhsh Fauji Mohalla Chungi Amar Sidhu Abid Mkt Lahore	3520233665431	Mushtaq Ahmed Zaqi	452	83	41	576	452	99	60	610
32	Abdul Haq	Bolaan Marbels Main Susan Rd Opp Hockey Stadium Faisalabad	3310093709291	Ch Abdul Baari	492	42	30	564	492	75	135	702
33	Perwaiz Aslam	H # 72-e Askari 10 Lahore	4220168128319	Bashir Ahmed	428	32	56	516	428	59	181	668
34	Muhammad Zahid	H-95 Block M Wapda Town Lahore	3520269275507	Rasheed Ahmed	307	31	97	435	307	47	159	513
35	Tariq Nawaz Shah	185 - Hh D.h.a Lahore	3520173129067	Muhammad Nawaz Shah	277	61	132	470	265	72	171	508
36	Muhammad Tayyab	Nashit Mobile Shop # 7 1st Floor Arif Centre Main Hall Road Lahore	3520267924319	Muhammad Ayub	475	56	20	551	475	133	98	707
37	Yasmin Anjum	H-656-d Canal View Housing Society Lahore.	3520227309340	G N Chaudhry	411	66	74	551	411	120	150	681
38	Shahid Saeed	Haroon Bahria Naval Colony Hub River Rd Sector 1 Street 9 House 30 Karachi	3320255626369	Mohammad Saeed	367	15	25	407	367	65	207	639
39	Muhammad Azam	Terminal Manager Total Parco Pak Ltd Dept Operation Machike Oil Dept Sargodha Rd Sheikhpura	3520227094539	Abdul Hameed	424	38	9	471	424	107	85	617
40	Muhammad Faheem Haye	House # 12, St # 04 Block A Sawan Garden Islamabad	3520133450405	Muhammad Saleem Haye	404	23	11	438	404	103	86	593
41	Syed Fiaz Mahmood Bo	269 Block - W Dha Lahore Lahore	3520124306607	Syed Mahmood Ali Bokhari	480	41	15	536	479	114	120	712
42	Muhammad Fahad Qures	Fahad Corporation Plot No A-29 Block C Gulshan-e-jamal Stadium Road Karachi	4220114638073	Muhammad Anis Qureshi	470	43	10	523	470	126	104	701

ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in '000												
43	Muhammad Babar Jahan	Baloch House, Madina Town Near Wapda, Scarp More, Jauharabad Road, Khushab	3520117793803	Muhamamd Jahangir Khan	491	1	2	494	491	114	92	696
44	Muhammad Ashraf	Ashraf Rt Off#6 1st Flr 105 Mangal Mensi On Lake Shami Chwk Mcleod Rd Nr Bop Bldg Lahore	3630239110703	Muhammad Din	502	10	4	516	502	93	99	693
45	Shahzad Ul Hassan Gu	Plot# R-116, Bloch Goth Block 13d, Gulshan E Iqbal Nr Evergreen Banglow Karachi	4240102886167	Ghulam Sarwar Gul	376	15	21	412	376	63	161	600
46	Syed Majid Kazmi	Js Bank Ltd 1st Flr Shaheen Commercial Complex Dr Ziauddin Road Karachi	4220103381177	Syed Hassan Aslam Kazmi	353	17	3	373	353	86	71	511
47	Shahzad Ahmed Cheema	664/8 W Block Defence Lahore	3840303574527	Mohd Saddiq Cheema	372	41	121	534	370	115	243	728
48	Salahuddin Ahmed	Silver Reed International Near Police Ho li Chundrigar Road Near Subway Karachi	4230180095745	Abdurasheed	387	-	-	387	489	124	95	708
49	Arshad Mahmood Butt	H No 94 B Street 40 Sector I-8/2 Islamabad	2765865714751	Asad Ali Butt	338	48	66	452	320	114	171	606
50	Sheikh Irfan Munir	H # P-272-d Old Passport Road Peoples Colony # 1 Faisalabad	3310090457061	Sheikh Muhammad Munir	284	14	7	305	284	42	191	518
51	Rashid Abdullah	Abdullah Chamber 1 Turner Road Lahore	3520213301023	Ch Muhammad Abdullah	331	1	3	335	338	81	92	511
52	Muhammad Wasif Taimo	87/2 Khayaban E Hilal Main Shaheen Dha Phase 6 Karachi	4230124355163	Muhammad Shoalb	165	-	1	166	489	63	302	855
53	Muhammad Iqbal Farooq	Technio Worldwide Impex Room No 3 Flr 3 Imitiaz Plaza 85 The Mall Lahore	3520229541081	Mohd Farooq Usmani	482	15	0	497	482	122	103	708
54	Raja Nauman Jan Kyani	H No 136 St No 65 F-11/4 Islamabad	6110106345033	Muhammad Jan Kyani	216	-	-	216	509	125	111	745
55	Rana Muhammad Mohsin Sarwar	Saffan Traders Room# 7,1st Floor 105 Mangal Mansion Lakshmi Chowk Lahore	3630251563397	Rana Muhammad Sarwar	-	-	-	0	496	90	109	695
56	Syed Fakkhi Iftikhar	R-1175 Block-19 F.b Area Al-noor Society Karachi	4210164556225	S Iftikhar	296	-	21	317	331	72	168	572
57	Awais Qadir	House # 352 Block A.a Phase 4 Dha Cantt Lahore	3520129512821	Chaudhary Ghulam Qadir	199	-	17	216	278	32	217	527
58	Mohammad Sharif Sajid	D 9 Block 7 Gulshan-e-Iqbal Karachi	4220101693969	Khwshi Mohammad	419	56	31	506	348	147	232	728
59	Zahid Ali Shah	Zahid & Brothers Room #11 1st Flr Majeed Plaza Bank Road Sadder Rawalpindi	3740562455377	Mian Shahshah	352	10	-	362	443	106	111	660
60	Muhammad Shahzad Siddiqi	F S International H #74 St #2 New Haseeb Colony Near Mian Chowk Faisalabad	3310010277391	Muhammad Farooq Siddiqi	412	-	-	412	413	103	86	601
61	Azhar Ahmed Batla	Shop#34-c Ground Flr Sunset Commercial Street 2 Dha Phase 4 Opp Bait Ul Salam Masjid Karachi	4230163344633	Sheikh Noor Ahmed Batla	336	11	38	385	300	94	177	571
62	Waqar Azam	Zam Zam Steel Sector # 4 Godam # 6/4 Near Madina Kanta Rahim Road Misri Shah Lahore	3520175844407	Muhammad Azam	296	-	3	299	296	44	181	521
63	Suresh Babu Shahani	H.b.I Dept Litigation 2nd Floor Muhammadi House I.I Chundrigar Road Karachi	4230142328325	Anand Ram Shahni	311	64	127	502	266	140	281	687
64	Mohammad Naveed Akht	H # B-1-24-307 Mughal Street 3 Kotli Behram Near Khurram Music Center Stalkot	3460322996219	Mohammad Haneef Mughal	450	16	27	493	390	104	175	669

ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in '000												
65	Muhammad Tofiq Mirza	T.m Engr. Works , Off# 3 Ashfaq Chowk Joray Pull Cantt Nr Bismillah Shadi Hall Lahore	3520131948723	Muhammad Shafique Ahmed	408	20	6	434	347	81	183	611
66	Ch. Mumtaz Hassan	House 2cstreet 12f7/2lahore	6110130288485	Ch Hassan Nawaz	4,980	1,877	-	6,857	-	1,948	-	1,948
67	Muhammad Shafiq Sheikh	20hunza Block Allama Iqbal Town Lahore	3520229437481	Sheikh Muhammad Sharif	13,153	4,231	-	17,384	-	4,651	-	4,651
68	Shoalb Maqsood	House No 11 Mehran Blk Allama Iqbal Town Lahore	3520239053413	Sheikh Maqsood Ahmed	8,757	2,409	-	11,166	-	2,655	-	2,655
69	Shoalb Maqsood	House No 11 Mehran Blk Allama Iqbal Town Lahore	3520239053413	Sheikh Maqsood Ahmed	8,757	2,409	-	11,166	-	2,655	-	2,655
70	Muhammad Shafiq Sheikh	20hunza Block Allama Iqbal Town Lahore	3520229437481	Sheikh Muhammad Sharif	13,153	4,231	-	17,384	-	4,651	-	4,651
71	Hussain Hamza Lokhandwala	House # D23 Block C North Nazimabad Haidery Karachi	3740505941115	Hamza Lokhand Wala	19,780	9,339	-	29,119	-	10,047	-	10,047
72	Muhammad Aleem	Umair Street, New Haseeb Shaheed Colony # P20lahore	3310097687955	Abdul Latif	1,420	765	-	2,185	-	737	-	737
73	Tahir Nawaz Sipra	House#04 Premeir Mills Nazimabad Faisalabad	3310078601473	Muhammad Nawaz	2,736	1,614	-	4,350	-	1,739	-	1,739
74	Jawaid Jabbar	4th Floor Block D, Latifabad, Hyderabad.flat # 80, chiragh Mahal Complex, Unit 8, lahore	4130493684169	Abdul Jabbar	1,186	683	-	1,869	-	739	-	739
75	Shahzad Ahmed	70 2 Ublock Defence Dha Lahore	3520225692151	Niaz Ahmad	6,800	3,645	-	10,445	-	4,039	-	4,039
76	Ahtesham Bin Hissam	10e Canal Berg Thokar Niaz Baig Lahore	3520084634569	Hissam Ud Din Quershi	3,883	2,124	-	6,007	-	1,487	-	1,487
77	Zubia Ali Bucha	65a I Sardar Block Garden Town Lahore	3520206831862	Asif Ali Bucha	1,983	1,053	-	3,036	-	1,106	-	1,106
78	Qamar Khalid Rasool	House No. 60 Street No. 02 Cavalry Ground Lahore	3520115278596	Khalid Rasool Pirach	19,586	16,007	-	35,593	-	17,401	-	17,401
79	Muhammad Ayub Khan Mayo	Opp General Hospital, Ferozepur Toadh # 231emayo Complexlahore	3520115146991	Abdul Hamid Khan	13,221	8,273	-	21,494	-	9,384	-	9,384
80	Sumera Siddique	House No. 253 Street No.90 I8 4 Islamabad	6110128216432	Muhammad Siddique	2,853	1,255	-	4,108	-	1,255	-	1,255
81	Muhammad Tajassir Minhas	House No. 368z Lahore	3520113378869	Muhammad Riaz Minhas	928	548	-	1,476	-	561	-	561
82	Arslan Ghani	305 Street No 4 Block E 2 Wapda Town Lahore	3520223956161	Muhammad Tayyab	1,483	771	-	2,254	-	689	-	689
83	Sohail Saeed	Block C Jinnah Colony # 496lahore	3310079198301	Muhammad Saeed	4,588	1,517	-	6,105	-	1,854	-	1,854
84	Ayesha Amir	C2b, Falcon Plaza Extension, Plot No. 09, Block 3, Dchs, Karachi.	4220129576614	Amir Baqi Siddiqui	19,259	525	-	19,784	-	1,991	-	1,991
85	Muhammad Shabbir	Sohailabad H # P73acheema Houselahore	3310060727005	Ghulam Muhiuddin	1,487	803	-	2,290	-	899	-	899
86	Rashid Habib	H No 179d Madni Chowk Ghulam Muhammadabad Near Madni Mosque Faisalabad	3310009809723	Habib Ahmad	2,894	1,028	-	3,922	-	1,323	-	1,323
87	Sheikh Asif Adrees	House 43 Street 6 Shaklala Seheme li Islamabad	3740575406879	Sheikh Muhammad Idre	13,424	6,759	-	20,183	-	7,881	-	7,881
88	Qaiser Nair	175a Pcsir Housing Society Canal Bank Lahore	3520223476257	Rana Nazir Ahmed	5,130	2,537	-	7,667	-	3,004	-	3,004
89	Waqas Islam Shaikh	H # 7 East Canal Road Al Fateh Garden Gatwala Faisalabad	3310043939657	Sheikh Muhammad Islam	22,245	9,796	-	32,041	-	12,321	-	12,321

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in '000												
90	Nadeem Akhtar	B 23, Block-4-a, Gulshan-e-iqbal, Karachi	4240133904691	Ghulam Rasool	2,729	1,032	-	3,761	-	1,327	-	1,327
91	Muhammad Rafique	House # 9ghosia Colonysaid Pur Roadlahore	3740504871449	Mian Muhammad	5,746	930	-	6,676	-	1,196	-	1,196
92	Khurram Shahzad	House 444 Street 40 Sector I8/2 Islamabad	6110119734063	Muhammad Shafi	10,117	5,690	-	15,807	-	6,230	-	6,230
93	Muhammad Naveed Aslam	Thokar72eden Canal Villaslahore	3460176056973	Muhammad Aslam Khan	2,127	910	-	3,037	-	888	-	888
94	Rizwana Farrukh	House No 16 St#4 Saffari Villad Bahria Town Islamabad	3740546251296	Farukh Masood	10,816	7,499	-	18,315	-	8,388	-	8,388
95	Imran Ahmed Khan	Fb Areah.no.,1095/14fb Arealahore	4210121876935	Riaz Ahmed Khan Late	1,949	1,225	-	3,174	-	1,453	-	1,453
96	Shahid Ali Khan	Sasi Boat View Villa # 8 Block2 Clifton . Karachi.	4210119034619	Salamat Ali Khan	4,450	2,594	-	7,044	-	3,171	-	3,171
97	Faiz Mohyuddin	H # 603sarfaraz Colony Main Bazar Faisalabadlahore	3310073793469	Chaudhry Nisar Ahmed	3,314	1,874	-	5,188	-	2,245	-	2,245
98	Mazhar Ali Magsi Baloch	Flat 204 Clifton Garden 2 Block 3 Clifton Karachi	4230112737733	Karim Bhakish Magsi	8,790	4,832	-	13,622	-	5,863	-	5,863
99	Naveed Younas	52 Iqbal Avenue Co Op Housing Society Johar Town Lahore	3520115201439	Muhammad Younis Butt	5,136	3,039	-	8,175	-	3,522	-	3,522
100	Naveed Ahmad Anjum	House No 66/3 D Block Model Town Lahore	3520229696775	Ch Abdul Majeed	11,404	605	-	12,009	-	619	-	619
101	Elba Enggining	H. No. 195, N Block Model Town Ext. Lahore	Azhar Iqbal 35202-1245223-3	Muhammad Ali	10,112	6,852	-	16,964	-	4,853	-	4,853
102	F.K Trading Co.	1-A, Opp. Shah Shams Park, Multan	Muhammad Khalid Sheikh 36302-4526438-7	Mushtaq Ahmed	2,258	2,541	-	4,799	-	1,750	-	1,750
103	Fashion & Style	18- Eden Cottages, DHA, Lahore	Ashfaq Malik 35202-8594965-9 Nawaz Butt 35200-1547755-1	Malik Muhammad Ashiq Muhammad Hussain Butt	3,521	2,479	-	6,000	-	955	-	955
104	Fayms Pharma Traders	Behind Taj Mehal Bakers, Bank Road, Mardan	Amjad Ali 16101-0338983-7	Yaqoob Khan	2,400	813	-	3,213	-	813	-	813
105	Maqsood Traders	New Steel Market Behind Regent Cinema G.T.Road Gujranwala	Shiekh Maqsood Ali 34101-4131797-5	Sheikh Aziz Din	-	2,642	-	2,642	-	2,642	-	2,642
106	Salman Traders	2nd Street D.H.A. V Sindh Karachi	Muhammad Abbas 42301-7554182-7	Sheikh Din Muhammad	1,213	812	-	2,025	-	812	-	812
107	Shafique & Sons	ZA-14/B, Hajid Road Railway Workshop Rawalpindi	Moneeb Gabba 37405-4010492-9	Muhammad Shafiq Gabba	3,000	901	-	3,901	-	1,108	-	1,108
108	Syed Mushtaq Ali Shah	H # 14, Rose Lane 1 Behind UNO Post Office Morgah Lalazar Rawalpindi	Syed Mushtaq Ali Shah 37405-0257269-1	Syed Mehmood Ali Shah	19,718	6,639	-	26,357	-	5,568	-	5,568
109	Air Track International	Flat # 13, Jalil Plaza G-6, G-10 Markaz Islamabad	Khalid Ibrahim Khan 61101-9409504-9 Sardar Muhammad Habib Khan 61101-6091117-5	S Mohammad Ibrahim Sardar Muhammad Raziq Khan	14,503	5,113	19	19,635	-	5,424	19	5,444

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in '000												
110	Chadhury Shahid Mahmood	385 A-1 Township Lahore	Chaudhry Shahid Mahmood 35202-7129221-5	Chaudhry Muhammad Hanif	125	3,129	-	3,254	-	2,131	-	2,131
111	H M R Trading & Marketing	170-K DHA, Lahore	Adeeb Ul Haq 35201-4942273-1	Muhammad Sadiq Chughtai	6,997	4,110	-	11,107	-	4,790	-	4,790
112	Ismail Sons	1, Ground Floor 27/E Main Market Gulberg Lahore	Muhammad Younas Baig 35202-9782139-3	Muhammad Ismail	1,300	766	-	2,066	-	729	-	729
113	Waheed Asghar Shahid/ Samia Waheed	134-P Gulberg III Lahore	Waheed Asghar Shahid 35202-2680717-7	Muhammad Shafee	9,976	6,699	-	16,675	-	7,080	-	7,080
114	Zaheer Crockery House	H No. D-1837 Inside S Lahore	Zaheer Ud Din Babar 35202-3391525-3	Naseer Uddin	3,792	1,067	-	4,859	-	1,059	-	1,059
115	Texnet	2 -C Model Town, Lahore	Khurram Shahzad 35202-2659450-1 Nelofar Khurram 35202-2522601-4	Muhammad Umer Khurram Shahzad	11,284	6,121	-	17,405	-	4,965	-	4,965
116	Syed Irfan Bokhary	H # 113, Babar Block, New Garden Town, Lahore	Syed Irfan Bokhary 35202-1723600-7	Syed Wajih-Ud-Din Bokhary	8,161	165	-	8,326	-	599	-	599
117	M/S Royal Botique	Khawajan Road, Gujrat	Bilal Safdar 34201- 9792686-7	Muhammad Safdar	1,500	885	-	2,385	-	1,075	-	1,075
118	M/S Badar & Brothers	H # 3, Michni Lane, Peshawar	Ishaq Hussain 17301-1029227-7	Noor Uddin	34,901	17,046	-	51,947	-	19,966	-	19,966
119	Rafeh (Pvt) Limited	782-Z DHA Lahore	Raheel Rashid 35202-2615367-5 Sohab Rashid 35201-9686276-7 Sajeel Rashid 35202-2601393-7	Abdul Rashid Abdul Rashid	21,626	2,860	-	24,486	-	2,860	-	2,860
120	Z.N Fibre Ltd	P-479, Peoples Colony-1,FSD	Abeera Usman 33100-3773087-0 M Naeem 33100-7918783-5	Muhammad Usman Afzal Sh Miraj Din	38,450	11,446	-	49,896	-	11,446	-	11,446
121	Siddique Rafique & Sons	Shop No. 74-B, Ghalla Mandi, Vehari	Muhammad Siddique 36603-0759628-9 Abdul Jabbar 36603-7182703-5	Ali Muhammad Muhammad Siddique	1,897	1,200	-	3,097	-	2,173	-	2,173
122	Ashfaq Ahmad & Company	40,D.OH.S Phase II,Gujranwala	Ashfaq Ahmed Cheema 34101-2345651-7	Bashir Ahmed Cheema	4,500	1,857	-	6,357	-	2,155	-	2,155
123	Zargham Khan	Mediacom Trade City, Kohinoor Town, Faisalabad	Zargham Khan 33100-3712322-1	Khadim Hussain	6,977	2,258	-	9,235	-	722	-	722

ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
----- Rupees in '000 -----												
124	Vipa Industries	Model Town , House No. 40, UGOKI, Sialkot	Sheikh Muhammad Hussain 301-33-182671 Sheikh Arshad Pervaiz 34603-2990128-1 Sheikh Arif Hussain 34603-1597013-5 Sheikh Azam 34603-2266494-9	Sheikh Karam Ellahi Sheikh Muhammad Hussain Sheikh Muhammad Hussain Sheikh Muhammad Hussain	1,134	1,172	-	2,306	-	728	-	728
125	Rana Akram & Co.	159-2-C1, Township, Lahore	Rana Muhammad Akram 35202-6894108-7	Khurshid Ahmad	12,499	3,979	-	16,478	-	4,050	-	4,050
126	Green Earth Recycling (Pakistan)	Village Heyr, Bedian Road, Lahore	Zafar Javeed Bhatti 35201-1442140-3	Raja Aziz Bhatti	61,381	33,050	-	94,431	-	38,914	-	38,914
127	M/S Waheed Commission Shop	Ghallah Mandi, Ghakkhar	Qadeer Ahmed 34104-2311993-3	Nazir Ahmed	749	757	-	1,506	-	898	-	898
128	Umer Hayat	325-M Phasel, DHA Lahore	Umer Hayat 35201-1409587-5	Ch. Muhammad Aslam	3,458	2,434	-	5,892	-	2,556	-	2,556
129	New Khan Transport Co (Pvt) Ltd	55- Lawrence Road Lahore	Mst. Zeenat Aamer Rokhari 35202-0709405-0 Shahrez Abdullah Khan Niazi 35202-5480987-5 Adil Abdullah Khan Niazi 35202-5253998-5 Nadeem Mahmood Khan Shairani 35404-8667360-3 Sobia Akhtar 34502-1486049-6	Aamer Hayat Khan Rokhri Aamer Hayat Khan Rokhri Ali Gohar Khan Mohammad Tufail	17,584	16,579	-	34,163	-	17,190	-	17,190
130	United Enterprises	H # 21 , St No. 3 , Shah Kamal Colony , Lahore	Chaudhry Shafqat Ali 35202-7590703-3 Muhammad Khalid Ali 35202-8679064-3 Muhammad Azeem 35202-2212571-5 Muhammad Farooq 35202-2615270-9 Muhammad Nadeem 35202-7650791-1	Ch. Muhammad Ali Ch. Muhammad Ali Ch. Muhammad Ali Ch. Muhammad Ali Ch. Muhammad Ali	5,295	224	-	5,519	-	893	-	893

ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
----- Rupees in '000 -----												
131	M/S Lasani Fabrics & Pard	Rail Bazar Okara	Sh. Muhammad Anwar 35302-1926221-3 Muhammad Aslam 35302-2038897-1	Haji Muhammad Jan Muhammad	1,490	1,991	-	3,481	-	1,925	-	1,925
132	Karakaram Traders	Old Mall Mandi Road Okara	Abdul Rauf 35302-1673081-3 Farooq Ahmad 35303-6096289-1	Muhammad Sadiq Ch Muhammad Sadiq	7,000	435	-	7,435	-	807	-	807
133	Lightingales	1- M Block, Civic Centre Main Market, Gulberg _II Lahore	Naseer Ahmed 35201-6046593-3	Haji Muhammad Sharif	5,500	3,102	-	8,602	-	3,278	-	3,278
134	Cwg Water Technology Pakistan	Wahdat Road,Link Multan Chungi Lahore	Muhammad Riaz 35201-1567777-9	Ch Shair Muhammad	9,840	2,012	-	11,852	-	2,269	-	2,269
135	Hafiz Ceramics	G.T. Road ,Attawa ,Gujranwala	Muhammad Yousaf Butt 34101-0113176-5	Muhammad Ibrahim Butt	3,433	1,770	-	5,203	-	1,796	-	1,796
136	A.M.Construction Company (Pvt) Ltd.	Achison Colony, 1-KM Raiwind Road, Near Fatima Masjid Lahore	Sheikh Muhammad Younas 35202-0624157-7 Tasneem Younas 35202-7490204-2 Ali Younas Sheikh 35202-8426010-1 Ms. Laila Faiz 35202-3681620-0	Muhammad Yousaf Sheikh Muhammad Younas Sheikh Muhammad Younas Faiz Rasool	125,000	23,654	-	148,654	-	10,060	-	10,060
137	Naseer Ahmad	275, DD Phase IV DHA Lahore	Naseer Ahmed 35201-6046593-3	Muhammad Sharif	12,790	5,412	-	18,202	-	6,238	-	6,238
138	Sherazi Builders	43-K Commercial Phase I, DHA Lahore	Shuja Ali Syed 35201-0849003-9	Syed Nazir Hussain Sherazi	-	15,386	-	15,386	-	15,386	-	15,386
139	Better Home Builders	43-K Commercial Phase I, DHA Lahore	Murtaza Sherazi 35202-2835664-7	Syed Nazir Hussain Sherazi	-	1,729	-	1,729	-	1,729	-	1,729
140	Tariq Chaudhry Traders	Laharanwala Khoh, Opposite Bata Factory Multan Road Lahore	Tariq Mehmood 35202-9202693-1	Naseeb Din	4,000	3,078	-	7,078	-	1,609	-	1,609
141	AIMZ International	947/21, Street No. 2, Ismail Zai Colony, Multan	Muhammad Tahir Sadique 36302-6444484-5 Zahida Feroz 36302-7090538-8	Muhammad Sadeeq Sheikh Muhammad Sadeeq Sheikh	1,000	777	-	1,777	-	611	-	611
142	Khan Telecom	P-272, Akbar Street Khataban Colony# 2	Muhammad Saleem Akhtar 32203-0275417-3	Mehar Noor Muhammad	2,978	1,319	-	4,297	-	1,464	-	1,464
143	Raja Textile Industries	Chak # 296 R.B,Raja Wala.Faisalabad	Raja Muzaffar Mahmood Khan 33100-1506169-5 Raja Dawood 33100-8914994-9	Raja Sultan Mehmood Khan Raja Sultan Mehmood Khan	1,448	1,980	-	3,428	-	1,586	-	1,586

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					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
----- Rupees in '000 -----												
144	Sh.Muhammad Iqbal	P-317, Gulshin Colony, Tariq Road, Faisalabad	Muhammad Iqbal 33100-7907828-5	Muhammad Sadique	1,315	2,216	-	3,531	-	2,190	-	2,190
145	Shazia Ghani & M. kamran Abdullah	Shah Rassal Road outside Harm Gate 2228-A Sadiq Colony Multan	Shazia Ghani 36302-0112575-2	Mian Kamran Muhammad Abdullah	1,250	1,924	-	3,174	-	825	-	825
146	Rooh Ullah	Village Chak Kala Post Office Chak Manjo Tehsil & Distt Gujrat	Rooh Ullah 34201-2896362-5	Sultan Ali	750	791	-	1,541	-	557	-	557
147	Anis Associates (Pvt) Ltd.	04-Km Raiwind Manga Road, Kasur	Naseeb Ahmed Saifi 35202-9937655-3 Mrs. Azmat Saifi 35202-5011867-6	Abdul Majid Saifi Naseeb Ahmed Saifi	13,000	6,068	-	19,068	-	4,894	-	4,894
148	Muhammad Hassan Fehmi	House No. 60/1-A Khayaban-e-Muhafiz Phase VI DHA Karachi	Muhammad Hassan Fehmi 42000-0373293-1	Hafiz Muzafar Hassan	16,326	9,471	-	25,797	-	9,646	-	9,646
149	Pasha Catering Services	Shop # B-10 Bakshi Square, Block 7, Near Ayesha Manzil, FB Area Karachi.	Syed Shafi ur Rehman 42101-9207837-9	Syed Mahmood Pasha	8,494	1,364	-	9,858	-	1,262	-	1,262
150	Security & Protection (PVT) Ltd	Security House, H. No. 18 -F, Block- 6, P.E.C.H.S., Karachi	Hayat Ahmed Ansari 42201-0255157-7 Begum Tasneem Hayat 42201-0574028-4 Amir Hayat Ansari 42201-0255158-5 Adnan Hayat Ansari 42201-0575079-1 Adeel Hayat Ansari 42201-0255164-3	Altafat Ahmed Ansari W/o Hayat Ahmed Ansari Hayat Ahmed Ansari Hayat Ahmed Ansari	38,500	1,585	33,374	73,459	-	36,196	-	36,196
151	Shahzeb Apparel	Plot No.513-514/7A, Akhter Colony,Main Korangi Road Karachi	Nazia Naeem 42301-5011852-8 Muhammad Sualeh 514-52-178074	W/o Muhammad Naeem Mirza late Muhammad Rafi	7,992	1,931	-	9,923	-	1,931	-	1,931
152	Pacific Blow Manufacturer	Plot # 557, Sector 4-F, Islam Nagar, Metroville Karachi	Muhammad Feroz Khan 42101-9288051-7 Fouzia Feroz 501-73-920388	Noor Muhammad Khan w/o Muhammad Feroz	1,200	1,242	-	2,442	-	1,016	-	1,016
153	Crescent Industrial Chemicals Ltd	40-A Off Zafar Ali Road, Gulberg-V, Lahore	1-Tariq Shafi S/o. Late Muhammad Shafi 42201- 0269 597-5 3-Shoukat Shafi s/o.Late Muhammad Shafi 4-Uzman Shafi 422010-383568-3 2-Salman Rafi	S/o.Late Mohammad Shafi S/o.Mohammad Rafi	728,600	486,956	629,862	1,845,418	360,210	902,537	-	1,262,747

ANNEXURE II TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Interest / Markup	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
----- Rupees in '000 -----												
154	Indus Steel Pipe	7th Floor, PIC Tower, 32 A Lalazar Drive M.T Khan Road Karachi	1-Shahzad Ali Jatoi 42301-1049433-3 2-Lt.Gen (ret) Abdul Qadir Balooch 34101-2312930-7 3- Khwaja Muhammad Zahir 42201-3535548-3 4-Shafi Muhammad Dogar 42201-3480706-1	S/o. Sikandar Ali Jatoi s/o.Meer Rahim Dad Khan S/o.Khwaja Sher Ahmed S/o.Wali Dino Dogar	122,209	58,791	-	181,000	52,209	68,207	-	120,416
155	Vista Adertising	House No. C-72, Block 4,KDA Improvement Scheme No. 24,Gulshan-e-Iqbal,Karachi.	Shahid Aziz Ashrafi 42201-1823658-3	Abdul Aziz Ashrafi	2,750	124	4,032	6,906	-	1,141	-	1,141
156	Style Inn .	RESIDENT ADDRESS 34/C, MOHALLA UNIT 6, LATIFABAD BUSINESS ADDRESS : 13 SHAHEEN ARCADE LATIFABAD 8, HYDERABAD	KHURRAM SAJID 41304-7285863-1	Abdul Sajid Farooqui	1,500	1,027	-	2,527	-	1,890	-	1,890
157	Engineering Services	Suit # 7, 3rd Floor No. 680-681/C, Allama Iqbal Road PECHS Karachi	Muhammad Abbas Sajid 42301-5228490-9 Shuaib Alam 42201-0589999-1 Mahmood Ahmed 42101-6283959-5	Syed Mohammad Aziz S/o.Muhammad Alam Khan Manzoor Ahmed	1,694	6,151	-	7,845	-	5,216	-	5,216
158	Muhammad Nadeem	C-12, Block No. 16, Gulistan-e-Johar, Karachi	Muhammad Nadeem 42101-1789300-1	Ghulam Murtaza	14,166	9,542	-	23,708	-	11,143	-	11,143
159	Zahid Huda	House No.280,Wajid Manzil,Garden West, Karachi and also at House No.20/1/1,33rd Street,Defense Housing Authority Phase-V,DHA,Karachi.	Zahid Huda 42301-2075269-9	Noor-ul-Huda	16,857	10,978	-	27,835	-	13,341	-	13,341
					1,748,682	926,220	668,993	3,343,892	441,058	1,398,040	6,297	1,845,398

ANNEXURE III TO THE FINANCIAL STATEMENTS STATEMENT OF FINANCIAL POSITION - ISLAMIC BANKING AS AT DECEMBER 31, 2013

The Bank is operating 53 Islamic banking branches (2012: 52).

ASSETS

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

LIABILITIES

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

NET ASSETS

REPRESENTED BY

Islamic banking fund
Reserves
Unappropriated profit
Surplus on revaluation of assets - net of tax

Note	2013	2012
	Rupees '000	
	2,267,282	1,604,543
	73,246	83,450
	-	-
	17,514,498	14,579,922
(a)	9,257,260	5,467,073
	290,574	99,242
	-	-
	876,076	312,856
	30,278,936	22,147,086
	266,100	203,224
	1,550,000	165,000
(c)	-	-
	10,650,189	7,489,799
	6,936,737	5,397,752
	6,481,043	5,240,046
	36,323	171,769
	2,488,263	1,240,767
	6,752	3,505
	227,813	884,901
	240,266	246,715
	28,883,486	21,043,478
	1,395,450	1,103,608
	880,000	880,000
	-	-
	421,350	157,153
	1,301,350	1,037,153
	94,100	66,455
	1,395,450	1,103,608

Remuneration to shariah advisor

CHARITY FUND

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

Sector wise details of Charity Disbursement

Health
Education
Social Work

(a) Islamic Financing and Related Assets

(b) Islamic Mode of Financing

Murabaha
Musharika cum Ijara
Diminishing Musharika
Advance against Murabaha Financing
Advance against Murabaha ERF
Advance against Diminishing Musharika
Fixed Assets Ijara Financing (net)
Advance against Ijara

(c) Sectors and avenues of deposits and funds

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business.

Government and other securities
Textiles, chemicals, pharmaceuticals, food and allied
Production and transmission of energy
Transportation
Construction / housing

The Bank has not taken the impact of restatement due to change in accounting policy (as disclosed in note 3.5.2) in the statement of financial position of Islamic banking branches as it not quantifiable and likely to be immaterial.

ANNEXURE III TO THE FINANCIAL STATEMENTS STATEMENT OF FINANCIAL POSITION - ISLAMIC BANKING AS AT DECEMBER 31, 2013

Note	2013	2012
	Rupees '000	
	2,630	2,455
	1,031	1,778
	4,026	1,583
	(4,824)	(2,330)
	233	1,031
	3,100	880
	724	450
	1,000	1,000
	4,824	2,330
(b)	9,257,260	5,467,073
	2,840,462	1,451,159
	12,071	7,715
	5,551,138	3,511,999
	65,515	265,765
	300,000	165,000
	453,821	62,607
	28,538	2,828
	5,715	-
	9,257,260	5,467,073
	17,522,424	14,593,133
	3,313,121	1,933,935
	4,484,158	2,779,940
	988,264	295,799
	636,728	551,757
	26,944,695	20,154,564

ANNEXURE III TO THE FINANCIAL STATEMENTS PROFIT AND LOSS ACCOUNT - ISLAMIC BANKING FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	Rupees '000	
Profit / return earned on financing and investments	2,325,513	2,049,982
Profit / return expensed	1,235,735	1,086,815
Net spread earned	1,089,778	963,167
Provision against non-performing financings	59,046	23,142
Provision against consumer financings	11,602	5,854
(Reversal against provision) / provision for diminution in the value of investments	(5,285)	13,211
Bad debts written off directly	-	-
	65,363	42,207
	1,024,415	920,960
Other Income		
Fee, commission and brokerage income	78,720	58,655
Dividend income	-	-
Income / (loss) from dealing in foreign currencies	13,318	(1,818)
Capital gain on sale of securities	1,251	8,662
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	11,903	359
Total other income	105,192	65,858
	1,129,607	986,818
Other expenses		
Administrative expenses	865,410	734,938
Other provision / write-offs	-	-
Other charges	-	-
Total other expenses	865,410	734,938
	264,197	251,880
Extraordinary items / unusual items	-	-
Profit for the year	264,197	251,880

ANNEXURE IV TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser / Insurer / addresses (only in case of individuals)
----- Rupees '000 -----							
Owned - Vehicles							
Honda Civic	1,760	1,244	516	634	118	As per Bank Policy	Khakan Khan - executive
Honda City	988	725	263	356	93	As per Bank Policy	Khakan Khan - executive
Toyota Corolla	1,556	145	1,411	1,556	145	Insurance Claim	EFU General Insurance Ltd
Mercedes Benz	12,330	9,864	2,466	4,439	1,973	As per Bank Policy	Naved A. Khan - P&CEO*
Toyota Land Cruiser	4,600	3,680	920	1,656	736	As per Bank Policy	Naved A. Khan - P&CEO*
Owned - Office furniture, fixtures, equipments, and computers							
Air Conditioner	1,845	1,845	-	1,845	1,845	Insurance Claim	EFU General Insurance Ltd
Furniture	5,402	5,221	181	5,402	5,221	Insurance Claim	EFU General Insurance Ltd
Assets written off**	29,366	29,040	326	-	(326)	Write off	-
Owned - Leasehold Improvement							
KM Centre Branch	3,229	3,229	-	3,229	3,229	Insurance Claim	EFU General Insurance Ltd
Assets written off**	166,147	165,155	992	-	(992)	Write off	-
Owned - Land							
Land on Bedian Road Lahore	17,500	-	17,500	20,100	2,600	Bid	Ehsanullah & Mansha Toor -Toor house, Kareem Abad Colony , Tehsil and district Hafizabad

* Represents key management personnel and related party of the Bank

** Represents the aggregate amount of obsolete leasehold improvements / office furniture, fixtures, etc. which have been written-off during the current year as these items will no longer useable / adjusted as part of physical verification exercise. Individually none of these items had cost of more than 1 million or net book value exceeding Rs 250,000.

In the Name of Allah the Most Beneficent, the Most Merciful
Faysal Bank Ltd. operated with 53 stand-alone Islamic Banking Branches (IBBs).

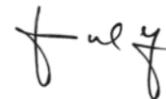
During this period, a number of new products, policies and processes were introduced and some existing processes were streamlined and improved. The Shariah aspects of all of these changes were reviewed and approved by myself.

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

Based on the foregoing, I am pleased to report:

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

And Allah knows best.



Mufti Mohib ul Haq Siddiqui
Shariah Advisor

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	CATEGORY WISE NO. OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NUMBER OF SHARES HELD	PERCENTAGE %
1	Associated Companies, undertakings and related parties				
	Ithmaar Bank B.S.C.	6	467,729,255	696,665,214	66.78
	Faisal Finanace (Luxembourg) S.A.		89,245,731		
	MFAI (Jersey) Limited		61,426,813		
	DMI (Jersey) Limited		44,622,864		
	Faisal Private Bank (Switzerland) S.A.		33,640,551		
2	Mutual Funds				
	Prudential Stocks Fund Ltd. (03360)	10	2,252	19,575,553	1.88
	Prudential Stock Fund Ltd.		267		
	National Bank of Pakistan - Trustee Department NI(UT) Fund		13,631,757		
	CDC-Trustee Atlas Stock Market Fund		1,100,000		
	CDC-Trustee Asian Stocks Fund		3,019,500		
	CDC-Trustee AKD Index Tracker Fund		90,609		
	CDC-Trustee NAFA Stock Fund		1,053,000		
	CDC-Trustee APF-Equity Sub Fund		158,000		
	CDC-Trustee NIT-Equity Market Opportunity Fund		407,670		
	CDC-Trustee First Capital Mutual Fund		112,498		
3	Directors and their spouse(s) and minor children				
	Syed Naseem Ahmad	9	982	277,003	0.03
	Mr. Naved A. Khan, A/c of Ithmaar Bank B.S.C.		982		
	Mr. Farooq Rahmatullah		982		
	Mr. Shahid Ahmad		181,683		
	Lt. Gen. Muhammad Maqbool (Retd.)		711		
	Mr. Imtiaz Ahmad Pervez		91,663		
	Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	-	-		
	Mr. Juma Hasan Ali Abul	-	-		

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS as on December 31, 2013

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	CATEGORY WISE NO. OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NUMBER OF SHARES HELD	PERCENTAGE %
4	Executives	10	13,820	13,820	0.00
5	Public Sector Companies and Corporations	14	59,621,767	59,621,767	5.71
6	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds.	22	4,213,445	4,213,445	0.40
7	Foreign Investors	43	142,286,171	142,286,171	13.64
8	General Public	17,896	100,140,246	100,140,246	9.60
9	Others	149	20,476,433	20,476,433	1.96
	Total	18,159	1,043,269,652		100.00
	Total Paid-up Capital		1,043,269,652 Shares		
	5% of the Paid-up Capital		52,163,483 Shares		

S.NO.	SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS IN THE LISTED COMPANY	NUMBER OF SHARES HELD	PERCENTAGE %
1	Ithmaar Bank B.S.C	467,729,255	44.83
2	MFAI (Jersey) Limited	61,426,813	5.89
3	Faisal Finance (Luxembourg) S.A.	89,245,731	8.55
4	State Life Insurance Corporation of Pakistan	55,245,879	5.30

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS as at 31-12-2013

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE %
1	Associated Companies, undertakings and related parties	6	696,665,214	66.78
2	Mutual Funds	10	19,575,553	1.88
3	Directors and their spouse(s) and minor Children	9	277,003	0.03
4	Executives	10	13,820	0.00
5	Public Sector Companies and Corporations	14	59,621,767	5.71
6	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds.	22	4,213,445	0.40
7	Foreign Investors	43	142,286,171	13.64
8	General Public	17,896	100,140,246	9.60
9	Others	149	20,476,433	1.96
	Total	18,159	1,043,269,652	100.00

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
4086	1 to 100	134,873
6020	101 to 500	1,500,402
1458	501 to 1000	1,083,088
4390	1001 to 5000	10,390,425
913	5001 to 10000	6,705,082
342	10001 to 15000	4,235,313
188	15001 to 20000	3,390,916
143	20001 to 25000	3,265,938
94	25001 to 30000	2,619,927
53	30001 to 35000	1,759,264
52	35001 to 40000	1,967,754
38	40001 to 45000	1,619,755
43	45001 to 50000	2,080,188
20	50001 to 55000	1,042,201
30	55001 to 60000	1,728,321
15	60001 to 65000	930,893
11	65001 to 70000	741,456
10	70001 to 75000	726,747

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
10	75001 to 80000	777,387
12	80001 to 85000	989,979
8	85001 to 90000	701,502
10	90001 to 95000	918,408
18	95001 to 100000	1,794,758
7	100001 to 105000	721,593
3	105001 to 110000	321,070
20	110001 to 115000	2,249,393
6	115001 to 120000	703,608
5	120001 to 125000	612,206
6	125001 to 130000	760,858
2	130001 to 135000	268,750
2	135001 to 140000	278,794
5	140001 to 145000	716,075
7	145001 to 150000	1,042,004
1	150001 to 155000	151,000
2	155001 to 160000	315,208

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
1	160001 to 165000	162,500
3	165001 to 170000	503,998
2	170001 to 175000	348,912
2	180001 to 185000	365,121
1	185001 to 190000	186,065
3	190001 to 195000	577,615
6	195001 to 200000	1,193,598
3	205001 to 210000	622,368
1	210001 to 215000	211,916
2	215001 to 220000	436,035
2	220001 to 225000	446,160
4	225001 to 230000	905,742
2	235001 to 240000	473,153
3	240001 to 245000	726,802
2	245001 to 250000	496,169
1	265001 to 270000	266,250
1	270001 to 275000	272,914
1	280001 to 285000	281,250

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
2	285001 to 290000	577,016
1	290001 to 295000	294,732
2	295001 to 300000	600,000
3	300001 to 305000	908,246
2	320001 to 325000	649,500
1	330001 to 335000	331,133
1	335001 to 340000	337,500
1	340001 to 345000	344,669
1	345001 to 350000	349,476
1	355001 to 360000	359,375
1	360001 to 365000	364,014
1	380001 to 385000	381,507
2	395001 to 400000	799,656
1	405001 to 410000	407,670
2	410001 to 415000	825,844
1	460001 to 465000	463,317
2	465001 to 470000	934,889

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
3	475001 to 480000	1,431,500
2	480001 to 485000	964,076
1	485001 to 490000	487,352
3	495001 to 500000	1,498,336
1	505001 to 510000	507,937
1	535001 to 540000	536,250
3	560001 to 565000	1,692,302
1	595001 to 600000	598,264
1	635001 to 640000	636,744
1	650001 to 655000	653,547
1	665001 to 670000	668,121
1	670001 to 675000	675,000
2	695001 to 700000	1,395,368
2	710001 to 715000	1,424,913
1	780001 to 785000	781,786
1	895001 to 900000	900,000
1	920001 to 925000	923,906
1	995001 to 1000000	1,000,000

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
1	1035001 to 1040000	1,036,609
1	1040001 to 1045000	1,041,750
1	1050001 to 1055000	1,053,000
1	1060001 to 1065000	1,061,620
1	1095001 to 1100000	1,100,000
1	1120001 to 1125000	1,125,000
1	1160001 to 1165000	1,164,733
1	1445001 to 1450000	1,447,700
1	1490001 to 1495000	1,490,901
1	1495001 to 1500000	1,500,000
1	1600001 to 1605000	1,600,562
1	1685001 to 1690000	1,687,500
1	1925001 to 1930000	1,925,437
1	2100001 to 2105000	2,102,000
1	2240001 to 2245000	2,242,019
1	2475001 to 2480000	2,479,043
1	2540001 to 2545000	2,543,001

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
1	2995001 to 3000000	3,000,000
1	3015001 to 3020000	3,019,500
1	3085001 to 3090000	3,085,416
1	3305001 to 3310000	3,305,392
1	3550001 to 3555000	3,550,612
1	4955001 to 4960000	4,958,091
1	5235001 to 5240000	5,239,687
1	5285001 to 5290000	5,287,716
1	9290001 to 9295000	9,291,000
1	13530001 to 13535000	13,531,497
1	13630001 to 13635000	13,631,757
1	26805001 to 26810000	26,805,628
1	33640001 to 33645000	33,640,551
1	34620001 to 34625000	34,621,185
1	44620001 to 44625000	44,622,864
1	51510001 to 51515000	51,513,149
1	51915001 to 51920000	51,918,217
1	55245001 to 55250000	55,245,879

**PATTERN OF SHAREHOLDING
AS OF DECEMBER 31, 2013**

Number of Share Holders	Shareholdings' Slab	Total Shares Held
1	89245001 to 89250000	89,245,731
1	467725001 to 467730000	467,729,255
18159		1,043,269,652

Example

Driven by their vision, a people can blaze new trails. They are able to surmount peaks that have never been conquered before and leave an example for the world to emulate.

دیکھو فریاد نہ کر سر نہ جھکا
پاؤں اٹھا

کل جو لوگ کریں گے تو ابھی سے کر جا
نا چتے نا چتے آزادی کی خاطر مر جا
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BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	330	South I	Abdullah Haroon Road Branch	Karachi	021-111-11-22-33	16-Abdullah Haroon Road, Karachi
2	165	South I	Green Belt Residency Branch	Karachi	021-35877922 021-35375103	Plot Number Commercial 7/1, Block 2, Green Belt Residency Number 13-16, KDA Scheme-5 Shop, Kehkashan, Clifton, Karachi
3	269	South I	Clifton Centre Branch	Karachi	021-35830113-5	Plot Number DC-1, 16-A and 16-B, Block 5, Clifton Centre, Kehkashan Clifton, Karachi
4	425	South I	Zamzama Branch	Karachi	021-35875303 021-35875323 021-35875781-2	13-C, 7th Zamzama, Commercial Lane, Clifton, Karachi
5	172	South I	Stadium Lane, Khayaban-e-Mujahid Branch	Karachi	021-35349111-12	43-C, Stadium Lane II, Khayaban-e-Mujahid, DHA Phase V, Karachi
6	173	South I	Khayaban-e-Tanzeem Branch	Karachi	021-35877909-10	Plot Number C-4-D-N, Khayaban-e-Tanzeem, Tauheed Commercial, DHA Phase V, Karachi
7	118	South I	Quality Height Clifton Branch	Karachi	021-35863771-73	32-A, Ground Floor, Quality Heights, KDA Scheme Number 5, Block-8 Clifton, Karachi
8	144	South I	Korangi Road Branch	Karachi	021-35388161 021-35388175	KM Centre, 130/1, Main Korangi Road, DHA Phase I, Karachi
9	156	South I	Korangi Industrial Area Branch	Karachi	021-32029934 021-38029935 021-35114402-09	Plot Number 51/9, Sector 15, Main Korangi Road, Karachi
10	115	South I	Shahrah-e-Adalat Branch	Quetta	081-2840386-87 081-2840587 081-2842028	Shahrah-e-Adalat, Quetta
11	183	South I	Fatima Jinnah Road Branch	Quetta	081-2837234 081-2824973 081-2836943 081-2824807	Yousuf Centre, Fatima Jinnah Road, Quetta
12	453	South I	Turbat Branch	Turbat	-	Main Bazar, Turbat
13	209	South I	Korangi Number 2 Branch	Karachi	021-35071758-59	Q-14, Ground Floor, Sector 33-A, Korangi Number 2, Karachi
14	124	South I	DHA Shahbaz Branch	Karachi	021-35857763 021-35856054	23-C, Khayaban-e-Shahbaz, DHA Phase VI, Karachi
15	338	South I	Defence Branch	Karachi	021-35347266 021-35341761 021-35856091	22/C, Lane-2, Shahbaz Commercial, DHA Phase VI, Karachi
16	216	South I	DHA Phase VIII Branch	Karachi	021-35246011	43-C, Al-Murtaza Commercial Lane Number 4, DHA Phase VIII, Karachi
17	175	South I	Phase IV DHA Branch	Karachi	021-35802423	14-C, Sunset Commercial Street Number 2, DHA Phase IV, Karachi
18	196	South I	Saba Avenue Branch	Karachi	021-35245377 021-35245380	Plot Number 36-C, Shop Number 2 and 3, Ground Floor, Badar Commercial Street Number 6, DHA Phase V, Karachi

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S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
19	441	South I	Bukhari Commercial Branch	Karachi	021-335149595-97	19-C Bukhari Commercial Lane No 5, Ground, Basement and 1st Floor, DHA Phase VI, Karachi
20	139	South I	SITE Branch	Karachi	021-32585925	Plot Number B-17, State Avenue, Karachi
21	436	South I	Metroville Branch	Karachi	021-36661300 021-36662034	Street 15, Block 3, Metroville SITE, Karachi
22	428	South I	North Nazimabad Branch	Karachi	021-36648750-51	Plot Number SD-5, Almas Square, Block G, North Nazimabad, Karachi
23	342	South I	North Nazimabad Branch	Karachi	021-36721600-4	D-4, Block D, North Nazimabad, Karachi
24	195	South I	Nazimabad Branch	Karachi	021-36707420	Plot Number 16, Row Number 1, Sub Block A, Block III (III-A, 1 / 16), Nazimabad, Karachi
25	290	South I	Pak Colony Branch	Karachi	021-32556695-96-97	Plot Number 250, 251 and 252 Modern Colony, Manghopir Road, Karachi
26	217	South I	APWA Complex Garden Branch	Karachi	021-32294779-80	Plot Number 67-AC, Shop Number SOA, 5 Ground Floor, APWA Complex, Garden Road, Karachi
27	251	South I	Gulbahar Branch	Karachi	021-36729805-6-7	Plot Number 476-477-478, Ghouseia Colony, Karachi
28	152	South I	North Karachi Industrial Area Branch	Karachi	021-36956475	SA-2 (ST/1) Sector 12-B, North Karachi Industrial, Karachi
29	221	South I	Power House UP More Branch	Karachi	021-36961034-36	Plot Number LS-12 (ST-7) Sector 11K, Shop Number 4, 5 and 6, North Karachi Town Ship, Karachi
30	222	South I	Buffer Zone Branch	Karachi	021-36950081-87	Plot Number R-2, Sector 15-A / 2, Buffer Zone, North Karachi, Karachi
31	438	South I	Federal B Area Branch	Karachi	021-36800694 021-36800695	C-25, Block 17, Federal 'B' Area, Karachi
32	265	South I	F B Area II Branch	Karachi	021-36340242-5	Plot Number ST-4/A-1, Block-20, Scheme-16, Federal 'B' Area, Karachi
33	110	South II	Karachi Main Branch	Karachi	021-111-747-747 021-32795200	ST -02, Main Shahra-e-Faisal (Faysal House), Karachi
34	119	South II	Gulshan-e-Iqbal Branch	Karachi	021-34994262-3	B-35, Block 13-A, Main University Road, Gulshan-e-Iqbal, Karachi
35	153	South II	Gulshan Chowrangi Branch	Karachi	021-34815319 021-34833720 021-34833718	Shop Number 1-4, Ground Floor Sana Arcade, Plot Number ZC-6, Block Number 7, KDA Scheme 24, Karachi
36	174	South II	Gulistan-e-Jauhar Branch	Karachi	021-34026856 021-34030556-7	Shop Number 29 and 30, Ruffi Lake Drive, Block 18, KDA Scheme 36, Karachi
37	231	South II	Gulzar-e-Hijri Branch	Karachi	021-34652159	Plot Number A-747/C, Block 13-A, KDA Scheme 33, Gulzar-e-Hijri, Karachi
38	335	South II	Gulshan Branch	Karachi	021-34830110 021-34830111 021-34830112 021-34830108 021-34830109	SB-25, Block 13/C, Main University Road, Gulshan-e-Iqbal, Karachi

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S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
39	281	South II	Tariq Road Branch	Karachi	021-35143538-40	Plot 9-C, Shop Number 1 and 2, Block 2, Main Tariq Road, PECHS, Karachi
40	252	South II	Safoora Goth Branch	Karachi	021-34023795 021-34023791 021-34023793	Plot SV-9, Shop Number 1, 2, 3, 4, Block VII, Gulistan-e-Jauhar, KDA Scheme Number 36, Karachi
41	210	South II	Gulshan Block-2 Branch	Karachi	021-34972202 021-34972998	A-287, KDA Scheme Number 24, Block-2, Gulshan-e-Iqbal, Karachi
42	138	South II	Saddar, Hyderabad Branch	Hyderabad	022-2728356-59	Plot Number 339, Main Bohra Bazar Saddar, Hyderabad
42	230	South II	Sukkur Branch	Sukkur	071-5617195-97	City Survey Number D1596 / 1-D, Race Course Road, Sukha Talab, Sukkur
44	239	South II	Latifabad Branch	Hyderabad	022-3820526-7	C-489, Unit No 8, Latifabad, Hyderabad
45	287	South II	Larkana Branch	Larkana	074-4056054-56	City Survey Number 2016/ 4-A Ward C, Faysal Bank Chowk, Larkana City
46	455	South II	Sukkur II Branch	Sukkur	071-5628417-967	Shaheed Gunj, Sukkur
47	258	South II	Mirpur Khas Branch	Mirpurkhas	0233-876472-75	City Survey Number 715, 716 and 718, Ward A, Umerkot Road, Taluka and District, Mirpurkhas
48	272	South II	Nawabshah Branch	Nawabshah	0244-330895-97	CS Number 555, Ward B, Main Mohni Bazar, Nawabshah
49	291	South II	Qasimabad Branch	Hyderabad	022-2103433-36	Plot Number B-1, R.S. 258/2, Bilal Villas Housing Scheme, Deh Sari, Taluka Qasimabad, Hyderabad
50	292	South II	Ghotki Branch	Ghotki	0723-600801-805	Ground Floor, City Survey Number 890, Ward-B, Situated at Devri Sahab Road, Ghotki
51	297	South II	Shahdadt Branch	Shahdadt	074-4014228-30	Plot City Survey Number 520, Ward B, situated at Shaikh Mohala, Shahdadt
52	123	South II	Jodia Bazar I Branch	Karachi	021-32471443 021-32443795	G-2, Plot Number MR-6/52/1, Ismail Trade Centre, Ram Bharti Street, Karachi
53	134	South II	Cloth Market Branch	Karachi	021-32439021-22 021-32438150	BR-2, 1/1, Bander Quarters, New Neham Road, Kharadar, Karachi
54	145	South II	New Challi Branch	Karachi	021-32214903-904	Abid Chamber, Plot 3 SR 6/9, Shahra-e-Liaquat, Karachi
55	164	South II	Timber Market Branch	Karachi	021-32734508 021-32734490	Plot Number 6/2, Old Haji Camp, Siddique Wahab Road Lee Quarters, Karachi
56	170	South II	I.I. Chundrigar Road I Branch	Karachi	021-32638011-16	11/13, Trade Centre, I.I. Chundrigarh Road, Karachi
57	227	South II	Burns Road Branch	Karachi	021-32211077-23	Shop Number 4 & 5, Ground Floor, Lokhat Mansion, Survey Number 2, Shahra-e-Liaquat, Burns Road, Karachi
58	236	South II	Electronic Market Branch	Karachi	021-32751585-86	Shop Number 3, Hashmi Electronics Centre, Abdullah Haroon Road, Saddar, Karachi

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S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
59	422	South II	Abdullah Haroon Branch	Karachi	021-38679355-56	State Life Building 11, Abdullah Haroon Road, Karachi
60	423	South II	Jodia Bazar II Branch	Karachi	021-32522225-8	NP 12/74, Mohammad Shah Street, Karachi
61	424	South II	I.I. Chundrigar II Branch	Karachi	021-32418300-3	Nadir House, I.I. Chundrigarh Road, Karachi
62	437	South II	Denso Hall Branch	Karachi	021-32752307-10	Plot Number 19, Survey Sheet Number WO-07, Wadhomal Oddharam Quarters, Saddar Town, Karachi
63	131	South II	Shahrah-e-Faisal Branch	Karachi	021-34315634-37	Business Avenue Centre, Block Number 6, PECHS, Karachi
64	143	South II	MACHS Branch	Karachi	021-34390511 021-34390516	Plot Number 2-F (Commercial), MACHS, Karachi
65	333	South II	Shaheed-e-Millat Branch	Karachi	021-111-321-321 021-34382595	72-A/Z, Block 7/8, Al-Riaz Cooperative Housing Society, Karachi
66	434	South II	Dhoraji Branch	Karachi	021-34131425-28	Sana Pride, 35/244, C.P. and Berar Cooperative, Karachi
67	442	South II	Tipu Sultan Road Branch	Karachi	021-34301181-3	Plot Number 110, Zonal Commercial Area, Karachi
68	255	South II	Mehmoodabad Branch	Karachi	021-34376342 021-4376348	Plot Number SA-85, Block 7, Karachi Administration Employees Cooperative Housing Society (KAECHS), Karachi
69	198	South II	Khalid Bin Waleed Road Branch	Karachi	021-34302250	Plot Number 89-B, Block-2, PECHS, Karachi
70	240	South II	Shah Faisal Colony Branch	Karachi	021-34686210-11	B-09 Main Electronics Market, Shah Faisal Colony, Number 1, Karachi
71	127	South II	Shaheed-e-Millat Branch	Karachi	021-34388104-6	Plot Number 6, 3/7 Iqbal Arcade, D.M.C Society, Karachi
72	125	Central I	DHA H Block Branch	Lahore	042-35897712-17	136/1, Block-H, Commercial Area Phase I, DHA, Lahore Cantt, Lahore
73	462	Central I	DHA Z Block Branch	Lahore	042-35726000	Plot Number 326, Block Z, Phase III, DHA, Lahore
74	233	Central I	CMH Chowk Branch	Lahore	042-36602327-29	1482 / 14-15, Day Building CMH Chowk, Sarwar Road, Lahore Cantt, Lahore
75	205	Central I	Mughalpura Branch	Lahore	042-36524863-4	3/15 Jahangir Road, Lal Pul, Near AFC, Mughalpura, Lahore
76	417	Central I	T Block Branch	Lahore	042-35707667-9 042-35707747	CCA-22, T Block, DHA Phase II, Lahore
77	189	Central I	Walton Cantt Branch	Lahore	042-36604309-12	36-Jinnah Plaza, Main Boulevard Defence Link Road, Walton Cantt, Lahore
78	160	Central I	Thokar Niaz Baig Branch	Lahore	042-35314020-23	Jamal Market, Ali Town, Opposite Lahore University, Thokar Niaz Baig, Raiwand Road, Lahore
79	211	Central I	New Airport Road Branch	Lahore	042-35910014-15	Adjoining Divine Mega-II Plaza, New Airport Road, Cantt, Lahore
80	256	Central I	EME Branch	Lahore	042-37511081-4	111-D, Commercial Area, EME Society, DHA Multan Road, Lahore

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S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
81	282	Central I	Tufail Road Branch	Lahore	042-36604909-15	Garrison Officers Mess, 12 Tufail Road, Lahore Cantt, Lahore
82	181	Central I	Bedian Road Branch	Lahore	042-37165350	Bedian Road, Near DHA Phase VI, Lahore Cantt, Lahore
83	132	Central I	Circular Road Branch	Lahore	042-37673001-6	Babar Center, 51 Circular Road, Lahore
84	223	Central I	Brandreth Road Branch	Lahore	042-37367224-225	78 Brandreth Road, Old Nishter Road, Lahore
85	401	Central I	Egerton Rd Branch	Lahore	042-36371111 042-36375472 042-36375473	Aiwan-e-Iqbal Complex, 7-Egerton Road, Lahore
86	253	Central I	Fruit Market Branch	Lahore	042-37720893-4	136 Farooq Centre, Fruit Market Scheme, Ravi Link Road, Lahore
87	273	Central I	Daroghawala Branch	Lahore	042-36533526	386-C, More Salamat Pura, Main G.T. Road, Daroghawala, Lahore
88	197	Central I	Mcleod Road Branch	Lahore	042-36370024-45-67	Usman Plaza, Opposite Lahore Hotel, Mcleod Road, Lahore
89	218	Central I	Nila Gumbud Branch	Lahore	042-37360032-34-38	8-The Mall, Bank Square, Lahore
90	179	Central I	Shah Alam Market Branch	Lahore	042-37675619 042-37651968	41-Alamgir Market, Main Shah Alam Market, Lahore
91	180	Central I	Urdu Bazar Branch	Lahore	042-37314617-18	S-38, R-205-A, Cattle Street, Circular Road, Urdu Bazar, Lahore
92	467	Central I	Badami Bagh Branch	Lahore	042-37708160-4	343-Circular Road, Badami Bagh, Lahore
93	469	Central I	Bilal Gunj Branch	Lahore	042-37214084-8	16-Shahjehan Road, Bilal Gunj, Lahore
94	186	Central I	Shahdara Branch	Lahore	042-37902501-04	G.T. Road, Shahdara, Lahore
95	112	Central I	The Mall Branch	Lahore	042-37314051-53 042-37236014-8	43, Shahrah-e-Quaid-e-Azam, Lahore
96	137	Central I	Shalimar Garden Branch	Lahore	042-36844714-17	Bilal Market, Chowk Shalimar Bagh, G.T. Road, Baghbanpura, Lahore
97	276	Central I	Shadbagh Branch	Lahore	042-37614813-17	Tajpura Chowk, Near PTCL Exchange, Misri Shah, Shadbagh, Lahore
98	271	Central I	Main Multan Road Branch	Lahore	042-37801910 042-37801909	235/1, Badar Block, Allama Iqbal Town, Lahore
99	331	Central I	Upper Mall Branch	Lahore	042-111-11-22-33 042-35789013	310-Upper Mall, Shahrah-e-Quaid-e-Azam, Lahore
100	468	Central I	Jail Road Branch	Lahore	042-37531647-9	9-Main Jail Road, Lahore
101	178	Central I	Shadman Branch	Lahore	042-37599316 042-37599438 042-37589223	11-A, Shadman 1, Jail Road, Lahore
102	416	Central I	Gulshan e Ravi Branch	Lahore	042-37404511-12	2/B, Civic Center, Gulshan-e-Ravi, Lahore

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S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
103	208	Central I	Chouburji Branch	Lahore	042-37589726 042-37589728 042-37589729	50, Chouburji Chowk, Lahore
104	148	Central I	Main Boulevard Gulberg Branch	Lahore	042-35787823-9	59-A, Main Boulevard, Gulberg, Lahore
105	117	Central I	M. M. Alam Road Gulberg Branch	Lahore	042-35755190-94 042-35755195	95, B-II, M.M. Alam Road, Gulberg-III, Lahore
106	188	Central I	Ichra Branch	Lahore	042-37569934-35	172, Ferozpur Road, Ichra, Lahore
107	457	Central I	Gulberg Industrial Area Branch	Lahore	042-35717141-5 042-35717141	25-B-2, Gulberg III, Lahore
108	187	Central I	Liberty Market Branch	Lahore	042-35752108-9	37-E, III Saeed Alam Tower, Liberty Market, Gulberg III, Lahore
109	334	Central I	Cavalry Ground Branch	Lahore	042-111-321-321 042-36655590	4/5 Haroon Plaza, Cavalry Ground, Lahore Cantt, Lahore
110	130	Central I	Garden Town Branch	Lahore	042-35889810-14	4-Aibak Block, New Garden Town, Lahore
111	464	Central I	New Garden Town Branch	Lahore	042-35861111 042-35868776 042-35868010	Awami Complex, Block Number 2, New Garden Town, Lahore
112	142	Central I	Allama Iqbal Town Branch	Lahore	042-37806022-25	18-Hunza Block, Main Road, Allama Iqbal Town, Lahore
113	150	Central I	Model Town Branch	Lahore	042-35884505-07	13-Bank Square Market, Model Town, Lahore
114	158	Central I	Faisal Town Branch	Lahore	042-35201990-992-994	10-C, Main Boulevard, Faisal Town, Lahore
115	419	Central I	Faisal Town Branch	Lahore	042-35203881-2 042-35203892	594-A, Faisal Town, Lahore
116	182	Central I	Johar Town Branch	Lahore	042-35300897 042-35315735-36	435-G-I, Johar Town, Lahore
117	461	Central I	PIA Town Branch	Lahore	042-35189011-14 042-35189020	188 Block F, Phase 1, PIA Society, Opposite Wapda Town, Lahore
118	459	Central I	Valancia Branch	Lahore	042-35224791-92	9-A, Commercial Zone Valancia Society, Lahore
119	212	Central I	Ghazi Chowk Branch	Lahore	042-35212250-54	8-A, Awaisia Cooperative Housing Society, Ghazi Chowk, Link College Road, Township Lahore
120	274	Central I	Karim Block Branch	Lahore	042-35295572-4 042-35295578-79	Plot Number 2-B, 2-C, Karim Block, Allama Iqbal Town Lahore
121	121	Central II	Bosan Road Branch	Multan	061-6214905-09	1/A-2, Officers Colony, Bosan Road, Multan
122	133	Central II	Old Bahawalpur Road Branch	Multan	061-4783391 061-4784493	129/1, Old Bahawalpur Road, Multan

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123	149	Central II	Bahawalpur Branch	Bahawalpur	062-2730691-93	2-Rehman Society, Noor Mahal Road, Bahawalpur
124	154	Central II	Vehari Branch	Vehari	067-3366401 067-3366123	47-A, Karkhana Bazar, Vehari
125	155	Central II	Okara Branch	Okara	044-2551773	M.A. Jinnah Road, Okara
126	157	Central II	Rahim Yar Khan Branch	Rahim Yar Khan	068-5889411-12	27-Town Hall Opposite City Park, Rahim Yar Khan
127	200	Central II	Burewala Branch	Burewala	067-3773011 067-3773018	95-C, Multan Road, Burewala
128	201	Central II	Sadiqabad Branch	Sadiqabad	068-5702440	Allama Iqbal Road, Sadiqabad
129	202	Central II	Sahiwal Branch	Sahiwal	040-4224060-62	Sarwar Shaheed Road, Sahiwal
130	203	Central II	Gulshan Market Branch	Multan	061-6784277-79	11 Y-Block, Gulshan Market, New Multan, Multan
131	225	Central II	Chichawatni Branch	Chichawatni	040-5482305-06	G.T. Road, Chichawatni
132	226	Central II	Depalpur Branch	Depalpur	044-4540768-69	Shop Number 1 & 2, Gillani Heights, Madina Chowk, Depalpur
133	229	Central II	Mian Channu Branch	Mian Channu	065-2664262-63	G.T. Road, Near T Chowk, Mian Channu
134	232	Central II	Arifwala Branch	Arifwala	045-7835425-26	173-D, Thana Bazar, Arifwala
135	241	Central II	Khanewal Branch	Khanewal	065-2553608 065-25536010-11	Plot Number 75, Block 12, Sir Syed Road, Khanewal
136	242	Central II	Haroonabad Branch	Haroonabad	063-225130-32	25/C Grain Market, Haroonabad
137	247	Central II	Pakpattan Branch	Pakpattan	045-7352307-09	College Road, Pakpattan
138	260	Central II	Vehari Road Branch	Multan	061-6241083-84	Sheary Commercial Center, Vehari Road, Multan
139	263	Central II	Khanpur Branch	Khanpur	068-5577411 068-5577414	Doabba Road, Khanpur
140	264	Central II	Cheshtian Branch	Cheshtian	063-2507809-10	143 B-Block, Main Bazar, Cheshtian
141	266	Central II	Bahawalnagar Branch	Bahawalnagar	063-2279337-9	Shop Number 02, Ghalla Mandi, Bahawalnagar
142	270	Central II	Hasilpur Branch	Hasilpur	062-2441403-05	16-D, Baldia Road, Kewat Number 418/414, Khatooni Number 420, Hasilpur, District Bahawalpur
143	275	Central II	Kot Addu Branch	Kot Addu	066-2241093-97	G.T. Road, Kot Addu
144	283	Central II	Yazman Mandi Branch	Yazman Mandi	062-2703161-62	56/A-DB, Bahawalpur Road, Yazman
145	284	Central II	Ahmed Pur East Branch	Ahmed Pur East	062-2275213-15	22, Dera Nawab Road, Adjacent Civil Hospital, Ahmed Pur East
146	285	Central II	Liaquat Pur Branch	Liaquat Pur	068-5792451-52	Shop Number 9-10, Abbasia Road, Liaquat Pur

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S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
147	286	Central II	Renala Khurd Branch	Renala Khurd	044-2635781-83 044-2635785	20 A/2-L, Gulshan Ishaq Colony, Welcome Road, Renala Khurd
148	293	Central II	Pattoki Branch	Pattoki	049-4421950-53	55-Allama Iqbal Road, Pattoki
149	298	Central II	Haveli Lakkha Branch	Haveli Lakkha	044-4775091-94	Head Sulemanki Road, Haveli Lakkha, Depalpur, Okara
150	341	Central II	Cantt Branch	Multan	061-4588377-79	44/D Aziz Shaheed Road, Multan Cantt
151	448	Central II	Dera Ghazi Khan Branch	Dera Ghazi Khan	064-2474175-77	Block 18, Pakistan Plaza, Dera Ghazi Khan
152	332	North I	F 7 II Branch	Islamabad	051-111-11-22-33	15, Markaz F 7, Opposite FG College for Women, F 7/2, Islamabad
153	294	North I	Gilgit Branch	Gilgit	05811-457380	ZS Plaza, Shahrah-e-Quaid-e-Azam, Opposite Radio Station Pakistan, Jutail, Gilgit
154	296	North I	Chilas Branch	Chilas	05812-450730-40	Near Madni Masjid, Main Bazar Chilas, District Diamer, Chilas
155	295	North I	Skardu Branch	Skardu	05815-456400-10	Plot Own Kasra Number 658/25/123, Skamaidan Bazar College road, Near Old Yadgar Chowk, Skardu
156	300	North I	Dassu Branch	Dassu	0998-407302	Shreen Plaza, Dassu, Kohistan
157	191	North I	University Road Branch	Peshawar	091-5711401-8	4652-4670, Omer Plaza, Jahangirabad, University Road, Peshawar
158	192	North I	Khyber Bazar Branch	Peshawar	091-2220471	417-D, Outside Bajori Gate, Shoba Chowk, Khyber Bazar, Peshawar
159	219	North I	Abbottabad Branch	Peshawar	0992-385919-20 0992-385925	841-Farooqabad, Main Mansehra Road, Abbottabad
160	246	North I	Attock Branch	Attock	057-2602061-62	Plot Number-169, Shaikh Jaffar Plaza, Saddiqui Road, Attock City
161	248	North I	Haripur Branch	Haripur	0995-616427-9	Akbar Arcade, Akbar Khan Plaza, Shahrah-e-Hazara, Haripur
162	250	North I	Peshawar University Campus Branch	Peshawar	091-5610913 091-5610944	Ground Floor, Western Corner, Academic Block-II, University of Peshawar, Peshawar
163	277	North I	Peepal Mandi Branch	Peshawar	091-2592802	Ashraf China Trade Centre, Peepal Mandi, Peshawar
164	411	North I	Fakhr-e- Alam	Peshawar	091-5285289 091-5270176-8	1 Fakhr-e-Alam Road, Cantt, Peshawar
165	120	North I	Haider Road Branch	Rawalpindi	051-5701018-22	32, Haider Road, Rawalpindi Cantt, Rawalpindi
166	135	North I	Satellite Town Branch	Rawalpindi	051-4424969-72	5th Road, City Shopping Centre, Commercial Market, Satellite Town, Rawalpindi
167	168	North I	Raja Bazar Branch	Rawalpindi	051-5530661 051-5775625-23-27	U-I, Iqbal Road, Fawara Chowk, Raja Bazar, Rawalpindi

BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
168	184	North I	Westridge Branch	Rawalpindi	051-5166835-37	Peshawar Road Westridge, RV arcade, Rawalpindi
169	214	North I	Sadiqabad Road Branch	Rawalpindi	051-4257745 051-4573741-42	72-C, Satellite Town, Sadiqabad Road, Rawalpindi
170	234	North I	Kalma Chowk Branch	Rawalpindi	051-5683053-4	Kalma Chowk, Kamalabad, Dhok Syedan Road, Rawalpindi
171	337	North I	Civil Lines Branch	Rawalpindi	051-111-321-321 051-5795105	CL / 55 - A, Civil Lines, Meo Road, Rawalpindi
172	409	North I	Gunj Mandi Branch	Rawalpindi	051-5539115 051-5535988	Gunj Mandi, Raja Bazar, Rawalpindi
173	267	North I	Gulraiz Branch	Rawalpindi	051-5596188-7-9	Plot Number 27, Gulraiz Scheme II, Rawalpindi
174	278	North I	PWD Branch	Islamabad	051-5706450-51	Atta Arcade, Ground Floor, Main Boulevard, Near Police Foundation, PWD, Islamabad
175	113	North I	Blue Area Branch	Islamabad	051-2275096-9	15-West, Jinnah Avenue Blue Area, Islamabad
176	126	North I	F 10 Markaz Branch	Islamabad	051-2104456-8	2-G, Capital Business Center, F 10 Markaz, Islamabad
177	166	North I	F 7 Markaz Branch	Islamabad	051-2652676 051-2654689	Shop 1, Plot 12 D, Jinnah Supermarket, F 7 Markaz, Islamabad
178	169	North I	I 10 Markaz Branch	Islamabad	051-4102105-8	Faysal Bank Limited, 3-G, Monawwar Plaza, C/10 Markaz I 10, Islamabad
179	194	North I	F 11 Markaz Branch	Islamabad	051-2228142-4	Plot Number 14, F 11, Markaz, Islamabad
180	213	North I	F 8 Markaz Branch	Islamabad	051-2817256	Rawal Arcade, F 8 Markaz, Islamabad
181	220	North I	G 10 Markaz Branch	Islamabad	051-2351330 051-2351353	20-A Ground Floor, Sardar Plaza, G 10 Markaz Branch, Islamabad
182	262	North I	Bara Koh Branch	Islamabad	051-2304047-49	Shop Number 8, 11 Usman Plaza, Main Murree Road, Bara Koh, Islamabad
183	452	North I	Blue Area II Branch	Islamabad	051-227-5250-2	78-W, Roshan Center, Jinnah Avenue, Blue Area, Islamabad
184	204	North II	Jhelum Branch	Jhelum	0544-626001	Kohinoor Bank Square, Old G.T. Road, Jhelum Cantt
185	116	North II	Mirpur (AJK) Branch	Mirpur	05827-445103 05827-445683 05827-445100-2	Ch. Sharif Plaza, Mian Muhammad Road, Opposite Quaid-e-Azam Stadium, Mirpur, Azad Kashmir
186	190	North II	Dina Branch	Dina	0544-636824	1880 - Al-Bilal Plaza, G.T. Road, Dina
187	235	North II	Chaksawari Branch	Chaksawari	05827-454800-2	Khalid Plaza, Main Bazar, Chaksawari, Mirpur A.J.K.
188	136	North II	Gujar Khan Branch	Gujar Khan	051-3514985 051-3514996 051-3514968 051-3514874	B-111, 215-D, Ward 5, G.T. Road, Gujar Khan

BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
189	162	North II	Kharian Branch	Kharian	053-7536064	Rizwan Plaza, First Floor, G.T. Road, Near City Hospital, Kharian
190	257	North II	Sarai Alamgir Branch	Sarai Alamgir	0544-654623-4	RMA Complex, Main G.T. Road, Sarai Alamgir
191	259	North II	Dudial Branch	Dudial	05827-465813-16	Hussain Shopping Centre, Main Bazar Branch, Dudial, Azad Kashmir
192	450	North II	Bhalwal Branch	Bhalwal	048-6642405-08	131-A, Liaqat Shaheed Road, Bhalwal
193	243	North II	Chakwal Branch	Chakwal	0543-553932-34	Talha Gang Road, Opposite Alliance Travel, Chakwal
194	405	North II	Sargodha Branch	Sargodha	048-3726647-8	Khayyam Chowk, Railway Road, Sargodha
195	289	North II	Rawat Branch	Rawat	051-4612114-6	Office Number 1, Riaz Hussain Shah Plaza, Main G.T. Road, Rawat
196	111	North II	Civil Line Branch	Faisalabad	041-2644481-5 041-111-747-747	Bilal Road, Civil Lines, Faisalabad
197	444	North II	Liaquat Road Branch	Faisalabad	041-2636341-3	P-III, Liaquat Road, Faisalabad
198	176	North II	GM Abad Branch	Faisalabad	041-2691375-1262	39-B, Usman Plaza, Sadar Bazar Ghulam Muhammad Abad, Faisalabad
199	224	North II	Madina Town Branch	Faisalabad	041-8723432-65	Madina Town Branch, Faisalabad
200	177	North II	D Ground Branch	Faisalabad	041-8730443	447-D, Peoples Colony, Faisalabad
201	249	North II	Rabwah Branch	Rabwah	047-6215072-4	Plot Number 09, Gol Bazar Darul Saddar, Chenab Nagar Rabwah
202	254	North II	Samanabad Branch	Faisalabad	041-2563673	650 A, Samanabad, Industrial Labor Colony, Faisalabad
203	280	North II	Gojra Branch	Gojra	046-3512024	Tehsil Office Road, Gojra
204	163	North II	Jhang Branch	Jhang	047-7623283-84	P-10/1/A, Katchery Road, Near Session Chowk, Saddar Jhang
205	228	North II	Toba Tek Singh Branch	Toba Tek Singh	046-2517800-809	P-356 A/15-5, ST-6, Chaudhry Park, Farooq Shaheed Road, Toba Tek Singh
206	288	North II	Clock Tower	Faisalabad	041-2610304-08	Plot Number 221/A, Clock Tower, Faisalabad
207	238	North II	Daska Branch	Daska	052-6614623-4	Plot Number 3, 4 & 5, Muslim Market, Gujranwala Road, Daska
208	128	North II	Gujranwala Branch	Gujranwala	055-3730301-3	Zia Plaza, G.T. Road, Gujranwala
209	268	North II	Sheikhupura Road Branch	Gujranwala	055-4240156-60	Rehman Market, Sheikhupura Road, Gujranwala
210	215	North II	Mandi Bahauddin Branch	Mandi Bahauddin	0546-600722-23	Khasra Number 143/112/2 Railway Road, Mandi Bahauddin
211	146	North II	Gujrat Branch	Gujrat	053-3533315 053-3536781-3 053-3533855 053-3523174-5 053-3520008	Nobel Furniture Plaza, G.T. Road, Gujrat

BRANCH NETWORK - CONVENTIONAL

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
212	245	North II	Lalamusa Branch	Lalamusa	053-7519576-9	Shayan Plaza, Kaira, G.T. Road, Lalamusa
213	122	North II	Sialkot Main Branch	Sialkot	052-4292501-3	Plot Number B1-16S-98B, 17-Paras Road, Opposite CC & I, Sialkot
214	261	North II	Cantt Sialkot Branch	Sialkot	052-4261507 052-4261709-10	100-A, Aziz Shaheed Road, Sialkot Cantt
215	279	North II	Wazirabad Branch	Wazirabad	055-6609526-27	Ground Floor, Al Rehmat Plaza, Hajipura Chowk, Sialkot Road, Wazirabad
216	299	North II	Factory Area Branch	Faisalabad	-	Factory Area, Tata Market, Faisalabad

BRANCH NETWORK - ISLAMIC

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
1	3024	North	F 10 Markaz Branch	Islamabad	051-2296962-3	Ground Floor, 7-L, F-10 Markaz, Islamabad
2	3044	North	Aabpara Market Branch	Islamabad	051-2870474-76	Unit Number 715, Kamran Restaurant, Aabpara Market, Khayaban-e-Suharwardy, Islamabad
3	3048	North	I-8 Markaz Branch	Islamabad	051-4861800-802	Plot Number 33, Aneek Arcade, Sector Number I-8 Markaz, Islamabad
4	3005	North	The Mall Branch	Rawalpindi	051-5701054-57	Century Towers, 6th The Mall, Rawalpindi
5	3034	North	Mansehra Branch	Mansehra	0997-308302-3	Khata/Khatooni Number 3179/6260, Ground Floor, Rehman Plaza, Abbottabad Road, Mansehra
6	3019	North	Mirpur Branch	Azad Kashmir	05827-437272-3	Akbar Plaza, Plot Number 2, Sector A/2, Mirpur, Azad Kashmir
7	3009	North	Mingora Branch	Swat	0946-722011-13	Lower Ground & First Floor, Abasin Towers, Green Chowk, Madyan Road, Mingora, Swat
8	3011	North	Mardan Branch	Mardan	0937-871761-2	2174/1, Main Bazar, Bank Road, Mardan
9	3020	North	Charsadda Branch	Charsadda	0916-511011	Ground Floor, Gold Mines Towers, Nowshera Road, Charsadda
10	3028	North	Nowshera Cantt. Branch	Nowshera	0923-613400-2	1st Floor, Amin Tower, G.T. Road, Nowshera Cantt., Nowshera
11	3053	North	Buner Branch	Buner	0939-555428	Khasra Number 3249, Khatooni Number 887, Mardan Road, Sawari Main Bazar, District Buner
12	3035	North	Kohat Branch	Kohat	0922-522451	Plot Number 14, Survey Number 253-C, Near Butt Super Store, Katchery Chowk, Hangu Road, Kohat Cantt.
13	3036	North	D.I. Khan Branch	D.I. Khan	0966-718903-6	Plot Number 19, Survey Number 79, Near GPO Chowk, East Circular Road, D.I. Khan Cantt.
14	3049	North	Bannu Branch	Bannu	0928-611540-41	Khasra Number 1462/1833, Mouza Fatima Khel, Near Durrani Plaza, Ex GTS Chowk, Bannu Cantt., Bannu
15	3002	North	Hayatabad Branch	Peshawar	091-5811395	Industrial State Karkhano Market, 1st Floor, Shop Number 1-7, S.S. Plaza, Jamrud Road, Hayatabad, Peshawar
16	3041	North	Ashraf Road Branch	Peshawar	091-2593364	Shop Number 471-472/203-204, New Rampura Gate, Ashraf Road, Peshawar
17	3012	North	G.T. Road Branch	Peshawar	091-2590484-7	Ground Floor, Raheem Medical Centre, G.T. Road, Peshawar
18	3013	North	Peshawar Cantt. Branch	Peshawar	091-5273091-92	6, Saddar Road, Tasneem Plaza, Peshawar Cantt., Peshawar
19	3001	South	Sharfabad Branch	Karachi	021-34923770-4	Alharam Tower 1, BMCHS, Alamgir Road, Sharfabad, Karachi
20	3043	South	Gulshan-e-Iqbal Branch	Karachi	021-34819572-76	Plot Number FL-2/4, Block-6, KDA Scheme Number 24, Gulshan-e-Iqbal, Karachi
21	3443	South	Shaheed-e-Millat Branch	Karachi	021-34311657	SNPA/9-A/1, Commercial Area, KCHS Union Ltd., Union Area Shaheed-e-Millat Road, Karachi
22	3026	South	Dhoraji Branch	Karachi	021-34860851-2	Shop Number G-1 to G-4, Talha Arcade, Plot Number 35/187, Block 7/8, C.P. Berar Cooperative Housing Society, Karachi
23	3400	South	DHA Phase I Branch	Karachi	021-35311473	Speedy Towers 129/I & II, Korangi Road, Phase I, DHA, Karachi
24	3031	South	Khayaban-e-Shahbaz Branch	Karachi	021-35342364-7	43-C, Khayaban-e-Shahbaz, Phase VI, DHA, Karachi

BRANCH NETWORK - ISLAMIC

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
25	3007	South	Nazimabad Branch	Karachi	021-36613053-55	1st Floor, Plot Number 16 Row Number 1, Sub Block A, Block III (III-A,1 / 16) Nazimabad, Karachi
26	3050	South	Rashid Minhas Road Branch	Karachi	021-34832875-77	Plot Number 16, Al Musavvir Crown, Block 10-A, Rashid Minhas Road, KDA Scheme Number 24, Gulshan-e-Iqbal, Karachi
27	3010	South	Jodia Bazaar Branch	Karachi	021-32463265-68	Shop Number G-1, Ground, Basement & First Floor, Plot Number M.R. 3/18/II-B-143, Market Quarters, Bolton Market, Karachi
28	3046	South	Cattle Colony Branch	Karachi	021-35080125-27	Plot Number 3-A, Commercial Area, Landhi, Cattle Colony, Karachi
29	3042	South	Hyderabad Branch	Hyderabad	022-2730074-77	C.B. 41/474/2, Saddar, Hyderabad
30	3018	South	Qandhari Bazaar Branch	Quetta	081-2837890	1-25/14-15, Qandhari Bazaar, Quetta
31	3052	South	Market Road Branch	Hyderabad	022-2613406-08	City Survey Number 1284 & 1296, Ward "A", Market Road, Hyderabad
32	3004	South	Zarghoon Road Branch	Quetta	081-2443177	Near Bukhari Petroleum, New Zarghoon Road, Quetta
33	3003	Central	D-Ground Branch	Faisalabad	041-8555643	447-D, (1st Floor) Peoples Colony 1, D-Ground, Faisalabad
34	3014	Central	Minerwa Road Branch	Faisalabad	041-2416281	Shop Number 1, 2, 46-50, New Grain Market, Minerwa Road, Faisalabad
35	3021	Central	Liaquat Road Branch	Faisalabad	041-2617403-8	3-Liaquat Road, Faisalabad
36	3022	Central	Abdali Road Branch	Multan	061-4571768	80-Abdali Road, Multan
37	3047	Central	Chowk Shaheedan Branch	Multan	061-4574462	Property Number 1771/SH, Ward Number VIII-M, Chowk Shaheedan, Multan
38	3039	Central	Bahawalpur Branch	Bahawalpur	062-2731115-6	V-912, Circular Road, Bahawalpur
39	3045	Central	Talagang Branch	Talagang	0543-411995-97	BII-278-279, Madina Plaza, Near Boys High School Number 1, Chakwal Road, Talagang
40	3023	Central	Daska Road Branch	Sialkot	052-3240200-204	Plot Number 651, Daska Road, Pul Aik, Sialkot
41	3030	Central	Gujranwala Branch	Gujranwala	055-3735531-5	157-Al-Majeed Centre, Street Number 14, Mohalla Faisalabad, G.T. Road, Gujranwala
42	3017	Central	G.T. Road Branch	Gujrat	053-3535931-2	2-Prince Fan Colony, G.T. Road, Gujrat
43	3008	Central	Azam Cloth Branch	Lahore	042-37671351-54	Shop Number F-1469, 1566 & 1567, Akbar Block, Rahim Centre, Azam Cloth Market, Lahore
44	3016	Central	Baghbanpura Branch	Lahore	042-36840310-3	310/3/1, Bilal Market Chowk, Shalamar Bagh, G.T. Road, Baghbanpura, Lahore
45	3033	Central	Circular Road Branch	Lahore	042-37670600-05	33-Circular Road, Outside Shah Alam Gate, Lahore
46	3025	Central	Allama Iqbal Town Branch	Lahore	042-37811068	20, Gulshan Block, Allama Iqbal Town, Lahore
47	3051	Central	Bahria Town Branch	Lahore	042-35452054-58	Plot Number 5/A, Sector C, Bahria Town, Lahore
48	3037	Central	Raiwind Road Branch	Lahore	042-35320164	131/178, Bohbatein Chowk, Raiwind Road, Lahore
49	3040	Central	L.O.S Chowk Branch	Lahore	042-37530340-42	Plot Number 19-R-86-S, L.O.S Chowk, Near China Centre, Ferozepur Road, Mozang, Lahore

BRANCH NETWORK - ISLAMIC

S. NO.	BRANCH CODE	REGION	BRANCH NAME	CITY	CONTACT	BRANCH ADDRESS
50	3421	Central	Cavalry Ground Branch	Lahore	042-36603412-15	97- Commercial Area, Cavalry Ground, Lahore
51	3006	Central	Leads Centre, Gulberg Branch	Lahore	042-35783955-57-59	Shop Number 4, 4A and 4B, Leads Centre, 11-E/2, Gulberg III, Lahore
52	3038	Central	Z-Block, DHA Branch	Lahore	042-35743741-43	10-Z, Street 1, Phase III, DHA, Lahore
53	3032	Central	Township Branch	Lahore	042-35176051-3	894-D, Faisal Town, Peco Road, Township, Lahore

INTRODUCTION

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

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

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

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

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

BUSINESS ETHICS AND COMPLIANCE WITH LAW

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

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

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

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

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

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

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

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

TREATMENT OF EMPLOYEES AND OTHERS

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

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

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

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

RELATIONS WITH REGULATORS

All communications with regulators must be handled through the appropriate Department/Function. Where communication with the regulator is part of an employee's job description (e.g. dealing with the regulators for filing regular financial returns which is the responsibility of the respective department

sending the regular returns), in these cases, Compliance is only involved if there is a potential breach of regulations. Guidelines of SBP issued in this regard shall be strictly followed. A copy of all non-routine correspondence with the regulators must be provided to the Compliance Function.

Meetings with Regulators

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

Reporting to Regulators

Information provided to regulators by FBL must: -

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

Inspection by Regulators

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

- a) make them readily available to the inspection team;
- b) on receipt of a proper request by the regulator, produce to the inspection team any documents, files and computer data and other material in their possession or control;
- c) give the inspection team access, at all times, to FBLs premises and reasonable facilities;
- d) to the extent that they are properly requested by the regulator, permit the inspection team to copy any documents or other material in FBLs premises or elsewhere at FBLs expense and to remove copies and hold them elsewhere; and

- e) answer truthfully and fully all questions put to them by the inspection team. Failure to comply with a request by regulators to produce records and documents, give regulators access to the premises, staff or records of FBL for the purposes of supervision or inspection or to provide information relating to a transaction is an offence for which FBL and senior management may be punished by fine or imprisonment. Directors, officers or employees of FBL must comply with any fines, prohibitions, requirements, sanctions, penalties, orders and decisions of any regulator.

RELATIONS WITH CUSTOMERS

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

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

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

EMPLOYEES' DUTY OF NON-DISCLOSURE & TIPPING OFF

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

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

Never disclose to the client or any third parties that information has been provided to any department within FBL or a government authority or that any suspicious activity investigation is contemplated or underway;

Never take any action that might otherwise alert the subject that FBL has suspicions that will result in a report or filing a Suspicious Transaction Reporting (STR) and treat the filing of a STR as a confidential matter, even within FBL.

CONFIDENTIALITY

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

FBL EMPLOYEE REPORTING RESPONSIBILITIES

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

When a possibly suspicious activity or potential legal or regulatory violation is observed, the employee is responsible for calling the situation to the attention of his/her supervisor, who will notify the Functional Head and the Compliance Function. In extremely sensitive situations or in any instance where an employee is uncomfortable working with their supervisors on such matters, any employee may directly report to the Compliance Function.

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

KNOW YOUR CUSTOMER & ANTI MONEY LAUNDERING

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

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

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

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

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

- ¥ The identity of every new customer with whom we deal must be established from reliable identifying documents.
- ¥ If you suspect that funds stem from illegal activities, this must be reported internally to your next Reporting supervisor or Compliance who will liaise with competent authorities.
- ¥ Customers should not be warned when information relating to them is being reported.

INSIDER TRADING

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

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

SPECULATIVE DEALING

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

Accordingly no employee shall:

- ¥ Borrow money from or in any way place himself under pecuniary obligation to a broker or money lender or any firm or persons having dealings with the Bank.
- ¥ Buy or sell stocks, shares, commodities, foreign exchange or securities of any description without funds to meet the full cost thereof.

- ¥ Lend money in his private capacity to a constituent of the Bank or have personal dealings with a constituent for the purpose of sale of bill of exchange, Government paper or any other securities.

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

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

CONFLICT OF INTEREST

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

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

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

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

Employees must ensure that their personal interests do not conflict with the duties which are owed to the Bank or which the Bank owes to its customers. This includes engaging in any of the following activities without the prior written approval of the Management:

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

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

PERSONAL INVESTMENT POLICY

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

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

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

EXTERNAL FUNCTIONS

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

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

A member of your immediate family or household works for, and holds a position that can influence decisions at, a firm that directly competes with or does business with the Company.

A member of your immediate family or household holds a position that interacts with positions of authority at a firm that directly competes with or does business with the Company.

Further, you may not serve as a director, trustee, officer or similar position (paid or otherwise) of any business, other than with the Bank or one of its subsidiaries, without prior approval of the HR. This rule does not apply to charitable, civic, religious, educational, public or social organisations, or to residential boards whose activities do not conflict with the interests of the Bank and do not impose excessive demands on your time.

BOOKS AND RECORDS

ACCURACY AND COMPLETENESS

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

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

PROTECTION AND PROPER USE OF BANK'S PROPERTY

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

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

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

GIFTS AND ENTERTAINMENT

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

Exceptions

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

- ¥ Not in the form of cash,
- ¥ Clearly not in return for any consideration or in the anticipation of such,
- ¥ Of nominal value only.

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

Personal Gifts by Employees

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

Presenting Gifts

Gifts may be given for promotional purposes or on special occasions where it may be appropriate while remaining within the jurisdiction of FBL management. The context in which such gifts are given is important and care must be exercised to avoid any such event that could be misinterpreted or construed as bribery or corruption.

CONFIDENTIAL INFORMATION AND TRADE SECRETS

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

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

BREACHES & DISCIPLINARY ACTION

In the event of an employee committing breach of this Code or any of the provisions of Employment Rules or contravening instructions / orders issued to him / her in connection with official work or who displays negligence, inefficiency, indolence or criminal (riotous) behavior or does anything detrimental

CODE OF CONDUCT

to the interests of the Bank or is guilty of any other act of fraud, misconduct or insubordination, the competent Authority, in its sole discretion and without limitation may impose on him / her one or more of the following penalties:

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



Accomplishment

History will not forget the magic that has been conjured up in the pursuit of a people's vision. The hitherto impossible has been made possible; what was invisible to the world is now in everyone's plain sight.

عہد روشن کے سخن ورنہ بھلائیں گے ہمیں
ہم نے وہ سحر جگائے ہیں تمہاری خاطر
ساغر



ACCRUAL BASIS

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

BONUS ISSUE (SCRIP ISSUE)

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

CAPITAL ADEQUACY RATIO

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

CASH EQUIVALENTS

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

CASH RESERVE RATIO (CRR)

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

CONTINGENCIES

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

CORPORATE GOVERNANCE

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

COST / INCOME RATIO

Operating expenses as a percentage of total income.

DEFERRED TAXATION

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

DERIVATIVES

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

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

DIVIDEND PAYOUT RATIO

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

DIVIDEND YIELD RATIO

Dividend per share divided by the market value of share.

EARNINGS PER SHARE

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

EFFECTIVE TAX RATE

Net tax charge divided by the profit before taxation.

FINANCE LEASE

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

FORCED SALE VALUE (FSV)

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

FORWARD EXCHANGE CONTRACT

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

GUARANTEES

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

HISTORICAL COST CONVENTION

Recording transactions at the actual value received or paid.

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

IFRIC

International Financial Reporting Interpretation Committee

INTEREST IN SUSPENSE

Interest suspended on nonperforming loans and advances.

INTEREST SPREAD

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

LIQUID ASSETS

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

LOAN LOSSES AND PROVISIONS

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

MATERIALITY

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

NET ASSETS VALUE PER SHARE

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

NET DIVIDENDS

Dividend net of withholding tax.

NET INTEREST INCOME

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

NON PERFORMING LOAN-SUBSTANDARD CATEGORY

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

NON PERFORMING LOAN-DOUBTFUL CATEGORY

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

NON PERFORMING LOAN-LOSS CATEGORY

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

NPLS TO GROSS ADVANCES/LOANS

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

OFF BALANCE SHEET TRANSACTIONS

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

PRICE EARNINGS RATIO (P/E RATIO)

Market price of a share divided by earnings per share.

GLOSSARY OF TERMS

PRUDENCE

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

REPURCHASE AGREEMENT

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

RETURN ON AVERAGE EQUITY

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

RETURN ON AVERAGE ASSETS

Profit after tax divided by the average assets.

REVERSE REPURCHASE AGREEMENT

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

REVENUE RESERVE

Reserves set aside for future distribution and investment.

RISK WEIGHTED ASSETS

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

SHAREHOLDERS' FUNDS

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

STATUTORY RESERVE FUNDS

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

WEIGHTED AVERAGE COST OF DEPOSITS

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

FORM OF PROXY

I / We _____ of _____ a member(s) of FAYSAL BANK LIMITED and holding _____ ordinary shares, as per Register Folio No. _____ / Participant s ID / CDC sub Account No. _____ hereby appoint _____ Folio No. / Participant s ID / CDC sub Account No. _____ or failing him / her _____ as my / our proxy to vote and act for me / us on my / our behalf at the Annual General Meeting of the Bank will be held on March 28, 2014 and at any adjournment thereof.

Signed _____ day of _____, 2014

Witness:

1. _____ Revenue Stamp
Rs. 5/-
Signature of Member(s)

2. _____

Notes:

1. The Share Transfer Books of the Bank shall remain closed from March 21, 2014 to March 28, 2014 (both days inclusive). Transfer received at the Registrar and Share Transfer Agent of the Bank, by the close of business on March 20, 2014 will be treated in time.
2. A member entitled to attend and vote at the Meeting may appoint another Member as per his/her proxy to attend and vote for him/her provided that a corporation may appoint as its proxy a person who is not a member, but is duly authorized by the corporation. Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the holding of the Meeting.
3. Members are required to timely notify any change in their address to Banks Registrar / Share Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

FORM OF PROXY

A. For attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

B. For appointing proxies:

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