

Faysal Bank

A N O V E R V I E W



Faysal Bank started operations in Pakistan in 1987, first as a branch set-up of Faysal Islamic Bank of Bahrain and then in 1994 as a locally incorporated Pakistani bank under the present name of Faysal Bank. On January 1, 2002, Al Faysal Investment Bank Limited, another group entity in Pakistan, merged into Faysal Bank Limited which resulted in a larger, stronger and much more versatile institution.

FAYSAL BANK LIMITED is a full service banking institution offering banking facilities to its individual and corporate customers. Its widespread and growing network of branches all across the country, together with corporate offices in major cities, provides efficient services in an effective manner. Faysal Bank also operates standalone Islamic banking branches under "Barkat Islamic Banking" brand. Faysal Bank is a progressive financial institution, forever striving to offer innovative products and quality services in easily accessible ways for greater customer convenience. It strives to offer value added deposit products and customized consumer financing solutions along with a host of corporate, commercial and investment banking services which include funding and trade finance facilities and corporate advisory services and a wide array of tools to help customers achieve their business goals. The strength and stability of Faysal Bank Limited is evident through the Credit Rating of "AA" (Double A) for long to medium term and "A-1+" (A One Plus) for short term assigned to it by both JCR-VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited (PACRA).

The majority share holding of Faysal Bank is held by Ithmaar Bank B.S.C, an investment bank listed in Bahrain, with the balance shares in the hands of general public, NIT and other Pakistani institutions. Ithmaar Bank is 45% owned by Dar Al-Maal Al-Islami Trust (DMI Group) that operates commercial banks, retail banks,

insurance companies and investment companies across Europe, Middle East and Asia.

As of December 31, 2009, FBL had total asset of PKR 180,865 million and a network spanning 133 branches. Net advances grew by a 9.4% over 2008 to PKR 91,346 million by the end of December 2009. On the liability side, during the same period, total deposits grew by an impressive 20% over 2008 to PKR 123,655 million. The Bank focused on low cost core deposit, as a result current and saving deposit grew by 40.7% during the year. Consequently, FBL was able to post a remarkable growth of 31% in total assets from PKR 138,241 million in 2008 to PKR 180,865 million in 2009.

FBL has agreed to purchase Royal Bank of Scotland Pakistan Operation ("RBS Pakistan") which comprises of Retail, Corporate, Commercial and Islamic businesses in the country. This acquisition, pending regulatory approval, is expected to fast track FBL's already growing presence in Pakistan, especially its growth plans in certain niche segments (such as consumer lending and wealth management). The acquisition of RBS Pakistan will enhance FBL's capability to serve diverse customer segments and markets due to minimal business overlap of the two entities. The acquisition is expected to have a positive impact on the future profitability of FBL, as the combined entity will have an asset base in excess of PKR 250 billion with a network of over 200 branches, making FBL one of the top 10 banks in Pakistan.

AGREEMENT TO ACQUIRE RBS PAKISTAN

On 16th June, 2010, P&CEO Naved A. Khan announced Faysal Bank's acquisition of RBS Pakistan, which comprises of Retail, Corporate, Commercial and Islamic Banking businesses in Pakistan. *Below is an interview with President and Chief Executive Officer, Mr. Naved A. Khan.*



How do you view Pakistan's banking industry?

It has grown over the last 10 years. I still see growth in the industry. The number of customers who bank is very low as compared to cell-phone users, for example. The market hasn't grown for various reasons, e.g. documentation which inhibits people from using banks. RBS shares have weakened over the last few years. Faysal Bank acquired RBS for a much lower price than MCB had offered.

What's the story?

I was the CEO of ABN for eight years, so I know the bank better than most. I built this bank, and took it from 3 branches to 79 branches.

So then it must be a personal achievement as well?

It is an achievement in the sense that again, I will be able to take that bank to the next level. It was quite painful to watch ABN deteriorate. But this deterioration was due to the global deterioration of RBS; globally, RBS faced its own challenges. They made a decision two years ago to exit, and when such a decision is made, you go into exit-mode, people face great pressure, as they have no clarity as to their future, this is human instinct. However, I must still praise the RBS workforce for managing their shop during such tough times, and maintain it at that level. I have full confidence that these very people, who helped to build that bank, will also be able to take it to the next level.

Banks are supposed to take money from customers and invest/save it (basic textbook definition). Are Pakistani banks taking on this role?

Banks haven't been able to focus on this area; SME's here don't have as significant role as they do in developed countries. This is because of lack of understanding, regulatory policies that have to be in-tune and the central bank would have to start incentivizing these

institutions to move towards the middle-markets. Standardized incentives will never work. Money is being diverted towards the public sector (taking into account SBP, IMF, other financial institutions' involvement).

Do you see this problem being solved in the future?

It is necessary that this problem is solved in the future, if we are to sustain and boost our economy. We have to create opportunities for our economy to grow, and the banking sector plays a critical role here, especially in development and creating a middle-class. This will take some time.

Is this the right time to focus on consumer banking?

I am a very anti-cyclical investor. The market is down right now, and we have invested. This shows our risk-taking ability and that we have taken this is as an opportunity; strategic play. We're now in a strong position to take opportunities when the market turns.

If you look at the overall banking industry's lending portfolio, 60% is surviving off corporate lending. What is your take on this?

The middle-market's biggest issue is the lack of documentation. Once this issue is resolved, banks' confidence will increase. Incentivization is also required. We've progressed, but still have not reached where we ought to be.

What is Faysal Bank's niche market? How does Faysal Bank differentiate itself from other banks?

Faysal Bank is a 'universal' bank. We have Corporate and Investment Banking, Commercial Banking, Retail and Consumer Finance, Islamic Banking, Treasury and Equity Capital Markets.

Out of the above, which is Faysal Bank's greatest strength?

Corporate Banking is the largest segment within our asset portfolio, followed by Consumer and Commercial, if you go by our balance sheet. On the liability side, our Retail Banking supports our deposits and customer base with our 135 branches.

Out of the same five pillars, what is the sector that is perhaps lagging behind in comparison?

I have the desire to do more for Agri Finance. Pakistan is in dire need of Agri Finance and modernization in agriculture. I'd like to see growth in this area. There are high NPL's, but that is fine, we just need to start managing these NPL's. I see opportunity there. Another area I'd like to see grow is the commercial segment, i.e. mid-sized corporate must be given the opportunity to grow and contribute. Until this happens, our economy can't grow. Banks must play a role in both these sectors, in my opinion.

BANCASSURANCE

Faysal Bank signed a Bancassurance Distribution Agreement with EFU Life Assurance on 5th August 2009 at Faysal House, Karachi, marking the completion of their first two Bancassurance products: Faysal aikFaisla Education Plan and Faysal aikFaisla Saving Plan. The Faysal aikFaisla Life Assurance Plan was also launched later in the year.

Three impressive product launch ceremonies were hosted in Karachi, Lahore and Islamabad to mark the launch

of the first two products to be launched from the Wealth Management platform. Present at these ceremonies were President and CEO Naved A. Khan, senior management and members of the Wealth Management team.

ISLAMIC BANKING

In August 2009, Faysal Bank launched 'Barkat Islamic Banking', which provides branches and facilities dedicated exclusively to Islamic Banking and Shariah-compliant services. As of July 2010, Faysal

Bank is operating ten Barkat Islamic Banking Branches in total, all over Pakistan including Karachi, Lahore, Islamabad, Faisalabad, Quetta, Peshawar, Rawalpindi and Swat.

The first branch, located in Sharafabad, Karachi, was inaugurated by Faysal Bank's Chairman, Naseem Ahmad, in August 2009. Also present at the inauguration were Faysal Bank's President and CEO, Naved A. Khan, as well as other senior management. Additionally, four new Barkat branches were inaugurated in May-



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June 2010; two in Karachi, one in Lahore, and one existing conventional banking branch in Swat was converted to a Barkat Islamic branch.

Barkat Islamic Banking provides a complete suite of Shariah-compliant banking products for all categories of customers, under the supervision of an experience Shariah advisor.

PRIORITY BANKING WRITEUP

On 8th April, 2010, Faysal Bank launched its Priority Banking service, under the name of Solitaire Wealth Management. His Royal Highness, Prince Amr Mohamed Al Faisal Al Saud, Chairman of the Ithmaar Group, inaugurated the first branch, located at the head office in Karachi. Also present at this inauguration were Faysal Bank's President and CEO, Naved A. Khan, Chairman Naseem Ahmad and other senior management.

A solitaire gem stands alone, complete in itself, and this is where the concept for Solitaire Wealth Management arose from: a single service for priority customers, which caters towards all their banking needs.

The second Priority Branch was launched on 5th July, 2010, at the Khayaban-e-Tanzeem branch in Karachi. Present at the inauguration were Faysal Bank's Head Retail Banking, Aarij Ali, Head General Services, Awais Maqsood and other members of the Wealth Management team.

CORPORATE SOCIAL RESPONSIBILITY

Faysal Bank views its Corporate Social Responsibility effort from a holistic perspective. Our scope encompasses various publics, including our customers, investors, employees and communities

within which we operate.

The primary focus of Faysal Bank's CSR efforts is education. We sincerely believe that good education helps individuals further themselves, and society at large. The CSR programme in this regard is two-pronged: firstly, Faysal Bank provides funding for the education of underprivileged children directly. Secondly, we also provide support for extracurricular and skill-based activities of both government and private school students, helping their development towards becoming good Pakistani citizens. We believe that improving educational prospects greatly enables Pakistan's younger generations to bring themselves and their families towards prosperity.

CSR PROJECTS INCLUDE

- An endowment towards establishing a teaching chair at IBA, University of Karachi, for the Executive MBA - Banking and Financial Services Programme
- Covering the tuition expenses of

underprivileged children at the TAC School in Lahore

- Covering the tuition expenses of underprivileged children Sargodhian Spirit Trust School, Tando Allahyar, Sindh
- Sponsorships of declamation and debate contests for school children in Karachi
- Sponsorship of government school children under the Duke of Edinburgh Award programme.
- Donation of computers to TCF schools nationwide
- Donation of computers to Behbud Vocational Training Centre in Karachi, as well as the setting up of their I.T. lab
- Donation of computers to the TAC school in Lahore
- Donation of computers to the Mashaal Trust for orphans in Karachi

Faysal Bank's philanthropic efforts are often combined with our CSR efforts to support other causes, in the health and welfare sectors.

Some recent examples include:

- Faysal Bank's (and its employees') fundraising efforts towards the IDPs in Swat
- Faysal Bank and Rotary Metropolitan Club's joint effort towards supporting the IDPs
- Provision of toys and entertainment for the Cancer Ward at NICH, on 14 August
- Donation of computers accessories to The Child Aid Association and NICH, JPMC, Karachi
- Sponsorship of the Special Olympics, Pakistan
- Support of the Zakat Drive by TCF and SKMCH
- Donation of computers to the LRBT ■



Introducing our refreshed brand identity.
Same calling. New destinations.

Our refreshed identity is not only a sign of the times; but also a sign for the times. Now Faysal Bank Limited's nature is more in tune with today's challenges than ever before. We understand that your money has got to work harder, reach further, grow faster, for longer, so that your peace of mind is never compromised when faced with the opportunities of a new age.



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