

Annual Report 2012 EVOLUTION



Meezan Bank
The Premier Islamic Bank

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Evolution means gradual development and improvement - from a simple to a more refined form. Evolution makes us develop, improve and enhance our efficiency. Banking too is no more than an evolution in the field of commerce - of developing better and better ways to facilitate economic activity and trade.

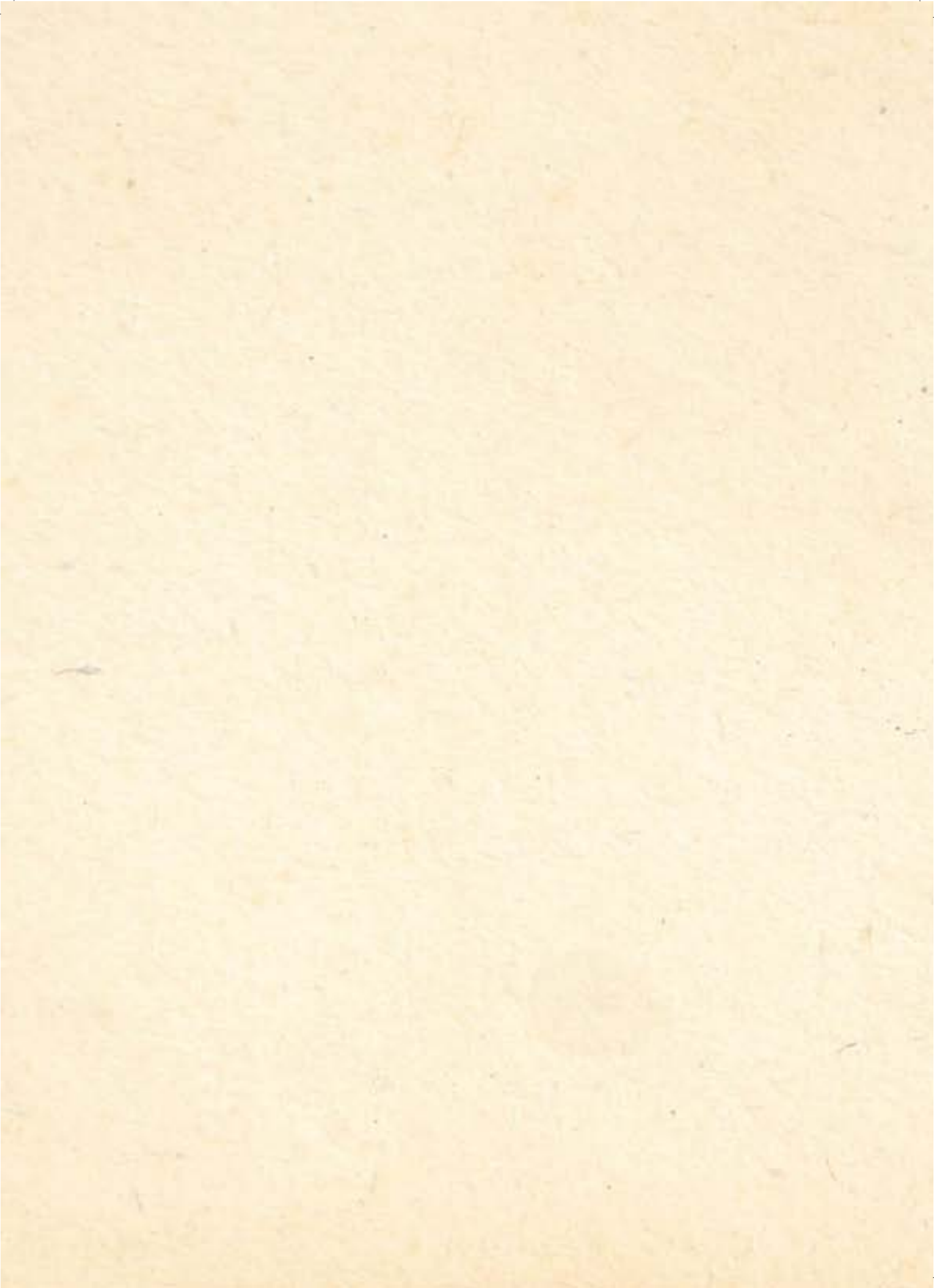
According to Imam Ghazali, the renowned Jurist and philosopher of Islamic history, transactions of trade and exchange are inevitable between humans. There must therefore be a measure on the basis of which value of the goods being exchanged can be determined - and money has been created by Allah ﷻ to serve as that measure.

The growth in the number of exchange transactions between individuals as well as institutions is the driving force behind evolution in the methods, channels and processes used for trade. The history of commerce starts with barter - the direct exchange of commodities, including grains and livestock, amongst people; barter evolved into the creation of money to serve as a measure of value for the goods being exchanged. The challenges posed in the carrying and exchange of money and gold coinage evolved into the development of paper currency, which was then simplified by the creation of the Saqq by Muslims - the first types of cheques which laid the foundation for the development of the modern banking systems.

The success of evolution is measured through improvement - Islamic banking aligns the functionality of trade and commerce with the guidance provided by Allah ﷻ, and in doing so, delivers the most refined form of banking, focusing on the promotion of real trade and economic activity and moving away from interest (Riba) and speculation.

Through the Annual Report 2012, we invite you to join us on a journey through time as we revisit this evolution; from exchanging physical livestock to doing electronic banking, and share the experience of our growth.





Contents

Vision	04	Marketing & Corporate Communication	78
Mission	05	Corporate Social Responsibility	79
Our Values	06	Sustainability Report	81
Quaid's Concept of Islamic Banking	09	Report of the Board Audit Committee	85
Key Figures at a Glance	22	Shariah Advisor's Report	86
Six Years' Horizontal Analysis	24	Shariah Advisor's Report (Urdu)	92
Six Years' Vertical Analysis	25	Statement of Sources and Uses of Charity Fund	93
Financial Analysis	26	Review Report to the Members	94
Calendar of Major Events	28	Statement of Compliance with the Code of Corporate Governance	95
Shareholders	29	Statement of Internal Controls	97
		Notice of Annual General Meeting	98
History of Meezan Bank	32	Auditors' Report to the Members	102
Profiles of the Directors	36	Statement of Financial Position	103
Corporate Information	38	Profit and Loss Account	104
Board Committees	39	Statement of Comprehensive Income	105
Organisation Structure	40	Cash Flow Statement	106
Management Team	41	Statement of Changes in Equity	107
Management Committees	42	Notes to and forming part of the Financial Statements	108
SWOT Analysis	44	Pattern of Shareholding	176
Risk & Opportunity Report	45	Categories of Shareholders	177
Product Information	46	Standard of Ethics, Business Practices & Code of Conduct	178
		Guidelines on Whistle-blowing	180
Chairman's Review	52	Summary of Information Security Policy	181
Vice Chairman's Message	54	Guidelines for Safety of Records of the Company	181
Corporate Awards	55	Correspondent Banking Network	182
Directors' Report to the Members	56	Branch Network	187
Annexure to the Directors' Report	61	Glossary	196
Statement of Value Added and Distributed	62	Proxy Form	199
Allocation of Income and Expenses to Remunerative Depositors' Pool	63		
Business and Operations Review	64		



Vision

Establish Islamic banking as banking of first choice...

Mission

To be a premier Islamic bank, offering a one-stop shop for innovative value-added products and services to our customers within the bounds of Shariah...



Our Values

Core Values: Shariah-compliance, Integrity, Professionalism, Innovation, Service Excellence, Social Responsibility

Staff: Committed, motivated and professionally trained employees who are empathic to their customers' needs.

Brand Personality: A sober and established, strong, empathic, professional person; who is an extremely loyal and dependable friend and business partner, and is committed to offering comprehensive value-based Shariah-compliant financial solutions.

Relationships: Our relationships are long-term. We recognize and value our customers' needs above all and strive to ensure their fulfillment. All customers are treated with professionalism and in a friendly manner. It is our endeavour to ensure that they receive efficient and timely service. The Meezan Bank experience is a unique one.



Quaid's Concept of Islamic Banking

"We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice.

I shall watch with keenness the work of your Research Organization in evolving banking practices compatible with Islamic ideas of social and economic life. The economic system of the West has created almost insoluble problems for humanity and to many of us it appears that only a miracle can save it from disaster that is now facing the world. It has failed to do justice between man and man to eradicate friction from the international field. On the contrary, it was largely responsible for the two world wars in the last half century. The Western world, in spite of its advantages, of mechanisation and industrial efficiency is today in a worse mess than ever before in history. The adoption of Western economic theory and practice will not help us in achieving our goal of creating a happy and contented people.

We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice. We will thereby be fulfilling our mission as Muslims and giving to humanity the message of peace which alone can save it and secure the welfare, happiness and prosperity of mankind."

Quaid-e-Azam Muhammad Ali Jinnah
Founder of the Islamic Republic of Pakistan

On the occasion of the Opening Ceremony of
The State Bank of Pakistan on July 1, 1948

Photograph: Quaid-e-Azam Muhammad Ali Jinnah at the Opening Ceremony of The State Bank of Pakistan.
Courtesy State Bank of Pakistan Museum

Barter

The first exchange of goods between people took place through barter, which is exchange of goods and services for other goods and services. The practice of barter dates back tens of thousands of years, perhaps even to the dawn of modern humans. From 9,000-6,000 B.C., livestock was often used as a unit of exchange. Later, as agriculture developed, people used crops for barter.

Barter transactions are limited in capacity since the execution of a barter transaction depends on a coincidence of wants. The seller of one commodity has to find someone who wants to buy that commodity and who could also offer in return something the seller needs. Another key weakness of this system was that there was no standard measure according to which both seller and buyer could exchange commodities according to their relative value.

The limitations of the barter system led to the development of the concept of money.

Shells
Coinage
Paper Currency
Banking
Islamic Banking



Barter Shells

In earlier times, shells were seen as more than just collectible items; they were a medium of exchange - the first recorded form of money. Cowry, the shells of mollusk that was widely available in the shallow waters of the Pacific and Indian Oceans, is the most widely and longest used currency in history. The first use of Cowries was in China in about 1200 B.C. and later in Africa and India. Their main advantage was that they were almost impossible to forge.

Inspired by Cowry shells, the Chinese began to manufacture imitations of these shells in bronze and copper in 1,000 BC. These were considered to be the earliest forms of metal currency. These metal shells later developed into round coins made of base metals.

Coinage
Paper Currency
Banking
Islamic Banking



Barter Shells Coinage

The first manufacturing of coins is said to have taken place separately in India, China, and in cities around the Aegean Sea between 700 and 500 BC. These coins were either minted, stamped or punched metal disks. Over time, governments and rulers established regulations and began endorsing coinage with the symbol, portrait or signature of their ruling.

Precious metals have always been accepted for monetary purpose, and throughout history, gold and silver have taken on this unofficial monetary function. These precious metals were commonly used for minting of coins in all parts of the world. Outside of China, the first coins were developed from lumps of gold and silver, which soon took the round form we are familiar with today.

Muslims are the first known people to create the usage of coin money as a government practice and to introduce the Coin Molding Institute as an essential part of governmental structure.

Paper Currency Banking Islamic Banking



Barter
Shells
Coinage
Paper Currency

Chinese were the pioneers of paper currency. Paper money was introduced in Song Dynasty China during the 11th century, taking its roots during the time of the Tang Dynasty when merchants and wholesalers desired to avoid the heavy bulk of copper coinage in large commercial transactions and was termed "Flying Cash".

This Flying Cash was actually a money certificate that sought to make shipping money to distant lands convenient. China experienced 500 years of early paper money, stretching from the 9th to the 15th century. During this period paper money increased in production, to the point that their value rapidly depreciated and inflation soared. From the dawn of 1455 CE, paper money disappeared from the economy for several hundred years. This was still many years before paper currency would reappear in Europe, and three centuries before it was once again considered common.

Banking
Islamic Banking



Barter Shells Coinage Paper Currency Banking

The introduction of what we know today as paper money revolutionized the system of exchange. Soon after the introduction of paper as an instrument of exchange came the need for safe transfer of this paper instrument. Muslim traders are known to have used the Saqq - which was the original form of a cheque - since the time of Harun al-Rashid (9th century) of the Abbasid Caliphate. Transporting a paper Saqq was considered safer than transporting paper money itself and a Saqq issued in one country could be encashed in another.

The need for safe transfer of money led to the development of a money transfer system by Islamic jurists, which allowed for transfer of funds across distances and also allowed for transfer of debts and credits.

From ancient Greece came the concept of accepting deposits and changing money, which can be termed the birth of the modern banking system. The development of banking spread from Italy across Europe, with value additions in places such as Amsterdam and London. It was not until the 16th and 17th centuries that banking developed many of the functions and facilities we see today, and of course, technological advancements grew exponentially in the 20th century. However, the roots of the global banking system that forms the basis of all business transactions today can be traced to the introduction of Saqq by the Muslims and the Arabic jurists, who created the money transfer system.

Islamic Banking



Barter
Shells
Coinage
Paper Currency
Banking
Islamic Banking

Islamic law allows trade in commodities or rent for the use of an asset and prohibits the use of money as a commodity in itself. Imam Ghazali, the renowned Islamic scholar, explained that the creation of money is a blessing of Allah ﷻ because money performs the function of serving as a mediator for determination of value in exchange of assets so that the value of all objects can be measured through a common medium. Anyone who trades in money therefore uses it in a manner that is contrary to the original wisdom behind its creation and is in fact disregarding the blessings of Allah ﷻ.

Islamic banking encourages trade and facilitates transactions that are backed by assets - as a result it promotes economic activity. The conventional banking system relies heavily on lending of money (i.e. using it as a commodity) and charging interest on the loan whereas Islam strictly prohibits interest. The conventional banking system is therefore not concerned with the underlying economic activity behind the financing transaction and is heavily weighted in favour of the lender. At the same time one of the ills of the conventional banking system, experienced in recent times, has been the unprecedented growth of speculative activity - the creation of paper money without the creation of wealth. This triggered an effort in various societies, conscious of Islamic teachings, for the development of a banking system that works in conformity with Islamic laws.

Decades of efforts of bankers and Islamic scholars across the world has now resulted in the development of a banking system that follows the guidelines of Islamic Shariah and where every transaction is backed by an asset or a service, both of which can be priced and a profit can be included in the price. Islamic banking now has the ability and flexibility to provide customized solutions and satisfy the modern-day banking needs of all types of customers, be it for investing their savings, acquiring an asset for personal use or fulfilling the banking needs of a large business entity.



Key Figures at a Glance

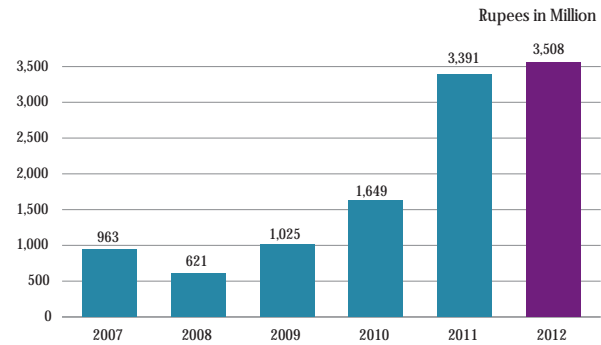
	2012	2011	2010	2009	2008	2007
Profit and Loss Account						
Return on financings, investments and placements	21,837	18,032	12,290	10,102	6,803	4,574
Return on deposits and other dues expensed	11,385	8,666	6,606	4,970	3,088	2,452
Net Spread earned	10,452	9,366	5,684	5,132	3,715	2,122
Provision against non performing financings and others	(395)	(1,424)	(1,450)	(1,443)	(428)	(435)
Provision for diminution in investments and impairment	(56)	35	(47)	(89)	(289)	(1)
Net Spread after provisions	10,001	7,977	4,187	3000	2,998	1,686
Fee, commission, forex and other income	1,413	1,347	2,056	1,332	802	742
Dividend income and capital gain/ (loss) on investments	986	1,158	419	266	(95)	606
Income before expenses	12,400	10,482	6,662	5,198	3,705	3,034
Administrative and operating expenses	7,170	6,126	4,536	3,458	2,713	1,765
Profit before Taxation	5,230	4,356	2,126	1,740	992	1,269
Taxation	1,722	965	477	715	371	306
Profit after Taxation	3,508	3,391	1,649	1,025	621	963
Balance Sheet						
Islamic Financings and Related Assets	88,678	70,377	60,265	46,985	41,521	36,053
Total Assets	274,437	200,550	154,752	124,169	85,276	67,179
Total Deposits	230,426	170,030	131,070	100,333	70,234	54,582
Share Capital	9,034	8,030	6,983	6,650	4,926	3,780
Total Shareholders Equity	15,481	13,329	10,740	9,091	6,341	5,720
Market Capitalization	27,147	13,956	11,801	10,467	10,581	14,572
Number of Staff	5,953	4,900	4,364	3,669	3,170	2,205
Number of Branches	310	275	222	201	166	100
Ratios						
Break up Value (Rs.)	17.14	16.6	15.38	13.67	12.87	15.13
Market Value per Share (Rs.)	30.05	17.38	16.9	15.74	21.48	38.55
Price to Book Value Ratio	1.75	1.05	1.10	1.15	1.67	2.55
Cash Dividend (%)	15	10	-	-	-	-
Stock Dividend (%)	11	12.5	15	5	8.6	20
Right Shares at par (%)	-	-	-	-	35	-
Price Earning Ratio	7.7	4.1	8.2	9.2	17.6	15.1
Earning per Share (Rs.)	3.88	3.75	2.05	1.62	1.22	1.96
Net Spread to Gross Return (%)	47.86	51.94	46.25	50.80	54.61	46.39
Net Profit Before Tax to Gross Income (%)	21.57	21.21	14.4	14.87	13.21	21.43
Net Profit After Tax to Gross Income (%)	14.47	16.51	11.17	8.76	8.27	16.27
Admin Expense to Income before provisions (%)	55.8	51.6	55.59	51.38	61.35	50.86
Financing / Advances to Deposit Ratio-ADR (%)	38.48	41.4	46.0	46.8	59.1	66.1
Investment to Deposit Ratio - IDR (%)	66.21	57.92	41.94	23.21	20.68	19.3
Capital Adequacy Ratio (%)	14.08	14.89	12.41	12.77	9.58	10.71
Return on Average Assets (%)	1.48	1.9	1.18	0.98	0.82	1.7
Return on Average Equity (%)	24.34	28.18	16.64	13.29	10.3	18.39



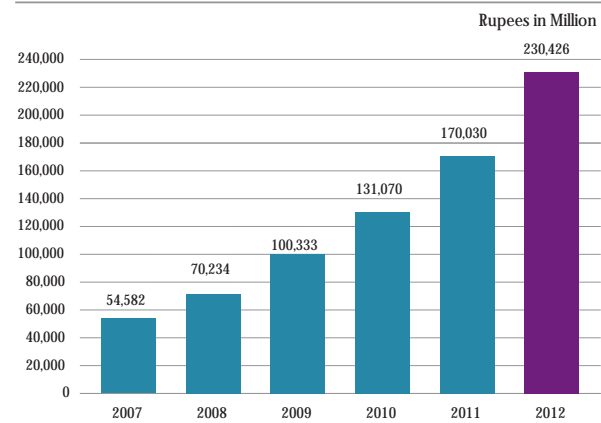
Rupees in Million

2006	2005	2004	2003	2002
2,704	1,459	534	376	311
1,464	690	250	183	192
1,240	769	284	193	119
(122)	(69)	(17)	18	63
(1)	30	(2)	(2)	(2)
1,117	730	265	77	58
441	262	133	67	124
250	360	232	220	164
1,808	1,352	630	496	468
1,028	719	409	255	198
780	633	221	241	270
176	214	(3)	27	47
604	419	224	214	223
28,326	20,493	13,013	7,763	3,646
46,439	30,676	19,697	11,102	6,971
34,449	22,769	13,770	7,757	5,079
3,780	2,037	1,346	1,064	1,001
4,763	3,025	2,098	1,748	1,586
7,465	4,736	2,247	1,649	1,151
1,389	786	511	238	159
62	28	16	10	6
12.6	14.85	15.59	16.43	15.84
19.5	23.25	16.7	15.5	11.50
1.55	1.57	1.07	0.94	0.68
-	-	-	5	5
10	16	15	10	10
50	20	30	-	-
10.5	15.9	10.0	7.7	5.2
1.88	1.46	1.67	2.01	2.23
45.86	52.69	53.15	51.45	38.41
22.98	30.42	24.56	36.33	45.15
17.8	20.15	24.94	32.26	37.24
53.23	51.68	63.02	53.12	48.64
82.2	90.0	94.5	100.1	69.22
8.35	7.05	10.38	15.62	16.85
12.8	10.67	10	15.62	22.99
1.57	1.67	1.46	2.37	4.95
15.64	16.7	12.16	13.74	16.66

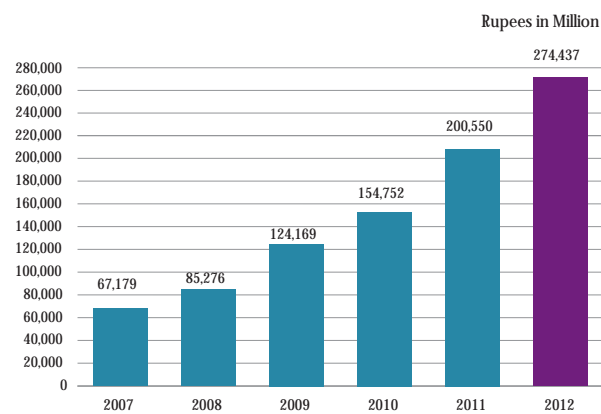
Profit After Taxation



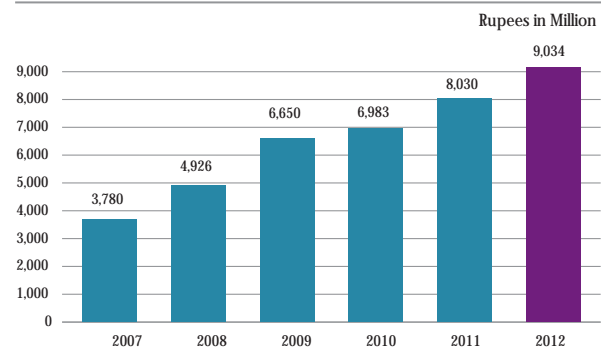
Total Deposits



Total Assets



Share Capital



Six Years' Horizontal Analysis - Statement of Financial Position / Profit & Loss Account

Rupees in Million

Statement of Financial Position												
Assets	2012	12 Vs 11 %	2011	11 Vs 10 %	2010	10 Vs 09 %	2009	09 Vs 08 %	2008	08 Vs 07 %	2007	07 Vs 06 %
Cash and balances with treasury banks	19,125	15	16,641	30	12,781	52	8,387	46	5,764	2	5,644	-4
Balances with other banks	3,851	64	2,348	-76	9,940	89	5,260	291	1,345	-64	3,730	-10
Due from financial institutions	500	-88	4,065	-61	10,512	-70	34,487	90	18,108	105	8,850	139
Investments	152,460	55	98,489	79	54,967	136	23,290	60	14,527	38	10,535	266
Islamic financings and related assets	88,678	26	70,377	17	60,264	28	46,985	13	41,521	15	36,053	27
Operating fixed assets	4,898	23	3,985	30	3,066	27	2,416	28	1,881	82	1,033	95
Deferred tax asset	546	-32	801	134	342	68	204	100	-	-	-	-
Other assets	4,378	14	3,843	33	2,880	-8	3,139	47	2,130	60	1,333	37
	274,437	37	200,550	30	154,752	25	124,168	46	85,276	27	67,178	45
Liabilities												
Bills payable	3,059	34	2,282	29	1,767	41	1,249	18	1,057	-11	1,192	112
Due to financial institutions	18,461	100	9,236	58	5,829	-31	8,468	111	4,008	66	2,416	-44
Deposits and other accounts	230,426	36	170,030	30	131,070	31	100,333	43	70,234	29	54,582	58
Deferred tax liabilities	-	-	-	-	-	-	-	-100	453	5	430	8
Other liabilities	5,940	14	5,216	4	5,006	1	4,934	39	3,549	24	2,851	44
	257,886	38	186,764	30	143,672	25	114,984	45	79,301	29	61,471	48
Net Assets	16,551	20	13,786	24	11,080	21	9,184	54	5,975	5	5,707	20
Represented by:												
Share capital	9,034	12	8,030	15	6,983	5	6,650	35	4,926	30	3,780	-
Reserves	2,760	34	2,058	49	1,380	31	1,050	24	845	17	721	37
Unappropriated profit	3,688	14	3,240	36	2,377	71	1,390	144	570	-53	1,219	172
Surplus / (deficit) on revaluation of investments	1,069	133	458	35	340	262	94	126	(366)	-2,715	(13)	-286
	16,551	20	13,786	24	11,080	21	9,184	54	5,975	5	5,707	20
Profit & Loss Account												
	2012	12 Vs 11 %	2011	11 Vs 10 %	2010	10 Vs 09 %	2009	09 Vs 08 %	2008	08 Vs 07 %	2007	07 Vs 06 %
Return on financings/ investments and placements	21,837	21	18,032	47	12,290	22	10,102	48	6,803	49	4,574	69
Return on deposits and other dues expensed	(11,385)	31	(8,666)	31	(6,606)	33	(4,970)	61	(3,088)	26	(2,452)	67
Net spread earned	10,452	12	9,366	65	5,684	11	5,132	38	3,715	75	2,122	71
Provisions	(451)	-68	(1,389)	-7	(1,497)	-2	(1,532)	114	(717)	64	(436)	254
Net spread after provision	10,001	25	7,977	91	4,187	16	3,600	20	2,998	78	1,686	51
Fee, commission, forex and other income	1,413	5	1,347	-34	2,056	54	1,332	66	802	8	742	68
Dividend income and capital gain	986	-15	1,158	176	419	58	266	-380	(95)	-116	606	142
Income before operating expenses	12,400	18	10,482	57	6,662	28	5,198	40	3,705	22	3,034	68
Administrative and operating expenses	(7,170)	17	(6,126)	35	(4,536)	31	(3,458)	27	(2,713)	54	(1,765)	72
Profit before taxation	5,230	20	4,356	105	2,126	22	1,740	75	992	-22	1,269	63
Taxation	(1,722)	78	(965)	102	(477)	-33	(715)	93	(371)	21	(306)	74
Profit after taxation	3,508	3	3,391	106	1,649	61	1,025	65	621	-36	963	59



Six Years' Vertical Analysis - Statement of Financial Position / Profit & Loss Account

Rupees in Million

Statement of Financial Position												
	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
Assets												
Cash and balances with treasury banks	19,125	7	16,641	8	12,781	8	8,387	7	5,764	7	5,644	8
Balances with other banks	3,851	1	2,348	1	9,940	6	5,260	4	1,345	2	3,730	6
Due from financial institutions	500	0	4,065	2	10,512	7	34,487	28	18,108	21	8,850	13
Investments	152,460	56	98,489	49	54,967	36	23,290	19	14,527	17	10,535	16
Islamic financings and related assets	88,678	32	70,377	34	60,264	39	46,985	39	41,521	49	36,053	54
Operating fixed assets	4,898	2	3,985	3	3,066	2	2,416	2	1,881	2	1,033	2
Deferred tax asset	546	0	801	0	342	0	204	0	-	-	-	-
Other assets	4,378	2	3,843	2	2,880	2	3,139	2	2,130	2	1,333	1
	274,437	100	200,550	100	154,752	100	124,168	100	85,276	100	67,178	100
Liabilities												
Bills payable	3,059	1	2,282	1	1,767	1	1,249	1	1,057	1	1,192	2
Due to financial institutions	18,461	7	9,236	5	5,829	4	8,468	7	4,008	5	2,416	4
Deposits and other accounts	230,426	84	170,030	84	131,070	85	100,333	81	70,234	82	54,582	81
Deferred tax liabilities	-	-	-	-	-	-	-	-	453	1	430	1
Other liabilities	5,940	2	5,216	3	5,006	3	4,934	4	3,549	4	2,851	4
	257,886	94	186,764	93	143,672	93	114,984	93	79,301	93	61,471	92
Net Assets	16,551	6	13,786	7	11,080	7	9,184	7	5,975	7	5,707	8
Represented by:												
Share capital	9,034	3	8,030	4	6,983	5	6,650	5	4,926	5	3,780	6
Reserves	2,760	1	2,058	1	1,380	1	1,050	1	845	1	721	1
Unappropriated profit	3,688	2	3,240	2	2,377	1	1,390	1	570	1	1,219	1
Surplus / (deficit) on revaluation of investments	1,069	-	458	-	340	-	94	-	(366)	-	(13)	-
	16,551	6	13,786	7	11,080	7	9,184	7	5,975	7	5,707	8
Profit & Loss Account												
	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
Return on financings/ investments and placements	21,837	90	18,032	88	12,290	83	10,102	86	6,803	91	4,574	77
Return on deposits and other dues expensed	(11,385)	-47	(8,666)	-42	(6,606)	-45	(4,970)	-42	(3,088)	-41	(2,452)	-41
Net spread earned	10,452	43	9,366	46	5,684	38	5,132	44	3,715	50	2,122	36
Provisions	(451)	-2	(1,389)	-7	(1,497)	-10	(1,532)	-13	(717)	-10	(436)	-7
Net spread after provision	10,001	41	7,977	39	4,187	28	3,600	31	2,998	40	1,686	28
Fee, commission, forex and other income	1,413	6	1,347	6	2,056	14	1,332	12	802	10	742	13
Dividend income and capital gain	986	4	1,158	6	419	3	266	2	(95)	-1	606	10
Income before operating expenses	12,400	51	10,482	51	6,662	46	5,198	45	3,705	49	3,034	51
Administrative and operating expenses	(7,170)	-30	(6,126)	-30	(4,536)	-31	(3,458)	-30	(2,713)	-36	(1,765)	-30
Profit before taxation	5,230	21	4,356	21	2,126	14	1,740	15	992	13	1,269	22
Taxation	(1,722)	-7	(965)	-5	(477)	-3	(715)	-6	(371)	5	(306)	-5
Profit after taxation	3,508	14	3,391	16	1,649	11	1,025	9	621	8	963	17

Financial Analysis

Statement of Financial Position

Total assets of the Bank increased from Rs. 201 billion as at December 31, 2011 to Rs. 274 billion (\$ 2.8 billion) as at December 31, 2012 representing a growth of 37%. Despite this substantial increase in the asset base, the Capital Adequacy Ratio of the Bank has been maintained at a very healthy level of 14.08%, compared to the minimum level of 10% prescribed by the Regulator. The total equity of the Bank now stands at Rs. 15.5 billion, up from Rs. 13.3 billion a year earlier, an increase of 16.5%.

Deposit base of the Bank grew by an impressive 35.5% (Rs. 60.3 billion), 258% of the average deposit growth rate of 13.75% for the banking industry as a whole. The extensive branch network, quality of service and excellent brand image of the Bank were the key contributing factors behind the growth.

Although demand for private sector credit has remained low, mainly due to the crowding-out effect of public sector borrowing, the Bank was able to increase its total financing portfolio by Rs. 18.3 billion to register a growth of 26% over December 2011 compared to the banking sector average growth of 10.43%. The portfolio is well diversified by sector and maturities are also comfortably balanced with 54% in short-term (upto one year) and 46% in long-term.

NPL to gross financings ratio has been reduced to 5.3% in 2012 as compared to 6.14% in 2011 which is reflective of the quality asset booking by the Bank. The NPL coverage ratio of the Bank for 2012 stood at 114% which is one of the highest in the banking industry. The prudent lending strategy backed by a sound risk infrastructure and rigorous remedial and recovery efforts has enabled the Bank to limit the rise of non-performing financings.

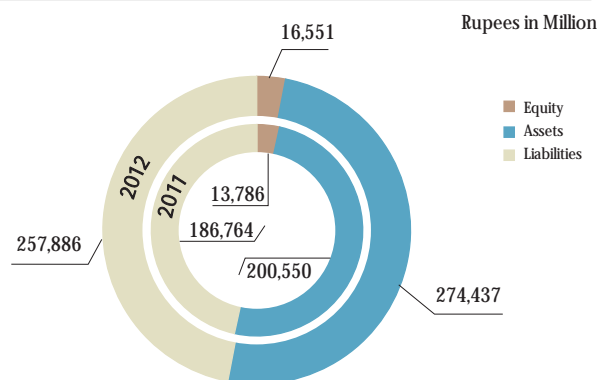
Investments of the Bank grew by Rs. 54 billion (55%) to reach the level of Rs. 153 billion as at December 31, 2012. This growth was mainly due to investment of Rs. 49 billion by the Bank in GOP Ijarah Sukuk. Investment

to Deposit Ratio (IDR) of the Bank now stands at 66.2% while the banking industry's IDR averages 58.20%.

The Bank's equity increased to Rs. 15.5 billion from Rs. 13.3 billion a year earlier, despite the fact that a healthy cash dividend of Rs. 1.355 billion was paid during the year. The share capital of the Bank now stands at Rs. 9 billion (2011: Rs. 8 billion). The Capital Adequacy Ratio is 14.08% compared to the minimum 10% prescribed by SBP.

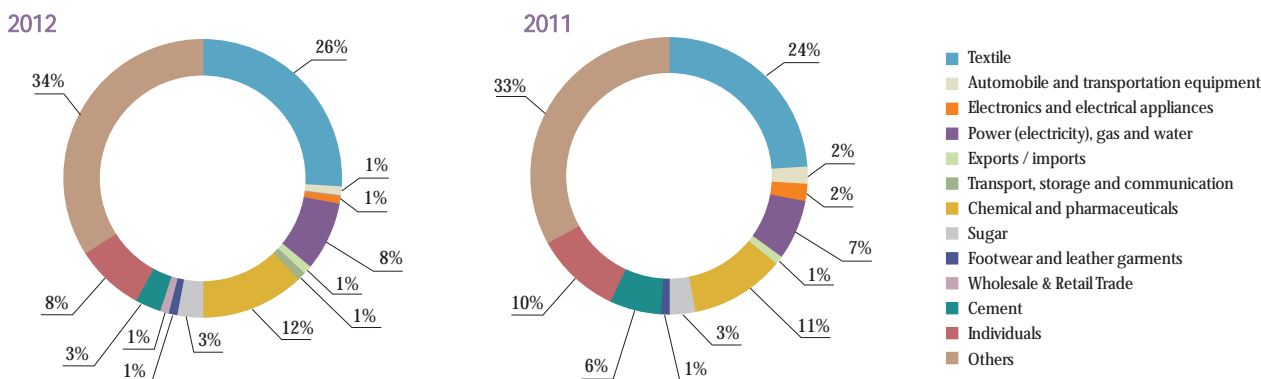
The Board has recommended issue of 11% Bonus Shares (2011: 12.5%) for the year 2012. This declaration, together with the earlier cash dividend of 15% paid in July 2012, brings the total payout for the year to 26% and maintains the Bank's unbroken payout record since its date of listing on the Stock Exchange. This Bonus issue will increase the Bank's paid-up capital to Rs. 10.03 billion. Accordingly, the Bank will meet SBP's minimum capital requirement for 2013 of Rs. 10 billion a year in advance.

Statement of Financial Position

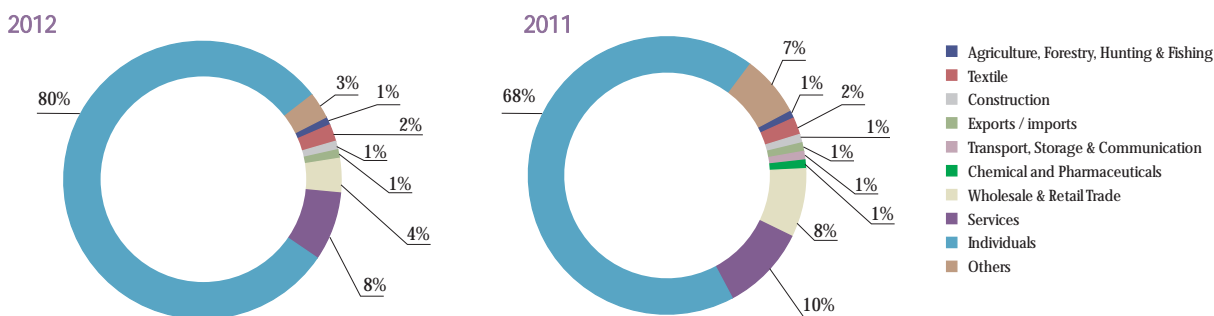


Concentration of Advances & Deposits

Islamic financings and Related Assets (Gross)



Deposits





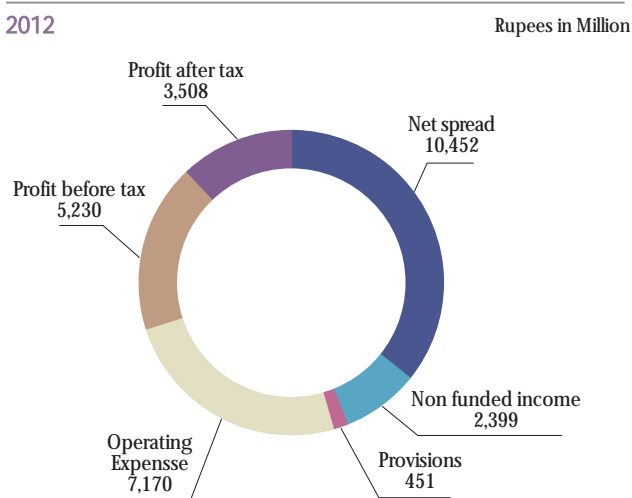
Profit and Loss Account

The Bank posted Profit after Tax of Rs. 3.5 billion, a modest increase of 3.4% over the previous year. However, this increase in profit is commendable when evaluated against the back-drop of the significant reduction in the Policy rate by the State Bank of Pakistan as a result of which spreads have come under pressure. Earning per Share increased from Rs. 3.75 to Rs. 3.88 per share on enhanced capital of Rs. 9 billion, reflecting a 3% increase.

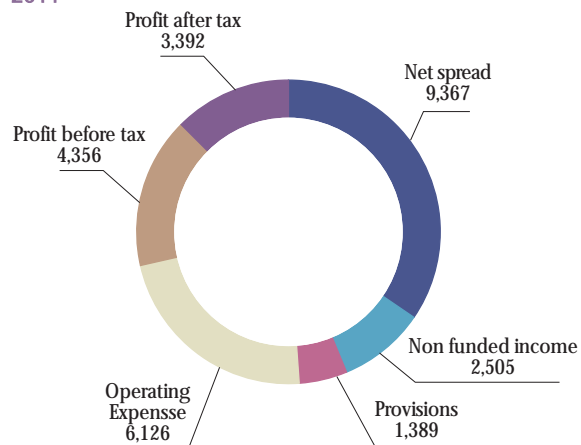
Income from financings, investment and placement has increased by 21% from Rs. 18 billion to Rs. 21.8 billion.

Profit and Loss

2012



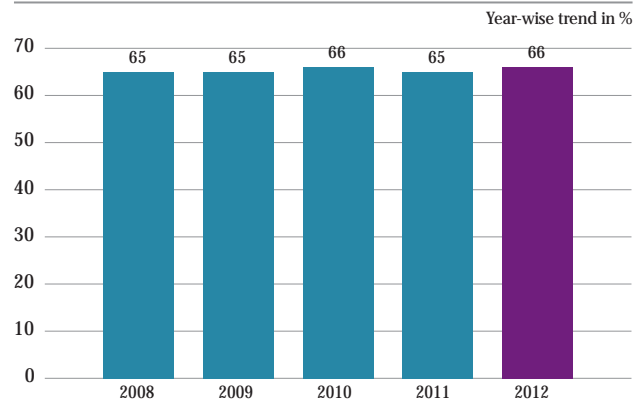
2011



Administrative expenses of Rs. 7.2 billion have increased by 17% during the year, mainly because of higher human resources cost due to induction of staff, salary increments and opening of 35 new branches in 2012 - an investment which has borne fruit for the Bank, as evident from strong growth in deposits and profits over the years.

Return on deposits increased to Rs. 11.4 billion from Rs 8.7 billion. The main reason for this rise was increase in deposit base to Rs. 230 billion from Rs. 170 billion as at December 31 2011. The Bank's average return on deposit stood at 5.7% with CASA remaining unchanged at 66%.

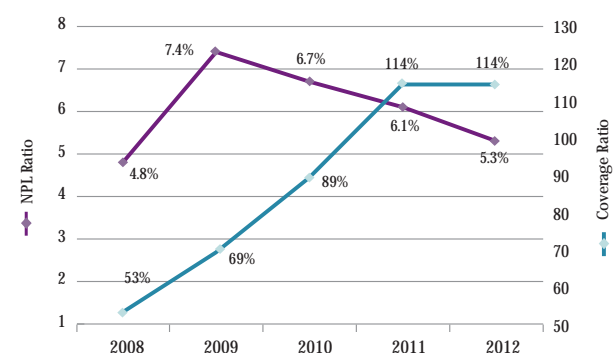
CASA to Total Deposit



As a result of increased focus on fee-based income for commissions, bank charges and trade business, income from non-funded business was Rs. 970 million compared to Rs. 757 million last year, a rise of 28%.

Specific provisions of Rs. 847 million were made against non-performing financings and reversals of Rs. 400 million were recorded against recoveries for non-performing financings during the year. The Bank's coverage ratio of provisions against non-performing financing is one of the highest in the banking industry at 114%.

NPL and Coverage Ratios



Calendar of Major Events

Incorporation of the Bank	January 27, 1997
Commencement of business of the Bank	September 29, 1997
Issuance of Scheduled Islamic Commercial Bank license	January 31, 2002
Commencement of operations as Scheduled Islamic Commercial Bank	March 20, 2002

Financial Calendar

2012

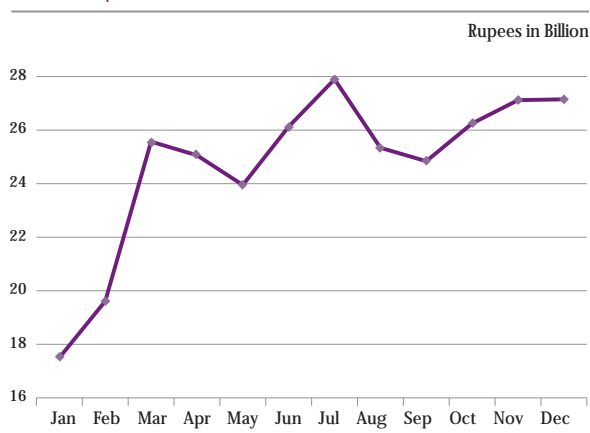
1st Quarter results issued on	April 17, 2012
2nd Quarter results issued on	August 13, 2012
3rd Quarter results issued on	October 12, 2012
Annual results issued on	February 20, 2013
17th Annual General Meeting	Scheduled on March 28, 2013

2011

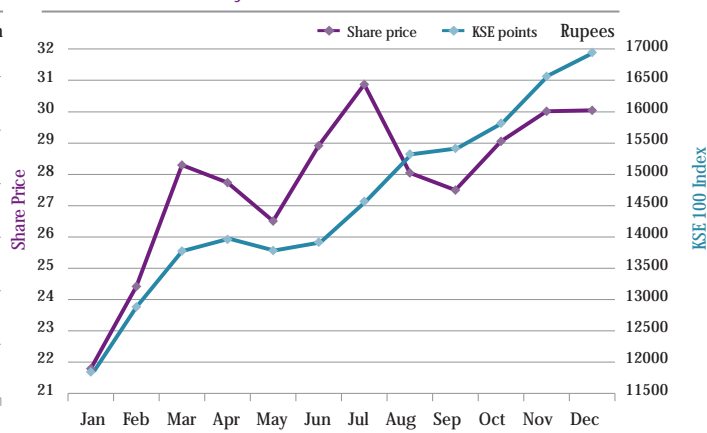
1st Quarter results issued on	May 2, 2011
2nd Quarter results issued on	August 1, 2011
3rd Quarter results issued on	October 31, 2011
Annual results issued on	February 20, 2012
16th Annual General Meeting	March 29, 2012

Monthly Market Statistics of Meezan Bank's Share during 2012

Market Capitalisation



Share Price Sensitivity





Shareholders

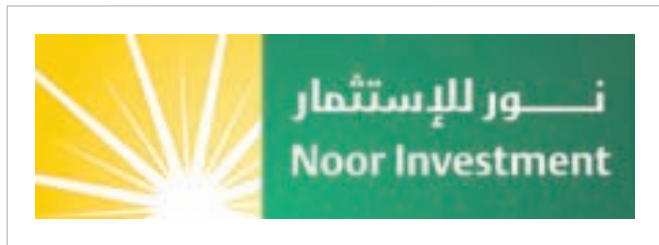
Shareholding Structure	Rs. in Million	%
Noor Financial Investment Co. Kuwait	4,437	49
Pakistan Kuwait Investment Company (Pvt.) Ltd	2,710	30
Islamic Development Bank Jeddah	842	9
Others	1,045	12
Paid up Capital	<u>9,034</u>	<u>100</u>

Noor Financial Investment Company is a Kuwaiti investment company engaged in investment and financial activities primarily in Kuwait, the Middle East, Asia and other emerging markets. The company was established as the financing arm of the National Industries Group (NIG), which is one of the largest private sector industrial groups in Kuwait.

Noor provides a broad range of financial services through its investment banking department. These activities services broadly include private equity, investment strategy & implementation, mergers & acquisition advisory, valuations, hedging & risk management, local / foreign listing, long-term financial planning and innovative structuring. The asset management department of the company also engages in managing proprietary and client portfolios of quoted and unquoted securities, real estate and funds in Kuwait, GCC and the MENA region.

Pakistan Kuwait Investment Company (Private) Limited (PKIC), a joint venture between the Governments of Pakistan and Kuwait was established in 1979. PKIC is one of the most respected and profitable institutions in Pakistan. The company, operating for over 30 years in Pakistan, is engaged in investment and development banking activities in Pakistan. PKIC is the first financial institution in Pakistan that has been rated AAA (triple A) for the long-term by both PACRA and JCR-VIS Credit Rating Company, an affiliate of Japan Credit Rating Company.

Islamic Development Bank (IDB) is located in Jeddah and is an International Financial Institutions established in 1975 in pursuance of a declaration by the Conference of Finance Ministers, of Muslim countries to foster economic development and social progress in member (Islamic) countries. IDB has an equity of approximately USD 9 billion and enjoys presence in 56 member countries. The Bank participates in equity capital and grants loans for productive projects and enterprises besides providing financial assistance in other forms for economic and social development.





Our Institution

History of Meezan Bank	32
Profiles of the Directors	36
Corporate Information	38
Board Committees	39
Organisation Structure	40
Management Team	41
Management Committees	42
SWOT Analysis	44
Risk & Opportunity Report	45
Product Information	46

میزان



Meezan, the Arabic word for 'Balance' has been taken from Surah-e-Rahman.

At Meezan Bank, we believe in maintaining a balance between the needs of our shareholders, our customers, our staff and other stakeholders.

This approach will Insha'Allah help us achieve our Vision of 'providing a strong foundation for establishing a fair and just society for mankind!'

Our identity is derived from this. In the following pages, we are pleased to present an overview of the history of Meezan Bank.

History of Meezan Bank



Establishment of Al Meezan Investment Bank

Riba-Free Certificates of Islamic Investment launched

Al Meezan Investment Management Ltd. becomes a subsidiary of Meezan Bank through acquisition of majority shares

EasyHome
Pakistan's first Shariah-compliant Housing finance product is launched

Branch network reaches 10 branches nationwide while the deposit base grows to Rs.7.7 billion

Meezan Bank wins **Best Islamic Bank in Pakistan Islamic Finance news Awards**

Deposit base grows to Rs. 22 billion
Number of branches reaches 28

Meezan Islamic Institution Deposit Account launched as a product tailored for Islamic Financial Institutions enabling them to manage their excess liquidity through a checking account with Meezan Bank

Dollar Mudarabah Certificates and Special Musharakah Certificates launched for liquidity management and inter-bank market are launched

Celebrating **100** Branches

Branch network reaches the milestone number of 100 branches in 31 cities

Import/Export business reaches Rs. 70 billion
Deposit base grows to Rs. 54 billion

Best Islamic Bank in Pakistan Islamic Finance news Awards

Introduction of Istisna financing for the working capital needs of customers

Deposit base crosses Rs. 100 billion
Bank handles more than Rs. 100 billion of Import/Export business

201 Branches **54** Cities

Meezan **VISA** Debit Cards launched

CFIA ASSOCIATION PAKISTAN Islamic Bank of the Year

ASIAMONEY Best Islamic Bank in Pakistan

Best Islamic Financial Institution in Pakistan

Islamic Finance news Awards Best Islamic Bank in Pakistan

Profit/Return earned on financing and investment activities exceeds Rs. 10 billion

Meezan **TEMENOS** implementing of new core banking application T24

Meezan House inaugurated

The Bank is now the **9th** largest bank in Pakistan in terms of branch network

275 Branches **83** Cities

Total assets of the Bank cross Rs. 200 billion

Meezan Bank becomes the Advisor and Lead Arranger for the first ever short-term Sukuk

Best Islamic Bank in Pakistan
Best Islamic Trade Finance Bank in Pakistan
Best Islamic Deal - Pakistan

Islamic Finance news Awards
Best Islamic Bank in Pakistan
Best Deal of the Year

CFIA ASSOCIATION PAKISTAN Islamic Bank of the Year

Best Islamic Financial Institution in Pakistan

Technical services and support agreement with **Amāna Bank** in Sri Lanka

Launch of **Laptop Cases**

110 Customers Appreciation Days and 27 Islamic Banking seminars held across the country

WESTERN UNION Home remittance service available at all branches

Launch of Rummah Musharakah for working capital requirements of corporate customers

The journey continues towards establishing Islamic banking as banking of first choice... Insha'Allah



Al Meezan Investment Bank acquires Pakistan operations of Societe Generale and is issued the first Islamic Commercial Banking license by SBP. Now a full-fledged scheduled Islamic commercial bank, it is renamed as Meezan Bank

Deposit base stood at Rs. 5.08 billion

Car Pakistan's first Shariah-compliant Auto Finance product is launched

Islamic Export Refinance scheme is introduced in coordination with SBP

SME operations start as an independent business unit

Meezan Bank acts as the Shariah Structuring Advisor for the historic transaction of international Sukuk offering for USD 600 million under a mandate awarded by the Government of Pakistan

Deposit base grows to Rs. 13.7 billion
Number of branches reaches 16

A 24/7 Call Center is established
ATM/Debit Cards and ATMs are introduced

Online Banking is launched across all branches

SBP establishes a dedicated Islamic Banking Department and constitutes a Shariah Board

8 BANKING Introduced for the first time in Pakistan

Deposit base grows to Rs. 34 billion
Number of branches reaches 62 in 21 cities

Islamic Finance news Awards
Best Islamic Bank in Pakistan

Corporate Report Award

Internet Banking launched
ebanking.meezanbank.com

Launch of first Government of Pakistan Ijarah Sukuk

Deposit base grows to Rs. 70 billion

Introduction of Ijarah financing allowing customers to raise funds for financing of stocks of finished goods

First dedicated Islamic Banking Training Centers established in 3 cities

CFIA ASSOCIATION PAKISTAN Islamic Bank of the Year

Islamic Finance news Awards Best Islamic Bank in Pakistan

Best Islamic Financial Institution in Pakistan

Corporate Report Award

Branch Network expands to 40 cities **166** Branches **40** Cities

Over **222** Branches Over **63** Cities

Total deposits reach Rs. 131 billion
Import/Export Business volume Rs. 143 billion

Best Islamic Financial Institution in Pakistan

Islamic Finance news Awards Best Islamic Bank in Pakistan

38 Islamic Banking seminars held in 23 cities—attended by over 4,400 participants

Launch of Wakalah based financing product for the development of partnerships between Islamic banks and Microfinance banks

Meezan Business Plus and Meezan Euro Savings Account as well as Meezan Pound Savings Account launched

Meezan Bank stands among the top three auto-finance providers in the country

10 years of Islamic Banking

Total deposits cross Rs. 230 billion

Best Islamic Bank in Pakistan
Best Islamic Trade Finance Bank in Pakistan
Best Islamic Retail Bank in Pakistan
Best Islamic Deal - Pakistan

Islamic Finance news Awards
Best Deals of the Year - Pakistan

ASIAMONEY Best Islamic Bank in Pakistan

Corporate Report Award

CFIA ASSOCIATION PAKISTAN Islamic Bank of the Year

Meezan **Kids Club & Teens Club** Account Launched

Launch of Mock Branches in Karachi & Lahore for staff training

www.facebook.com/meezanbank
Facebook Fan Page crosses 85,000 Fans

Launch of Meezan Premium Banking & Premium Banking Centers

Introduction of over 550 employees through Batch Hiring

Launch of Meezan Visa Platinum Debit Card

66 The year of 2002 will always remain a landmark year in the history of the banking industry in Pakistan. The advent of Islamic Banking, spearheaded by the birth of Meezan Bank, heralded the growth of a new segment in the banking industry. I was extensively involved in the development of the Islamic Banking framework, working hand in hand with the management of Meezan Bank. Today, as Meezan Bank celebrates 10 years of its founding, I look forward to an era of greater growth and awareness in the Islamic Banking industry of Pakistan and am confident that Meezan Bank will play a pivotal role in this story. My heartfelt felicitations to everyone at Meezan Bank on successfully completing 10 years of Islamic Banking. 99

DR. ISHRAT HUSAIN
Governor State Bank of Pakistan, December 1999 - December 2005

66 Congratulations to Meezan Bank on reaching the milestone of 10 years of operations. Being at the center stage of the development of Islamic finance industry, Meezan Bank, with its shareholders and management, has played a critical role in extending outreach, financial instrument diversification and innovation. The Bank's growth, from its birth in 2002 to 100 branches in 2007 and now 275 branches in 2011, bears witness to the trust that customers place with Meezan Bank.

Meezan Bank is well known for nurturing the industry beyond its institution and with its overseas partnership is respected beyond borders. I believe that successfully maintaining this trust will be their greatest challenge, and biggest victory, in the coming years and with the management and shareholders' continued drive, the Bank will deepen its footprints further and serve the consumer in accordance with Shariah principles - Insha'Allah. 99

DR. SHAMSHAD AKHTAR
Governor State Bank of Pakistan, January 2006 - January 2009

Profiles of the Directors



Front Row from left to right: Ariful Islam ■ | Riyadh S. A. A. Edrees ■ | Abdullateef A. Al-Asfour ■ | H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa ■
Ahmed Abdul Rahim Mohamed ■ | Irfan Siddiqui ■
Back Row from left to right: Rana Ahmed Humayun ■ | Alaa A. Al-Sarawi ■ | Mazhar Sharif ■ | Mohammad Abdul Aleem ■

H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa ■ Chairman

His Excellency Sheikh Ebrahim Bin Khalifa Al-Khalifa is the Chairman of Board of Trustees of Arab Regional Center for Entrepreneurship and Investment Training for United Nations Industrial Development Organization, Kingdom of Bahrain. He is a graduate of Law from Beirut Arab University, Lebanon. Sheikh Ebrahim has held a number of key positions in the Kingdom of Bahrain including former Minister for Housing, former Undersecretary of Ministry of Finance and National Economy, Kingdom of Bahrain and Former Deputy Governor Bahrain Monetary Agency, Central Bank of Bahrain. While serving as the Chairman of Meezan Bank Ltd., H.E. Sheikh Ebrahim is also the Chairman of EBDAA Bank - Kingdom of Bahrain, Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain Citizen LLB - Beirut Arab University in Lebanon and Chairman of Bahrain World Economic Summit.

Abdullateef A. Al-Asfour ■ Vice Chairman

Mr. Abdullateef A. Al-Asfour is the Chairman and Managing Director of Noor Financial Investment Company, Kuwait and a Director of Noor Telecommunication Co. (Noortel), Kuwait. Mr. Al-Asfour has held the following positions during his career spanning four decades.

- Board of Director in United Gulf Bank, Bahrain
- Deputy Chairman of International Tunis Bank, Tunis
- Board of Director in Kuwait Fund for Arab Economic Development, Kuwait
- Board of Director in Gulf Investment Company, Bahrain
- Chairman & Managing Director of United Fisheries of Kuwait, Kuwait
- Deputy Chairman of Arab Fishing Company, Saudi Arabia
- Deputy Chairman of Kuwait Hotels Company, Kuwait
- Chairman of International Hotels Company, Sharjah, UAE
- Board of Director in Arab Industrial International Company, Baghdad, Iraq

Mr. Al-Asfour has a wealth of experience covering diverse sectors, such as financial services, agriculture and telecoms, across geographies from the MENA region to South Asia.

This depth of knowledge and breadth of experience of Mr. Al-Asfour brings invaluable contribution to the Board of Meezan Bank.



Irfan Siddiqui ■ President & CEO

Mr. Irfan Siddiqui is the founding President & CEO of Meezan Bank. He initiated the formation of Al-Meezan Investment Bank in 1997, which was converted into a full fledged scheduled Islamic Commercial Bank in May 2002 - the first ever Islamic Commercial Banking license given in Pakistan. Mr. Irfan Siddiqui is a Chartered Accountant from England & Wales and has extensive financial sector experience with Abu Dhabi Investment Authority, Abu Dhabi Investment Company, Kuwait Investment Authority and Pakistan Kuwait Investment Company (Pvt.) Ltd. Mr. Siddiqui is a Director - Pak Kuwait Takaful Co. Ltd. and former Director - The General Tyre & Rubber Company of Pakistan Ltd., Plexus (Pvt.) Ltd., Al Meezan Mutual Fund Ltd., Al Meezan Investment Management Ltd. and FFC-Jordan Fertilizer Company Limited

Ariful Islam ■ Chief Operating Officer & Executive Director

Mr. Ariful Islam is an Associate member of the Institute of Chartered Accountants in England and Wales and a Fellow member of the Institute of Chartered Accountant of Pakistan. He joined Meezan Bank in April 1999 as the Bank's first Chief Operating Officer. He has previously worked with Faysal Bank Limited and MCB Bank Limited, where he held various senior management positions in the capacity of Executive Vice President and Senior Executive Vice President, respectively. He has over 25 years of experience in the financial sector. Mr. Islam is currently also Chairman of the Board, Al Meezan Investment Management Limited, the Banks asset management subsidiary.

Rana Ahmed Humayun ■

Mr. Rana Ahmed Humayun is the Deputy General Manager and Chief Financial Officer at Pakistan Kuwait Investment Company (Pvt.) Ltd. Previously Mr. Humayun has served at senior management positions with Standard Chartered Bank, Deutsche Bank, Muslim Commercial Bank, Faysal Islamic Bank of Bahrain and Orix Leasing. Mr. Humayun is an FCA and an MBA by qualification.

Riyadh S. A. A. Edrees ■

Mr. Riyadh S. A. A. Edrees, is the Executive Manager at National Industries Group (Holding) - Kuwait where he has been associated with the group since 1999 holding the positions of Senior Manager, Project Development manager and Deputy Manager for Petrochemical Projects. He is currently serving on the Board of numerous international organizations including Chairman - Privatization Holding Co., Advisory Board Member - Markaz Energy Fund and Board member - Kuwait Ceramic Company, Noor Financial Investments, Investment Committee of Bouniya Fund of the Kuwait Investment Co. (Bahrain), Middle East Complex for Eng., Electronics & Heavy Industries Co., and Saudi International Petrochemical Company. Mr. Edrees has also held the seat of GM - Ikarus Petroleum Industries Company, GM Gas & Oil Fields Co. and Vice President - Eastern United Petroleum Services. Mr. Edrees holds a BSc. Chemical Engineering from Newcastle upon Tyne University - UK and a MSc. in Chemical Engineering from Kuwait University.

Ahmed Abdul Rahim Mohamed ■

Mr. Ahmed Abdul Rahim Mohamed is the General Manager - Retail Banking Group, Ithmaar Bank B.S.C, Kingdom of Bahrain. He is an Associate Financial Accountant (IFA, UK) and holds a Masters in Business Administration from the University of Glamorgan, Wales.

Mr. Ahmed Abdul Rahim Mohamed carries vast experience of the Banking sector having held positions as Deputy CEO - Shamil Bank of Bahrain, COO - Ithmaar Bank and Chief Internal Auditor - National Bank of Bahrain.

He is currently serving as a Member of the Board of Directors - Family Bank of Bahrain and First Leasing Bank Bahrain.

Alaa A. Al-Sarawi ■

Mr. Alaa A. Al-Sarawi, a Bachelor of Business Administration and Minor in Government from Eastern Washington University - USA, and Accounting Diploma from Kuwait Business College - Kuwait, is currently serving as Sr. Investment Manager - Alternative Investments Sector at the Kuwait Investment Authority, Kuwait. Mr. Alaa A. Al-Sarawi was previously associated with noteworthy institutions including Boubyan Bank, Kuwait and Al-Ahlia Investment Company, Kuwait and Wafra International Investment Company, Kuwait. He has also served as Director - Al-Bilad Real Estate Investment Company. Mr. Alaa A. Al-Sarawi did the Investment Trainee Program at the KIA and the overseas assignment with JP Morgan. N.Y. in 1996.

Mohammad Abdul Aleem ■

A Fellow Chartered Accountant (FCA) and a Fellow Cost and Management Accountant (FCMA).

Mr. Aleem has worked for 16 years in senior positions with Engro Corporations Ltd. and Esso Singapore. Thereafter, he has worked for another 14 years with British American Tobacco Group UK, (BAT) in Pakistan and overseas. For over ten years Mr. Aleem served as the Chief Executive Officer of BAT operations in Cambodia, Mauritius and Indian Ocean. Since 2004, Mr. Aleem has served in senior positions with large Government owned corporations in Pakistan. His last assignment was as the Managing Director, Pakistan State Oil Company Ltd.

Currently, he is the Chief Executive and Secretary General of Overseas Investors Chamber of Commerce and Industry.

Mr. Aleem is also the Chairman of Faysal Asset Management Company and serves on the Board of Directors of Dawood Hercules Corporation Ltd and Pakistan Institute of Corporate Governance besides being a Board member of Meezan Bank.

Mazhar Sharif ■

Mr. Mazhar Sharif is the Head of Internal Audit & Executive Vice President at Pakistan Kuwait Investment Company (Pvt.) Ltd. He is a Fellow Chartered Accountant (ICAP) and holds a Bachelors of Commerce degree from the University of Karachi. He has more than 13 years of work experience in the financial sector. Mr. Mazhar is currently a Nominee Director at The General Tyre and Rubber Company of Pakistan Ltd. and Al Meezan Investment Management Ltd.

Mohammed Azzarog Rajab *

Mr. Azzarog Rajab is the nominee director of Islamic Development Bank of Jeddah. He is a Fellow Chartered Accountant (England & Wales) and a Bachelors in Commerce from the Libyan University. Along with his position as Director - Meezan Bank, Mr. Azzarog is also serving as Director - Bahrain Islamic Bank, Board Member - BISB Bahrain and Al Meezan Investments - Pakistan and was a Former Director - Islamic Development Bank Jeddah. He has also held the prestigious positions of Auditor General of Libya, Minister of Treasury Libya and Governor of Libyan Central Bank.

**Not in the Photograph*

Corporate Information

Board of Directors

H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa
Abdullateef A. Al-Asfour
Rana Ahmed Humayun
Riyadh S. A. A. Edrees
Mohammed Azzaroog Rajab
Ahmed Abdul Rahim Mohamed
Alaa A. Al-Sarawi
Mohammad Abdul Aleem
Mazhar Sharif
Irfan Siddiqui
Ariful Islam

Chairman
Vice Chairman

President & CEO
Chief Operating Officer & Executive Director

Shariah Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani
Dr. Abdul Sattar Abu Ghuddah
Sheikh Essam M. Ishaq
Dr. Muhammad Imran Usmani

Chairman

Board Committees

Audit Committee

Ahmed Abdul Rahim Mohamed
Mohammad Abdul Aleem
Mazhar Sharif

Human Resource & Remuneration Committee

Abdullateef A. Al-Asfour
Ahmed Abdul Rahim Mohamed
Irfan Siddiqui

Risk Management Committee

Riyadh S. A. A. Edrees
Alaa A. Al-Sarawi
Ariful Islam

Auditors

A. F. Ferguson & Co.

Company Secretary

Tasnimul Haq Farooqui

Registered Office

Meezan House C-25, Estate Avenue,
SITE, Karachi-Pakistan. PABX: (92-21) 38103500
UAN: 111-331-331 & 111-331-332

Shares Registrar

THK Associates (Pvt.) Ltd.
State Life Building-3, Dr. Ziauddin Ahmed Road,
Karachi-75530, Pakistan. Ph: (92-21) 111-000-322,
Fax: (92-21) 35655595

E-mail

info@meezanbank.com

Website

www.meezanbank.com



Board Committees

Human Resource and Remuneration Committee

Mr. Abdullateef A. Al-Asfour – Chairman
Mr. Ahmed Abdul Rahim Mohamed
Mr. Irfan Siddiqui (President & CEO)

Terms of Reference

The BHRRC Committee has been formed to ensure that Meezan Bank manages its Human Resource in the light of best practices of the industry and the Bank's Strategic Plan, detailed Business Plans, and the Annual Budgets. Responsibilities of the HR Committee include reviewing and recommending Human Resource management policies to the Board of Directors in the light of local and international best practices; recommending to the Board the selection, evaluation, compensation (including retirement benefits), and succession planning of the CEO COO, CFO, Company Secretary, Head of Internal Audit as well as the key positions ex post facto (Key positions are defined as those who report directly either to Chief Executive Officer or Chief Operating Officer) as well as monitoring the training activities of the Bank to ensure that staff are adequately trained for the job they are expected to perform.

Risk Management Committee

Mr. Riyadh S. A. A. Edrees - Chairman
Mr. Alaa A. Al-Sarawi
Mr. Ariful Islam (COO)

Terms of Reference

The RMC is responsible for reviewing and assessing the Bank's policies on all major risk categories including credit, market, liquidity and operational risk as well as adequacy of the risk management function of the Bank. It reviews the adequacy of the Bank's capital in accordance with laid down rules and regulations including the minimum capital requirements as per the Basel II Accord and techniques developed and implemented to measure the Bank's risk exposures. It also evaluates the risk profile and appetite of the Bank and ensures that systems are in place for monitoring overall risk in conformity with best industry practices. It also reviews exception reports highlighting deviations from the approved policies.

Audit Committee

Mr. Ahmed Abdul Rahim Mohamed – Chairman
Mr. M. Abdul Aleem
Mr. Mazhar Sharif

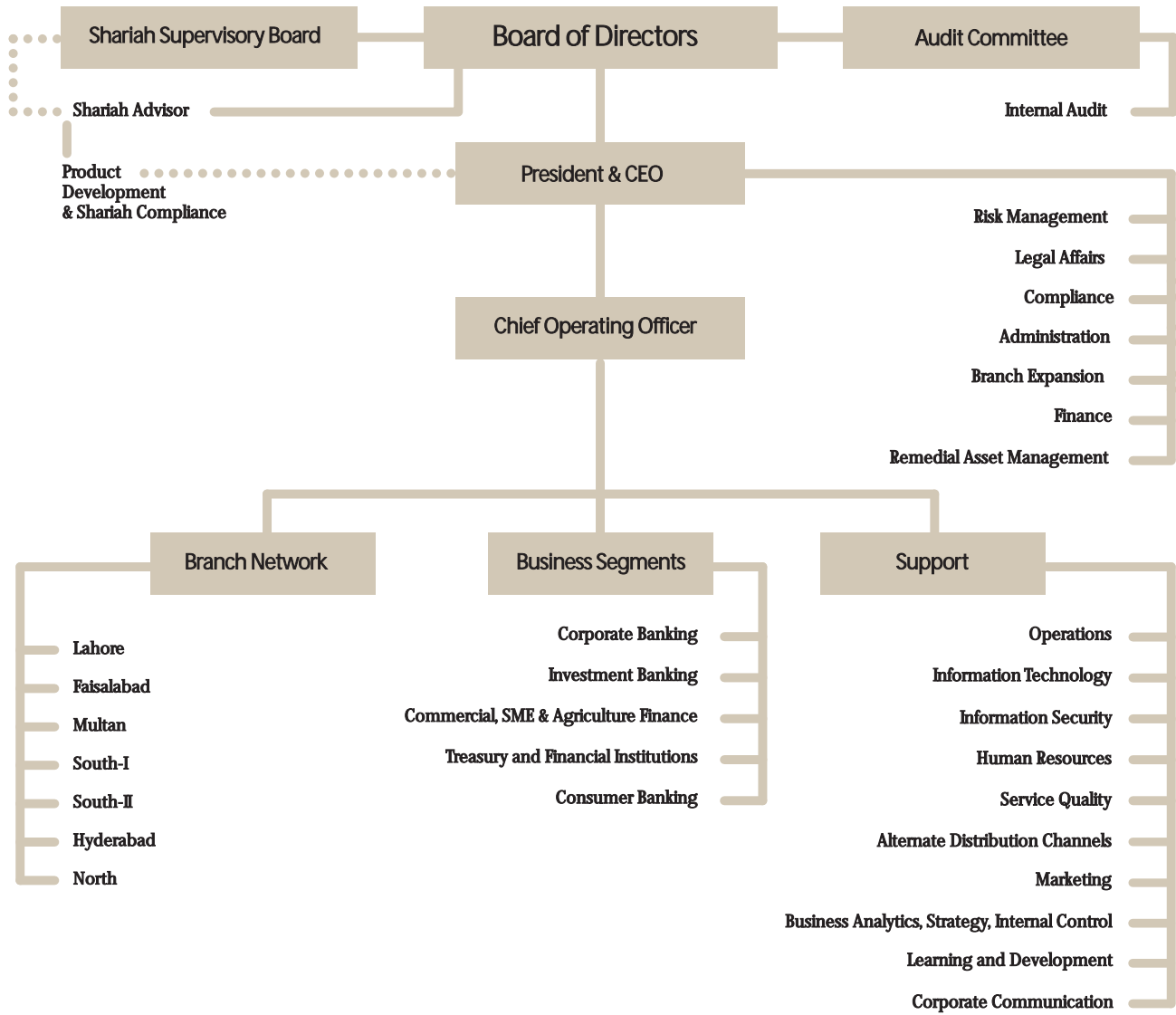
Terms of Reference

The Audit Committee is responsible for determination of appropriate measures for safeguarding the Bank's assets; review of quarterly, half-yearly and annual financial statements; review of management letter issued by external auditors and management's response thereto; review of the scope and extent of internal audit; consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power; ascertaining that the internal control systems are adequate and effective; determination of compliance with relevant statutory requirements; oversight of implementation of Internal Controls over Financial Reporting (ICFR) program across the Bank and consideration of any other issue or matter as may be assigned by the Board of Directors.

Dates and Attendance of Board Committees

Name of Director	No. of Meetings Attended	Risk Management Committee			Human Resource and Remuneration Committee			Audit Committee					
		17 Feb. 12	15 Apr. 12	10 Oct. 12	18 Feb. 12	15 Apr. 12	10 Aug. 12	18 Feb. 12	15 Apr. 12	11 Aug. 12	10 Oct. 12	11 Dec. 12	
Mr. Alaa A. Al-Sarawi	2 / 3	P	P	A									
Mian Muhammad Younis	3 / 3	P	P	P									
Mr. Ariful Islam	3 / 3	P	P	P									
Mr. Ahmed Abdul Rahim Mohamed	3 / 3				P	P	A						
Mr. Abdullateef A. Al-Asfour	3 / 3				P	P	P						
Mr. Irfan Siddiqui	3 / 3				P	P	P						
Mian Muhammad Younis	4 / 4							N/A	P	P	P	P	P
Mr. Ahmed Abdul Rahim Mohamed	5 / 5							P	P	P	P	P	P
Mr. Mohammad Abdul Aleem	5 / 5							P	P	P	P	P	P
Mr. Mazhar Sharif	0 / 1							A	N/A	N/A	N/A	N/A	N/A

Organisation Structure





Management Team

Head Office

Irfan Siddiqui	President & CEO
Ariful Islam	Chief Operating Officer
Arshad Majeed	Operations
Ijaz Farooq	Branch Banking, Commercial, SME & Agriculture Finance
Muhammad Shoaib Qureshi	Risk Management
Shabbir Hamza Khandwala	Finance
Faizur Rehman	Information Technology
Muhammad Abdullah	Treasury & Financial Institutions
Zia Ul Hassan	Internal Audit
Abdul Ghaffar Memon	Remedial Assets Management/Prevention of Fraud & Forgery
Ahmed Ali Siddiqui	Product Development & Shariah Compliance
Irfan Ali Hyder	Human Resources
Kazi Muhammad Aamir	Commercial Banking, SME & Agriculture Finance
Mohammed Sohail Khan	Learning & Development and Corporate Communication
Muhammad Raza	Consumer Banking and Marketing
Muhammad Zahid Ahmed	Business Analytics, Strategy, Internal Control
Munawar Rizvi	Administration & Branch Expansion
Saleem Wafai	Compliance
Syed Amir Ali	Corporate and Investment Banking
Tasnim Ul Haq Farooqi	Legal Affairs
Omer Salimullah	Alternate Distribution Channels
Muhammad Asadullah	Service Quality

Regions

Muhammad Saleem Khan	Regional Manager - North
Aasim Salim	Regional Manager - Lahore
Anwar Ul Haq	Regional Manager - Faisalabad
Khalid Masood	Regional Manager - Multan
Muhammad Abid	Regional Manager - South I
Tariq Mehboob	Regional Manager - South II
Tanveer Zaman Khan	Regional Manager - Hyderabad

Shariah Advisor

Dr. Muhammad Imran Usmani

Management Committees

Asset Liability Management Committee

President & CEO – Chairman
Chief Operating Officer – Alternate Chair
Chief Financial Officer
Head of Branch Banking, Commercial, SME & Agriculture Finance
Head of Business Analytics Strategy & Internal Controls
Head of Consumer Banking
Head of Corporate & Investment Banking
Head of Risk Management
Head of Treasury & FI

Terms of Reference

ALCO is responsible for reviewing the Asset and Liability structure of the Bank, monitoring the liquidity situation, evaluating asset classes and taking decisions with regards to risks and rewards associated with purchasing and selling of these assets. Market and Liquidity risks are examined based on stress testing exercises and gap analysis while considering the overall economic environment of the country. ALCO is also responsible for monitoring policy rate movements and taking necessary steps across all assets and liabilities to ensure that the overall profitability of the Bank is maximized. This is mainly performed by alterations in the profit rates offered across different deposit products. ALCO also ensures that the Banks' overall operations are fully compliant with regulatory framework for the business as provided by the State Bank of Pakistan.

Business Continuity Steering Committee

Chief Operating Officer – Chairman
Head of Administration & Branch Expansion
Head of Branch Banking, Commercial, SME & Agriculture Finance
Head of Compliance
Head of Information Technology
Head of Operations
Head of Risk Management
Manager - Security & Quality Assurance

Terms of Reference

BCSC works with the Business Continuity Manager to ensure success and visibility of the Business Continuity Planning efforts at Meezan Bank. It does this by identifying, prioritizing, and overseeing Business Continuity plans and soliciting input from various Departments to aid in decision-making and priority-setting for Business Continuity Management (BCM). BCSC is also responsible for defining the Business Continuity Strategy and creating an organizational structure that can support the BCM initiative. BCSC reviews the progress of the BCM initiative and provides support to deal with the issues arise during its implementation.

Business Review Committee

President & CEO – Chairman
Chief Operating Officer – Alternate Chair
Chief Financial Officer
Shariah Advisor
Head of Branch Banking, Commercial, SME & Agriculture Finance
Head of Business Analytics, Strategy & Internal Control
Head of Commercial Banking, SME & Agriculture Finance
Head of Consumer Banking & Marketing
Head of Corporate & Investment Banking
Head of Information Technology
Head of Operations
Head of Product Development & Shariah Compliance
Head of Risk Management
Head of Treasury & FI

Terms of Reference

The purpose of the Business Review Committee is to provide strategic direction to all business units of the Bank; monitor the performance of various departments against agreed objectives and identify and address operational bottlenecks in business processes. The Committee achieves the above objectives by ensuring collaboration and cooperation among all stakeholders in the Bank for achieving the annual targets and strategic objectives. It also advises the management on new business opportunities outside the Bank's current set of activities. BRC also reviews the SWOT analysis of the Bank and identifies the criteria and framework for benchmarking the Bank in line with best industry practices.

Credit Committee

President & CEO – Chairman
Chief Operating Officer
Chief Financial Officer
Head of Risk Management

Terms of Reference

The Credit Committee reviews and grants approval of credit proposals of Corporate, Commercial, SME and Investment Banking clients within its delegated powers. It also supports and guides front lines in managing their businesses while ensuring compliance with applicable policies approved by the Board of Directors of the Bank. The Committee is also responsible to optimize risk on the Bank's credit portfolio, ensuring credit quality as per the Bank's risk asset acceptance criteria, managing the tenor of assets, maintaining adequate industry diversification and minimizing bad debts / loss provisioning.



Management Committees

Disciplinary Action Committee

Head of Risk Management – Chairman
Head of Administration & Branch Expansion
Head of Fraud & Forgery Prevention
Head of Human Resources
Head of Internal Audit

Terms of Reference

The purpose of the Disciplinary Action Committee (DAC) is to take action on any violation of policies & procedures, act of fraud & forgery, breach of discipline and code of conduct, ethics & business practices, law of land and statutory regulations of SBP by an employee.

Disciplinary Action Review Committee

Chief Operating Officer – Chairman
Head of Learning & Corporate Communication
Head of Legal

Terms of Reference

The purpose of DARC is to review the appeals of the staff against whom DAC has already taken disciplinary action. The DARC is formed with a view to ensure a fresh review of each appeal filed against the DAC decision.

Internal Controls & Operational Risk Management Committee

Chief Operating Officer - Chairman
Chief Financial Officer
Head of Branch Banking, Commercial, SME & Agriculture Finance
Head of Business Analytics, Strategy & Internal Controls
Head of Compliance
Head of Corporate & Investment Banking
Head of Information Technology
Head of Internal Audit
Head of Operations
Head of Risk Management

Terms of Reference

The key functions of ICORC include reviewing adequacy of controls and systems to meet the regulatory requirements and business plan of the Bank. The Committee evaluates overall management information systems and guides/ facilitates for its accuracy and standardization. The ICORC reviews reports on major actual/ attempted fraud, forgery and dacoity incidents and the steps taken to mitigate such incidents in future. The Committee ensures that policies and procedures in all key risk areas of the banking business are in place. It deliberates on reports regarding deviations and lapses vis-à-vis internal and external requirements. The ICORC also reviews reports on loss data and key risk indicators.

IT Steering Committee

Chief Operating Officer – Chairman
Head of Branch Banking, Commercial, SME & Agriculture Finance
Head of Business Analytics, Strategy & Internal Controls
Head of Corporate & Investment Banking
Head of Information Technology
Head of Operations
Head of Product Development & Shariah Compliance
Head of Risk Management
Manager of Operations & Business Technology Alignment

Terms of Reference

The primary role of the ITSC is to identify, prioritize, and oversee IT plans and projects. The Committee does this by working with the Information Technology department to establish overall priorities and provide general direction for IT initiatives by identifying and sponsoring projects that support the Bank's business plan. The ITSC also assists the Bank's Senior Management, including the IT Head, in effectively utilizing IT resources to meet the business and operational needs of the Ban as well as in resolving conflicts in demand for IT services and resources.

Shariah Audit & Compliance Committee

President & CEO – Chairman
Chief Operating Officer
Shariah Advisor
Head of Compliance
Head of Internal Audit
Head of Operations
Head of Product Development & Shariah Compliance

Terms of Reference

The primary objective of SACC is to improve the of level compliance to Shariah standards/guidelines, internal audit observations and SBP polices/guidelines to safeguard the reputation of Meezan Bank. The Committee reviews the major unresolved issues pointed out during Internal audit & Business Risk Review exercises; Shariah Audit, SBP Inspection and Compliance reviews of different business units & departments and ensures that required steps and actions are taken by the concerned units.

SWOT Analysis

Being aware of the environment in which one operates as well as of one's own strengths and weaknesses is a key element in the success or failure of any business. Meezan Bank's management is cognizant of the fact that the economy and the banking industry are in a state of flux and regularly conducts SWOT analysis of the organization to capitalize on its strengths and work on its weaknesses in view of the opportunities available in its environment and the threats that it needs to overcome. A SWOT summary of the business as it stands today is given below:

S

Strengths

- Pakistan's largest Islamic banking branch network
- Largest market share of Pakistan's Islamic banking sector
- Comprehensive menu of truly Shariah-compliant products and services
- Dedicated Shariah Supervisory Board comprising of world-renowned Shariah scholars
- Dedicated department for development of Shariah-compliant products, research and Shariah audit

W

Weaknesses

- Limited availability of human resources with Islamic banking knowledge
- Limited opportunities for investment of surplus liquidity

O

Opportunities

- Growing local and international Islamic Banking market
- Increasing awareness about Islamic financial services and demand for Shariah-compliant products and services
- Significant potential for market penetration

T

Threats

- Conventional Banks entering Islamic Banking Market
- Macro-economic challenges
- Misconceptions and misunderstandings among the general public about Islamic banking



Risk and Opportunity Report

The Bank is exposed to various types of risks that it needs to take as a part of its daily business to maximize the return to its stakeholders. Backed by strong support of its shareholders, the Bank continued to explore opportunities to achieve its strategic objectives while ensuring that it has proper risk mitigants in place.

Under the overall supervision of the Board of Directors and Shariah Supervisory Board, various business units of the Bank continued to explore new business opportunities in close coordination with Risk Management, Compliance, PDSC, Information Technology and Operations departments, keeping in mind the relevant risk-reward trade-offs. Introduction of new products such as Meezan Premium Banking, Kids & Teens Club accounts and Islamic Agricultural Financing were all done while ensuring that proper policies, procedures, systems and controls were in place. The Bank follows a rigorous process of sign-off by all stakeholders to ensure that the relevant business and operational risks have been evaluated and properly mitigated before launch of the products.

While searching for new business opportunities and revising/improving its internal processes, the Bank is fully cognizant of strategic, Shariah non-compliance, regulatory and reputational risks as well as risks arising from people, processes, systems and external events. The Bank also understands that by its very nature of business, it is exposed to commercial and financial risks including credit, concentration, liquidity, market, rate of return and equity investment risks.

Considering the level of opportunities and the complexity of the risks involved, the Bank continued developing its policy framework, improving the product development process and Shariah audits as well as reviewing its systems and procedures. The Bank also focused on capacity building through training and development, improving the quality of risk assessment and working on the business continuity plan during the period under review. The Bank further strengthened its Alternate Distribution Channels, service quality levels and internal control environment. The Bank emphasized on diversified risk assessment tools and techniques and risk mitigants to better deal with the opportunities that it comes across. These actions have helped the Bank in significantly expanding its deposit base and branch network without exposing itself to unwarranted risks.

Product Information

Meezan Bank offers a diverse range of Shariah-compliant deposit and financing products through its network of 310 branches across 90 cities in Pakistan. All products of the Bank are approved by the Shariah Advisor / Shariah Supervisory Board and are 100% Riba-Free.

The Bank's nationwide real-time Online Banking system allows customers to conduct banking transactions at any branch of Meezan Bank, regardless of which branch their account is in. Meezan Bank also offers an extensive ATM network, free Internet Banking facility on all Pak Rupee Accounts, globally accepted VISA Debit Cards and SMS Alerts service on every debit and credit transaction in customers' account and a 24/7 Call Center.

Meezan Rupee Current Account

This is a checking account that works on the basis of 'Qard' and provides the convenience of conducting day-to-day transactions. There is no restriction on withdrawals or number of transactions and there is no deduction of service charges if the balance maintained is low.

Meezan Rupee Savings Account

Meezan Bank's Rupee Savings Account provides monthly profit along with a variety of free packaged benefits. Profit is calculated on the daily balance and credited into the account on a monthly basis. Minimum investment required for opening an account is Rs. 100 and there is no deduction of service charges if the balance maintained is low.

Meezan Bachat Account

Meezan Bachat Account is a Savings Account for small savers that offers a higher expected profit. The minimum investment required for opening an account is Rs. 25,000. Profit is calculated with a higher weightage for account balances up to Rs. 1 million. There is no restriction on withdrawals or number of transactions and there is no deduction of service charges if the balance maintained is low.

Karobari Munafa Account

Meezan Bank's Karobari Munafa Account is a Savings Account for business people where profit is calculated on the daily balance and credited into the account on a monthly basis. The minimum investment required for opening an account is Rs. 1 million.

On maintaining an average monthly balance of Rs. 1 million, the customers can avail free cheque book and pay order facilities. There is no restriction on withdrawals or number of transactions and there is no deduction of service charges if the balance maintained is low.

Meezan Business Plus Account

Meezan Business Plus is a business account with several unique features that make it very suitable for use as a business account. On maintaining an average monthly balance of Rs. 25,000, the customer can avail a number of free services including free cheque books, free pay orders, free VISA Debit Card, free account statements, free Online Banking, free Internet Banking, free hold-mail facility, free SMS Alerts service, free inter-city clearing, free Pay Order cancellation, free Balance Maintenance Certificate, etc. There is no restriction on withdrawals or number of transactions and there is no deduction of service charges if the balance maintained is low. As the product is designed to provide free value added services, the share of profit will be minimal.

Kids Club Account

Kids Club Account is a Mudarbah based Savings Account for children under the age of 12 years to cultivate saving habit in the early years. The account can be opened from Rs. 500. On opening the account from Rs. 10,000, the child is entitled to free accidental takaful coverage for one year. The profit is paid on monthly basis. VISA Debit card fee is waived for the first year. Exciting gifts are given to kids club members on Account opening.

Teens Club Account

Teens Club Account is Pakistan's first Teens Account. The account is a Mudarbah based Saving Account designed to cater to the requirements of the age group of 12 to 18 years. Teens Club Account can be opened from Rs. 1,000 only. Teens opening Teens Club Accounts with Rs. 10,000 are entitled to free accidental Takaful coverage in the first year of account opening. VISA Debit card fee is waived for the first year. Exciting Account opening gifts await the Teens Club members.

Dollar Savings Account

Meezan Bank's Dollar Savings Account is a foreign currency Savings Account that can be opened by both individuals and businesses.





Profit is calculated on daily balance and credited into the account on a monthly basis. The minimum investment required for opening an account is USD 100. Customers may make withdrawals of up to USD 500 without prior intimation and above USD 500 on a single day intimation (subject to availability). There is no deduction of service charges if the balance maintained is low.

Euro Savings Account/Pound Savings Account

Meezan Bank's Euro Savings Account & Pound Savings Account are foreign currency Saving Accounts that can be opened by both individuals and businesses. Profit is calculated and credited into the account on a monthly basis. The minimum investment required for opening an account is Euro / GBP 100. Customers may make withdrawals of up to Euro / GBP 500 without prior intimation and above Euro / GBP 500 on a single day intimation (subject to availability). There is no deduction of service charges if the balance maintained is low.

Certificates of Islamic Investment

Certificates of Islamic Investment are Term Deposit certificates for investment periods ranging from 3 months to 5 years with profit payment on monthly, quarterly and maturity basis. Minimum investment required for quarterly and maturity profit payment option is Rs. 50,000. However, Rs. 200,000 is required as a minimum investment amount for a monthly profit payment option and there is no limit on maximum investment. Redemption can be made as per the approved schedule.

Meezan Amdan Certificate

Meezan Amdan Certificate is a Term Deposit certificate that offers a higher expected monthly profit to investors for periods of 5 1/2 and 7 years. It is ideal for those individuals and businesses who need a regular stream of monthly income. Minimum investment required is Rs. 100,000 for regular customers, while for widows and senior citizens, the minimum investment is Rs. 50,000. Redemption can be made as per the approved schedule.

Monthly Mudarabah Certificate

The Monthly Mudarabah Certificate is a short-term deposit product for an investment period of one month only. Profit is paid on maturity with a re-investment option available on a continuous basis. Minimum investment required is Rs. 100,000.

Dollar Mudarabah Certificate

Dollar Mudarabah Certificates are foreign currency Certificate of Islamic Investment through which one can invest in US Dollars for defined periods ranging from 3 months to 3 years and earn profit six-monthly or at maturity. Minimum investment required is USD 10,000 and there is no maximum investment limit. Redemption can be made as per the approved schedule.

Meezan Labbaik Savings Aasaan

Meezan Labbaik Savings Aasaan is a deposit product for individuals who wish to save for their spouse, children, parents or other family members for performing Hajj or Umrah on a future date. It is a Recurring Deposit Account, where the customer deposits contribution as per schedule. The minimum investment required for opening an account is Rs. 1,000. This is a non-checking account where no cheque book or VISA Debit Card is issued. Profit is calculated on the daily balance and credited into the account on a monthly basis.

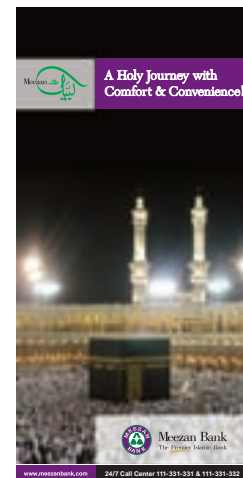
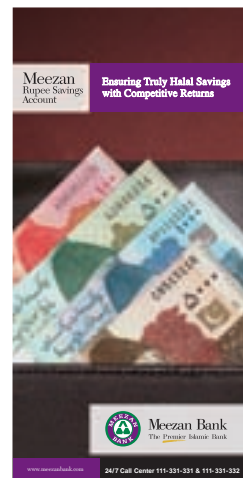
Meezan Labbaik Travel Aasaan

Meezan Labbaik Travel Aasaan is a service that Meezan Bank provides to facilitate those customers who wish to perform Hajj or Umrah. The Bank's role is limited to sales and funds collection agent of selected travel agents while delivery of the selected package is the responsibility of the travel agent. Labbaik Travel Aasaan has two variants:

1. Customer can pay full price of the selected package upfront and travel right away after completion of all formalities.
2. Customer can pay a down payment and travel after completion of all travel arrangements. The remaining price of the package will be paid in 12 installments with no additional charges.

Car Ijarah

Meezan Bank's Car Ijarah is an auto finance facility based on the principles of Ijarah. Car Ijarah is a car rental agreement under which the Bank purchases a new/used car of the customer's choice and rents it out to the customer for a period of 3 to 5 years, agreed at the time of the contract. The Bank offers a low monthly rental and quick processing and delivery. Rental payments start



Product Information

after delivery of vehicle to the customer. The Bank also provides Takaful cover of the car and free accidental death coverage up to Rs. 400,000.

Easy Home

Easy Home is Meezan Bank's Shariah-compliant home financing facility which is based on the principle of Diminishing Musharakah. With Meezan Easy Home, the customer can buy a house, build a house, renovate an existing house or replace the conventional house loan with Easy Home to enjoy the benefits of a Riba-Free and completely Halal financing facility. With flexible financing tailored to support the customer's need, Meezan Easy Home provides one of the best options to buy, build, renovate or replace a house with an absolutely hassle-free process with a quick turn-around time.

Laptop Ease

Meezan Laptop Ease is a laptop financing facility based on the concept of Musawamah which is a general and regular kind of sale. Through Meezan Laptop Ease, one can purchase a branded laptop equipped with all the latest features. The salient feature of this product is that a laptop can be purchased now and the price can be paid in easy monthly installments over a period of 3-24 months. Laptop Ease is a Shariah-compliant laptop finance facility which is one that is comprehensive, affordable and completely hassle-free.

Online Banking

Meezan Bank offers free Online Banking facility on all Pak Rupee Accounts to its customers. This enables the Bank's customers to access their accounts and conduct banking transactions from any of Meezan Bank's 310 branches nationwide, regardless of which branch or city they have their account in. This facility provides great convenience for depositing and withdrawing cash, making pay orders and availing numerous other banking services.

Meezan VISA Debit Card

Meezan VISA Debit Card provides convenience to customers to access their money anytime and anywhere, at all outlets displaying the VISA symbol. Meezan VISA Debit Card is accepted at more than 30 million retail outlets worldwide. With Meezan VISA Debit Card, customers have access to the money in their account

wherever they are, whenever they want, wherever they see the VISA symbol.

Internet Banking

Meezan Bank provides a smarter way to bank through its Internet Banking facility, providing customers global access to their account 24 hours a day, 7 days a week. Meezan Bank's Internet Banking offers the following facilities:

- View Account Statement
- Utility Bill Payments
- Mobile Prepaid and Postpaid Payments
- Funds Transfer Facility
- Balance Inquiry of Multiple Accounts
- Real Time Cheque Status and Stop Payment Request
- Cheque Book and Pay Order Request
- Logging and Tracking Status of Complaints
- Account Activity Alerts

SMS Alerts

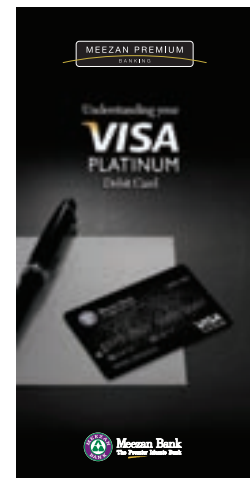
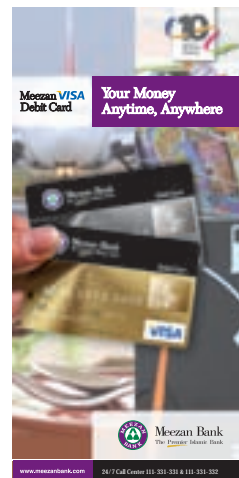
Meezan Bank's SMS Alerts service keeps customers informed about activities in their accounts; enabling them to keep track of their financial transactions. Once the customer signs-up for SMS Alerts, he/she will receive an SMS whenever there is a debit or credit transaction in their account. The SMS will provide transaction details and the latest account balance.

Meezan ATM Network

Meezan Bank offers a nationwide network of over 245 ATMs located at its branches and at prominent off-site locations across the country. The Bank also offers access to more than 2,000 ATM locations country-wide via 1-Link and MNET networks.

Meezan QuickPay

Meezan QuickPay is a facility that allows customers to pay utility bills, mobile phone bills and top-ups through Meezan Bank's ATMs, meaning that they no longer have to wait in queues to pay





these bills. Customers can pay their telephone, gas and electricity bills of selected companies at any of Meezan Bank's ATMs nationwide, 24 hours a day, 7 days a week.


Meezan Premium Banking

Meezan Premium Banking is the Bank's first Shariah-compliant wealth management product developed to address the needs of its high net worth customers. Premium Banking customers enjoy special privileges and priority service such as:

- Meezan Visa Platinum Debit Card - a very prestigious card, offering many discounts at selected retail outlets, restaurants and hotels across the country
- Access to the International CIP lounges at Karachi, Lahore and Islamabad airports
- Dedicated Premium Banking Centers at Karachi, Lahore and Islamabad
- Premium Phone Banking - a dedicated Call Center exclusively for to the Premium Banking customers
- Premium Internet Banking - an exclusive Internet Banking facility that offers fee waivers on basic banking transactions

MEEZAN PREMIUM
BANKING

Discover an Extraordinary Class of Islamic Banking



Meezan Bank
The Premier Islamic Bank

Meezan Internet Banking

Log on to a Smarter Way to Bank



Meezan Bank
The Premier Islamic Bank

www.meezanbank.com 24/7 Call Center 111-331-331 & 111-331-332

Meezan Certificate of Islamic Investment

Ensuring Riba-Free Flexible Term Investment with Halal Returns

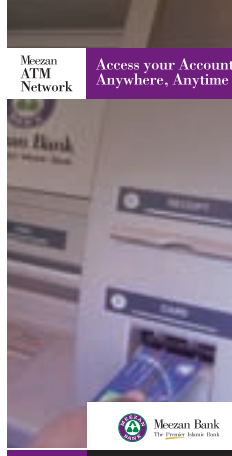


Meezan Bank
The Premier Islamic Bank

www.meezanbank.com 24/7 Call Center 111-331-331 & 111-331-332

Meezan ATM Network

Access your Account Anywhere, Anytime



Meezan Bank
The Premier Islamic Bank

www.meezanbank.com 24/7 Call Center 111-331-331 & 111-331-332

SMS Banking Anytime, Anywhere

Check your account balance
View last 3 transactions
Activate & Deactivate your Visa Debit Card



Meezan Bank
The Premier Islamic Bank

www.meezanbank.com 24/7 Call Center 111-331-331 & 111-331-332

OtherPay

To pay your utility bills at all Meezan Bank ATMs



Quick, safe and secure
Avoid the hassle of standing in queue
Pay anytime - day or night

Pay bills of

- EDC
- PECL
- SDC
- WAPDA
- MESCO
- WESCO

Pay pay-pay and transport mobile phone bills

Meezan Bank
The Premier Islamic Bank

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The Year in Review

Chairman's Review	52
Vice Chairman's Message	54
Corporate Awards	55
Directors' Report to the Members	56
Annexure to the Directors' Report	61
Statement of Value Added and Distributed	62
Allocation of Income and Expenses to Remunerative Depositors' Pool	63
Business and Operations Review	64
Marketing & Corporate Communication	78
Corporate Social Responsibility	79
Sustainability Report	81
Report of the Board Audit Committee	85
Shariah Advisor's Report	86
Shariah Advisor's Report (Urdu)	92
Statement of Sources and Uses of Charity Fund	93
Review Report to the Members	94
Statement of Compliance with the Code of Corporate Governance	95
Statement of Internal Controls	97
Notice of Annual General Meeting	98

Chairman's Review



// 2012 marks a significant milestone in the history of Meezan Bank as it completed 10 years of commercial banking in Pakistan.

Taking its roots in 2002, as the first full-fledged Islamic commercial bank in the country, the Bank has the distinction of being the fastest growing bank in the history of Pakistan over a ten year period. //



الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ

It gives me immense pleasure to present to you the Annual Report of Meezan Bank for 2012.

2012 marks a significant milestone in the history of Meezan Bank as it completed 10 years of commercial banking in Pakistan. Taking its roots in 2002, as the first full-fledged Islamic commercial bank in the country, the Bank has the distinction of being the fastest growing bank in the history of Pakistan over a ten year period with deposits and branch network both growing at close to 50% per annum. It is now present in 90 cities and serves customers through a network of 310 branches. More importantly the 'Meezan' brand is recognized as the most credible and dominant Islamic bank in the country and is well respected around the world. On behalf of the Board of Directors, I would like to congratulate the management team for this outstanding achievement.

As we celebrate our past successes, it is important to understand that many challenges face the Bank in the light of the current economic situation. Accordingly, we are continually reviewing our future strategy to meet these challenges and recently approved the revised Five Year Strategy of the Bank. The strategy lays out a detailed roadmap covering all activities of the Bank and uses the Balanced Scorecard methodology to monitor its implementation. With the blessings of Allah ﷻ and the support of the Board we are committed to ensuring that Meezan Bank continues as the leader in Islamic Banking in Pakistan in the years to come.

The strategy envisages consistent organic growth, consolidating its position as one of the top mid-tier banks in the country. At the same time the Bank will focus on strengthening its systems and controls on the back of a robust technology platform that has been put into place over the last few years. Investment in continuously upgrading this technology platform will continue and enable the Bank to launch many new initiatives including Branchless Banking, Premium Banking and Cash Management.

Another key aspect of Meezan Bank's strategy is to focus on building and retaining the highest quality Human Resource pool. In order to do this the Bank has strengthened its Learning and Development function, which launched many new and innovative programs during the year. It is clear that a motivated and highly trained workforce is imperative to meet the challenges that face the Bank and we are confident that the Bank is well on its way to achieving its Vision of establishing 'Islamic banking as banking of first choice'.

In addition to the excellent performance of the Bank, its asset management subsidiary Al Meezan Investment Management (AMIM) has also touched new milestones, closing the year with total funds under management of over Rs. 40 billion, making it one of the largest asset management companies in Pakistan. AMIM is managing a family of 9 mutual funds that include equity, cash, income, index tracker, sovereign and pension funds. It is one of the most respected asset management companies in the country and the only one that is operating exclusively under Islamic Shariah principles.

The Board of Directors has approved the final payout of 11% bonus shares. This, together with the interim cash dividend of 15% already paid earlier in the year, brings the total payout for the year to 26%.

I would like to express my gratitude to the State Bank of Pakistan, Ministry of Finance and the Securities and Exchange Commission of Pakistan for their continuous commitment to establish a viable Islamic financial system in the country. I would also like to thank our shareholders, members of the Shariah Supervisory Board, fellow Board Members and the Bank's staff for their unrelenting efforts in making Meezan Bank the premier and fastest growing Islamic bank in Pakistan.

Ebrahim Bin Khalifa Al-Khalifa
Chairman

February 19, 2013

Vice Chairman's Message



I am delighted that Meezan Bank, our landmark investment in Pakistan, has achieved excellent growth and achieved new milestones during the year under review. With the 8th largest branch network of the country, the Bank has established itself as the clear leader in Islamic banking and has demonstrated the viability of the Islamic banking model in the country through its excellent financial results and market penetration. As the Chairman and Managing Director of Noor Financial Investment Company, the major shareholder of the Bank, we reiterate our commitment to support the Bank's growth strategy and the management has our unwavering support in all their endeavors.

Meezan Bank has demonstrated operational and managerial strength that is also reflected both in its financial results and in the accolades that the Bank has received on various reputable international forums. The Bank has made these accomplishments despite the economic and political challenges faced during the year. I am also happy to note that the Bank's management is continuously working to add new innovative products to its product menu - this will ensure that we maintain our competitive edge. I am confident that the Bank will Insha'Allah achieve even greater success in the years to come and will continue spearheading the initiative of propagation of Islamic banking in Pakistan.

I would like to thank the State Bank of Pakistan for their continued support and all stakeholders for the confidence they have reposed in us.



Abdullateef A. Al-Asfour
Vice Chairman



Corporate Awards

- 2005 Islamic Finance News
Best Islamic Bank in Pakistan

- 2006 Islamic Finance News
Best Islamic Bank in Pakistan
ICAP & ICMAP
Corporate Report Award - Banking Sector

- 2007 Islamic Finance News
Best Islamic Bank in Pakistan

- 2008 Islamic Finance News
Best Islamic Bank in Pakistan
Best Deal of the Year
Global Finance
Best Islamic Financial Institution in Pakistan
ICAP & ICMAP
Corporate Report Award - Banking Sector

- 2009 Islamic Finance News
Best Islamic Bank in Pakistan
Best Deal of the Year
Global Finance
Best Islamic Financial Institution in Pakistan
ICAP & ICMAP
Corporate Report Award - Banking Sector

- 2010 CFA Association Pakistan
Islamic Bank of the Year
Islamic Finance News
Best Islamic Bank in Pakistan
AsiaMoney
Best Islamic Bank in Pakistan
Global Finance
Best Islamic Financial Institution in Pakistan

- 2011 CFA Association Pakistan
Islamic Bank of the Year
Islamic Finance News
Best Islamic Bank in Pakistan
Best Deal of the Year
Asset AAA
Best Islamic Bank in Pakistan
Best Islamic Trade Finance Bank in Pakistan
Best Islamic Deal - Pakistan
Global Finance
Best Islamic Financial Institution in Pakistan

- 2012 CFA Association Pakistan
Islamic Bank of the Year
Asset AAA
Best Islamic Bank in Pakistan
Best Islamic Trade Finance Bank in Pakistan
Best Islamic Retail Bank in Pakistan
Best Islamic Deal - Pakistan
Highly Commended Deal - Pakistan
Islamic Finance News
Best Deals of the Year
AsiaMoney
Best Islamic Bank in Pakistan
ICAP & ICMAP
Corporate Report Award - Banking Sector



Head of Consumer Banking and Marketing - Meezan Bank at the Triple-A Awards ceremony 2012



Chief Financial Officer - Meezan Bank at the Islamic Finance News Award Ceremony 2011

Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the sixteenth Annual Report and audited financial statements, setting out the detailed financial results of the Bank for the financial year ended December 31, 2012.

The year marks a significant milestone in the history of Meezan Bank, since we completed ten years as a full-fledged Islamic commercial bank in 2012. We are grateful for the Blessing of Allah ﷻ and the commendable team effort that has allowed us to lay a strong foundation for the Bank. From a network of 4 branches and total deposit of Rs. 2 billion, the Bank has established over 300 branches in 90 cities with a total deposit of Rs. 230 billion making it one of the fastest growing banks in the history of Pakistan. Throughout this journey the Bank has remained committed to its Vision of establishing 'Islamic banking as banking of first choice.'

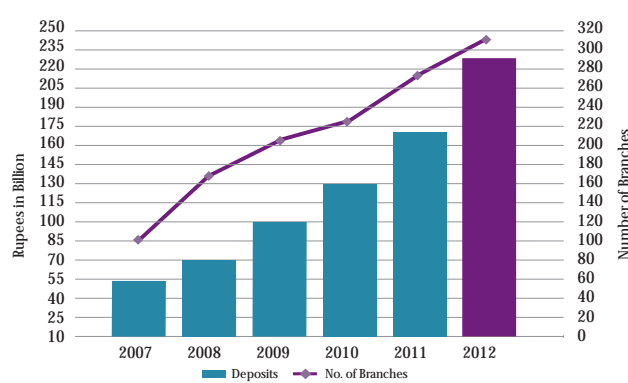
Economic Overview

The Gross Domestic Product (GDP) in Pakistan expanded by 3.7% during the fiscal year FY-2012 from 3.0% in FY-2011. Agriculture sector has performed better during 2012 Rabi and Kharif season, compared to flood-related losses in 2010 -11 with growth rate of 3.1% recorded in FY-2012 (FY-2011: 2.4%). Similarly the manufacturing sector grew by 3.6% (FY-2011: 3.1%) and services sector grew by 4% (FY-2011: 4.4%) in FY-2012. Remittances by overseas Pakistanis reached a record high of US\$ 14 billion resulting in growth of 14% during 2012 and supporting our balance of payment. Lower investment inflows remained a concern, despite lower interest rate, which led to weak GDP growth for 2012. Energy shortfall still remains a challenge, primarily affecting the textile and fertilizer sectors and has also been a factor contributing to the low GDP growth of the country.

The major achievement for the Government of Pakistan in 2012 was bringing the discount rate down to single digit. With improved external sector outlook, interest rate easing was anticipated but the quantum of cut (cumulative 250bp) in discount rate to 9.5% came in as a surprise. The CPI inflation receded to a 5-year low to 6.9% in November 2012 driven by a combination of factors which includes softer food inflation, sharp cut in gas tariff in July 2012 and CNG prices in October 2012 and relatively sticky house rent index due to revised calculation under new base year.

While discount rate cuts were backed by easing inflation,

Total Branches vs Deposit Growth



Government's borrowing from banks grew by a whopping Rs. 645 billion in 2H 2012 as compared to Rs. 225 billion in 2H 2011 (excluding Rs. 399 billion addition due to commodity and energy debt consolidation). Government borrowings were supported by SBP's continued liquidity injections via Open Market Operations that increased up to Rs. 600 billion on weekly basis. In these times of liquidity crisis, the restoration of ties with US resulted in release of US\$ 1.1 billion worth Coalition Support Fund (CSF) and US\$ 248 million under Kerry Lugar Bill in August 2012, followed by another CSF tranche (US\$ 688 million) received in the last week of December 2012 which has given a breathing space to the government. This has also eased the repayments under the IMF program.

Pakistan's equity market has been one of the best performing markets in the Region with the benchmark KSE 100 index increasing by 49% from 11,348 in December 2011 to 16,905 in December 2012 mainly due to monetary easing by SBP and robust growth in Corporate earnings.

Our Performance

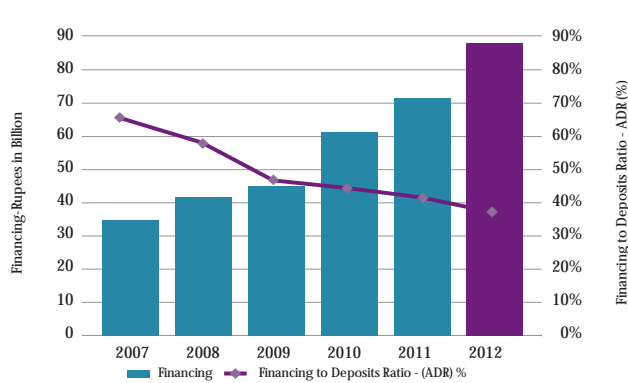
Alhamdulillah, Meezan Bank consolidating its position as a leading commercial bank in Pakistan recorded excellent all round results for the year ended December 31, 2012. The Bank's profit after tax increased to Rs. 3.51 billion from Rs. 3.39 billion in the previous year reflecting an increase of Rs. 117 million while the Bank's total assets reached Rs. 274 billion, up 36% from Rs. 201 billion in 2011.

The Bank recorded strong growth in deposits which increased by 35% to Rs. 230 billion from Rs. 170 billion a year ago. This is an excellent performance when compared to the deposit growth for the banking industry that grew by only 13.8% during 2012.

The Bank's financing portfolio (including inventory and advances) grew by Rs.18 billion to Rs. 89 billion, a growth of 26%. This is despite challenging economic circumstances and the crowding out of private sector financing due to government borrowing. The financing portfolio of the Banking industry grew by 10.4% during 2012.

The investment portfolio grew by 55% to touch Rs. 152 billion from Rs. 98 billion in the previous year. The Bank has been a major participant in Government of Pakistan Ijarah Sukuk issues and is now also an active market maker of this security. The Bank

Total Islamic Financings and Related Assets Portfolio





continued to maintain a high level of liquidity, which is in line with the cautious financing policy adopted by the management and is also consistent with the trend seen in other banks in Pakistan during the year.

The Bank's total revenue increased to Rs. 24.2 billion from Rs. 20.5 billion, a growth of 18%. Income from core banking business grew to Rs. 12.4 billion from Rs. 10.5 billion in the previous year posting an impressive increase of 18%, mainly on account of concerted efforts by the Bank to increase its asset portfolio without compromising on quality.

Administrative and operating expenses increased to Rs. 7.2 billion from Rs. 6.1 billion, an 18% rise. The rise in expenses is primarily due to higher staff expenses, rent and costs associated with branch expansion - an investment which has borne fruit for the Bank, as evident from the strong growth in deposits and profits over the years.

The profit after tax has been arrived at after making specific provisions (net of recoveries) amounting to Rs. 451 million during the year ended December 31, 2012. The additional provision for non-performing financings has increased the coverage ratio to 114%.

Trade Finance business volume handled by the Bank also grew by 7% from Rs. 188 billion in 2011 to Rs. 201 billion in 2012. The trade business is supported by the Bank's growing network of correspondent banking relationships around the world.

The Bank's equity increased to Rs. 15.5 billion from Rs. 13.3 billion a year earlier, notwithstanding the fact that a healthy cash dividend of Rs. 1.34 billion was paid during the year. The Bank has a very strong capital base with a Capital Adequacy Ratio of 14.08%, compared to the minimum 10% prescribed by SBP, which is sufficient to support the future growth plans of the Bank.

The key business results achieved in 2012 are as under:

	2012	2011	Growth
Branch Network	310 Branches	275 Branches	13% ↑
Presence	90 Cities	83 Cities	8% ↑
Deposit	Rs. 230 Billion	Rs. 170 Billion	35% ↑
Total Assets	Rs. 274 Billion	Rs. 201 Billion	36% ↑
Profit After Tax	Rs. 3.51 Billion	Rs. 3.39 Billion	3% ↑
Equity	Rs. 15.5 Billion	Rs. 13.3 Billion	17% ↑
Trade Finance Business (Import and Export)	Rs. 201 Billion	Rs. 188 Billion	7% ↑

Financial Results

Rs. in Million

PROFIT AND LOSS ACCOUNT	2012	2011
Profit/ return on financings, investments and placements	21,837	18,032
Return on deposits and other dues expensed	(11,385)	(8,666)
Net spread before provisions	10,452	9,366
Provision against non performing financings and investments	(451)	(1,389)
Net spread after provisions	10,001	7,977
Fee, commission and brokerage income	970	757
Dividend income	481	939
Income from dealing in foreign currencies	347	572
Capital gain on investments	505	219
Other income	96	18
Income before expenses	12,400	10,482
Administrative and other expenses	(7,170)	(6,126)
Profit before tax	5,230	4,356
Taxation	(1,722)	(965)
Profit after tax	3,508	3,391

The Islamic banking industry continues to grow with five full-fledged Islamic banks and thirteen Islamic windows of conventional banks presently operating in Pakistan. Islamic banks now account for over 9% (2011: 8%) of the total banking industry. This augurs well for the Islamic banking sector and we are confident that Islamic banks will further increase their market share in the coming years.

The Board, representing the shareholders of the Bank, reiterates its commitment to Pakistan in general and Meezan Bank in particular, to meet all its present and future capital needs.

Earning Per Share

Due to increase in profitability, the Earning per Share increased from Rs. 3.75 to Rs. 3.88 per share on enhanced capital of Rs. 9 billion, reflecting an increase of 3%.

Dividend

The Board has now recommended the issue of 11% Bonus Shares (2011: 12.5%) for the year 2012. This declaration together with the earlier cash dividend of 15% paid in August 2012 brings the total payout for the year to 26% and maintains the Bank's unbroken payout record since the date of listing on the Stock Exchange. This will increase the Bank's paid up capital to Rs. 10.03 billion. Accordingly, the Bank will meet SBP's minimum capital requirement for 2013 of Rs. 10 billion a year in advance.

Credit Rating

The JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Agency, Japan has maintained the Bank's long-term entity rating at AA- (Double A Minus) and short term rating at A1+ (A One Plus) with stable outlook. The short term rating of A1+ is the highest standard in short term rating. The rating indicates sound performance indicators of the Bank.

Corporate Awards and Recognition

Meezan Bank won the following prestigious awards during the year:

'Pakistan Deal of the Year' and 'Musharakah Deal of the Year' for 2012 by Islamic Finance News (IFN) of REDmoney Group, Malaysia.

- 'Pakistan Deal of the year' award was won by the Bank for advising and arranging Certificates of Leasing (Sukuk) for a leading company in the oil and energy sector worth Rs. 2 billion. This was a pioneering transaction structured on the principles of Ijarah that allowed the Issuer to raise capital using a very tax efficient structure.
- 'Musharakah Deal of the Year' was given on arranging Running Musharaka of Rs. 500 million for a listed textile company - the first ever transaction of Running Musharakah in the Textile sector.

Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and

Exchange Commission of Pakistan and adopted by the State Bank of Pakistan. The following statements are a manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement.

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Other than change disclosed, accounting policies have been consistently applied. The accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
6. There are no doubts upon the Bank's ability to continue as a going concern, Insha'Allah.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
8. Key operating and financial data for the last six years in summarized form, categories and pattern of shareholding as required by the Companies Ordinance, 1984 are annexed to the report.
9. The value of investments of the Bank's recognized Provident Fund and Gratuity Fund as at December 31, 2012 are as under:
 - Staff Provident Fund Rs. 782.8 million
 - Staff Gratuity Fund Rs. 235.5 million
10. The purchase and sale of shares by the Directors, Chief Executive, Chief Financial Officer, Head of Internal Audit and Company Secretary during the year and pattern of shareholding is included in the report.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulation relevant for the year ended December 31, 2012 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management Framework

Risk Management Framework in the Bank is based on sound organizational structure, policies and procedures, risk assessment techniques, monitoring tools and reporting mechanism closely



aligned with the Bank's strategy. Risk Management activities broadly take place simultaneously at different hierarchy levels i.e. strategic, macro and micro levels. The overall responsibility of risk management rests with the Board of Directors and it has constituted Risk Management Committee comprising of Board members with clear terms of reference.

Under the guidance of the Board, the scope of Risk Management Department (RMD) has been widened, focusing on capacity building, development of new policies, procedures, and increase in awareness about risk management concepts and practices. These improvements are in line with the regulatory requirements including Basel II, best industry practices and significant growth of the Bank.

Specialized committees comprising of senior management team members with relevant experience and expertise perform their functions in line with the strategic direction set by the Board so as to ensure that risk exposures are within acceptable levels. The committees include:

1. Credit Committee (CC)
2. Asset Liability Management Committee (ALCO)
3. Internal Controls & Operational Risk Management Committee (ICORC)

The CC approves, monitors and ensures that financing transactions are within tolerance level and optimizes financing portfolio. ALCO reviews market and liquidity risk exposures, assets and liabilities maturity profile, sets pricing and takes decisions for sound liquidity management. The ICORC ensures that adequate internal controls and systems are in place, thereby ensuring operating efficiency.

Assets quality is being ensured by appropriately delegated financing approval authorities, proper risk-reward trade off, avoidance of concentration, adequate documentation and periodic reviews. The Bank applies stress testing and Value at Risk techniques for market risk assessment. Day-to-day liquidity management is done through cash flow matching and liquid assets. Contingency funding plan for managing liquidity crisis is in place. Key operational risks are managed through policies and procedures, segregation of duties, maker and checker mechanism, early warning signals, Business Continuity Plan and Disaster Recovery site.

Under RMD, full-fledged credit risk function caters corporate, commercial & SME, agriculture, consumer, financial institutions & investment banking segments. The coverage of RMD in credit assessment of individual customers has been further enhanced. The role of market risk function in monitoring of treasury activities has been strengthened with various limits structuring, their monitoring, reporting and system improvements. Operational risk strategy, loss data reporting, risk and control self assessment and identification of key risk indicators signifies the importance the Bank gives to operational risk management. Steps for having

a comprehensive and updated Financing Manual and better management information reports from risk perspective have already been initiated and are at an advance stage.

Statement of Internal Controls

The Board is pleased to endorse the statement made by the management relating to internal control. The management's statement on internal control is included in the annual report.

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2012 is annexed with the report.

Directors

Following the expiry of the three year term of the previous Board of Directors, an election of Directors was held on November 16, 2012 and a new Board was constituted. The Board congratulates all elected Directors and welcomes Mr. Riyadh S.A.A. Edrees and Mr. Mazhar Sharif on the Board and wishes to place on record its sincere appreciation for the valuable services rendered by the outgoing Director, Mian Muhammad Younis.

The record of Board meetings held during the year and attended by the Directors is as follows:

Name of Directors	No. of Meetings held	No. of Meetings Attended
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa - Chairman	5	5
Mr. Abdullateef A. Al-Asfour - Vice Chairman	5	5
Mr. Rana Ahmed Humayun	5	5
Mr. Mohammed Azzaroog Rajab	5	1
Mr. Ahmed Abdul Rahim Mohamed	5	5
Mr. Alaa A.Al-Sarawi	5	4
Mian Muhammad Younis *	4	4
Mr. Mohammad Abdul Aleem	5	5
Mr. Riyadh S.A.A.Edrees**	1	1
Mr. Mazhar Sharif *	1	1
Mr. Irfan Siddiqui - President & CEO	5	5
Mr. Ariful Islam	5	5

* Mian Muhammad Younis retired and Mr. Mazhar Sharif was appointed in election of directors held on November 16, 2012.

** Appointed on October 8, 2012 to fill the casual vacancy.

The attendance in meetings of Committees formed by the Board held during the year is included in the annual report.

The Bank has a policy in place for dealing with conflicts of interest relating to members of the Board. Under this policy, any

Director who has a business interest in a matter being presented at a Board meeting does not participate in either the discussion or the decision on that matter. This policy is applied consistently and there was no breach of this policy during the year.

Auditors

The present auditors A.F. Ferguson & Co., Chartered Accountants (a member firm of the PwC Network) retire and being eligible offers themselves for reappointment. As required under Code of Corporate Governance, the Audit Committee has recommended the appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of the Bank for the year ending December 31, 2013.

Future Outlook and Strategy

2013 will be a challenging year in the backdrop of the compression of financing spread, widening fiscal deficit, depreciating Rupee, declining foreign exchange reserves and political uncertainty due to upcoming general elections. Focus will be on maintaining the growth momentum and maintaining asset quality. Efforts are also underway to target new market segments and to improve efficiency and productivity by leveraging on the substantial investment in technology made by the Bank in recent years

Some of the major initiatives for 2013 include:

- **Branch Expansion:** Despite the challenging external environment, the Bank intends to continue its aggressive branch growth strategy and will add 41 new branches during the year bringing the total branch network to 351 branches, Insha'Allah. The Bank's priority is to ensure that Islamic banking products and services are made available across the length and breadth of Pakistan through an excellent branch network critical for effective market penetration.
- **Deepening existing and adding new, Alternate Delivery Channels:** 54 new ATMs will be added to the existing network of 246 ATMs. Plans are underway to up-grade the Bank's 24 hour Call Centre and additional functionality including out-bound campaign-management will be added.
- **Investing in Technology:** The Bank recognizes the importance of a strong technology backbone to enhance the customer value proposition and will continue to make significant investment in various technology platforms to achieve this objective.
- **Improving systems and controls:** Significant focus is being given to the improvement of systems and controls in the Bank. Various projects are underway in this regard, including but not limited to the implementation of world-class AML software during the year.
- **Improving learning and development:** As the Bank expands, sourcing and retaining the right quality of human resource is an increasingly significant challenge. Accordingly, the Bank will enhance existing learning and development infrastructure, balancing between Shariah-based training and branch banking training.

Meezan Bank is well positioned to meet the challenges of the future. The Board is confident that the Bank will Insha'Allah continue to play its leadership role in the Islamic banking industry.

Far more importantly, as Meezan Bank strives towards its Vision of establishing 'Islamic banking as banking of first choice' it is heartening to note that we are working for an objective that is much larger than the short term goals of the Bank i.e. for the cause of Islamic banking. The Meezan family now has around 6,000 ambassadors of what Meezan Bank stands for: 100% Shariah-compliance; integrity and fairness with efficiency; innovation with consciousness; and excellence with humility - principles that if shared, will make the world a better place for all. In today's local and global market environments, where stories of failure far outweigh the legends of success, it is our firm belief that without the culture of humility and gratitude that we experience at Meezan Bank, the contents of this report would have been very different indeed.

As one of Pakistan's fastest growing banks - Meezan Bank has gone from strength to strength over the past decade in, Alhamdulillah: its infrastructure; its brand image and credibility; its offerings; its team cohesion and culture, and the its relationships. We can tire ourselves maintaining what we have achieved, or we can reinvigorate ourselves by dreaming big and exploring new horizons. How big Meezan Bank dreams is a function of how each individual dreams - and how each of us strives towards it, Insha'Allah. May Allah ﷻ help us all to remain steadfast in His way, and help us ensure that every new day is better than the last, and every new year is better than the last.

Acknowledgement

The landmark achievements of Meezan Bank, in a short span of ten years, would not have been possible without the proactive support of our diversified customer base for which we remain indebted to them. We sincerely thank each one of our team members for their hard work and commitment. May Allah Almighty bestow His blessings on them and their families.

We would like to express our gratitude to the State Bank of Pakistan, Ministry of Finance and the Securities and Exchange Commission of Pakistan for their continuous commitment to establish a viable Islamic financial system in the country. We would also like to thank our shareholders and the members of the Shariah Supervisory Board for their unrelenting efforts towards establishing Meezan Bank as the premier Islamic Bank.

On behalf of the Board.

Ebrahim Bin Khalifa Al-Khalifa
Chairman

Irfan Siddiqui
President and CEO

February 19, 2013



Annexure to the Directors' Report

For the year ended December 31, 2012

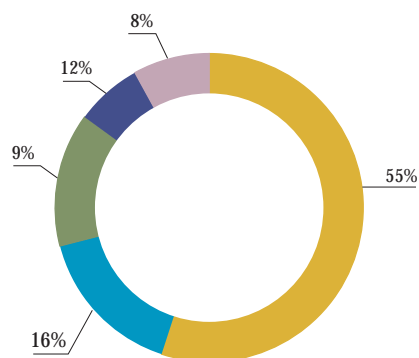
The purchase and sale of shares by the Directors, Chief Executive, Chief Financial Officer, Head of Internal Audit and Company Secretary, their spouses and minor children during the year are given below:

	Number of Shares as at Jan. 01, 2012	Number of Shares purchased during the year	Bonus Shares allotted during the year	Number of Shares sold during the year	Number of Shares as at Dec. 31, 2012
NAME OF DIRECTORS					
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	5,370,156	-	671,269	-	6,041,425
Mr. Mohammad Abdul Aleem	147,608	-	18,451	-	166,059
Mr. Irfan Siddiqui	2,577,032	-	322,128	-	2,899,160
Mr. Ariful Islam	1,440,155	-	180,019	-	1,620,174
CHIEF FINANCIAL OFFICER					
Mr. Shabbir Hamza Khandwala	443,750	-	55,468	-	499,218
HEAD OF INTERNAL AUDIT					
Mr. Ziaul Hassan	21,112	-	2,639	-	23,751
COMPANY SECRETARY					
Mr. Tasnimul Haq Farooqui	-	-	-	-	-

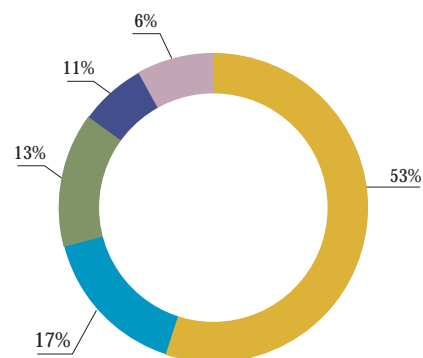
Statement of Value Added and Distributed

Value Added	2012		2011	
	Rupees in '000	%	Rupees in '000	%
Profit / return earned on financings, investments and placements - net of provision	21,385,781	103.7%	16,642,997	102.2%
Fee, commission and brokerage income	969,517	4.7%	757,136	4.6%
Dividend income	481,026	2.3%	938,983	5.8%
Income from dealing in foreign currencies	346,830	1.7%	571,880	3.5%
Capital gain on sale of securities and other income	601,217	2.9%	236,756	1.5%
	23,784,371		19,147,752	
Administrative and other expenses	(3,162,679)	(15.3%)	(2,858,855)	(17.6%)
	20,621,692	100%	16,288,897	100%
Value Allocated as follows:				
To Depositors / Financial Institutions				
Return on deposits and other dues expensed	11,384,534	55%	8,665,622	53%
To Employees				
Salaries, allowances and other benefits	3,389,609	16%	2,790,518	17%
To Shareholders				
Dividend - Bonus Shares	993,704	5%	1,003,742	6%
Dividend - Cash	1,355,051	7%	802,993	5%
	2,348,755	12%	1,806,735	11%
To Government				
Income Tax	1,722,110	8%	964,757	6%
To Expansion				
Depreciation and amortisation	617,323	3%	476,457	3%
Retained in Business	1,159,361	6%	1,584,808	10%
	1,776,684	9%	2,061,265	13%
	20,621,692	100%	16,288,897	100%

Statement of Value Added & Distributed 2012



Statement of Value Added & Distributed 2011



■ To Depositors/Financial Institutions ■ To Employees ■ To Expansion ■ To Shareholders ■ To Government

Business and Operations Review

Business Review

Alhamdulillah, Meezan Bank made good progress during the year under review. The focus has been to strengthen systems and processes while, at the same time, maintaining growth.

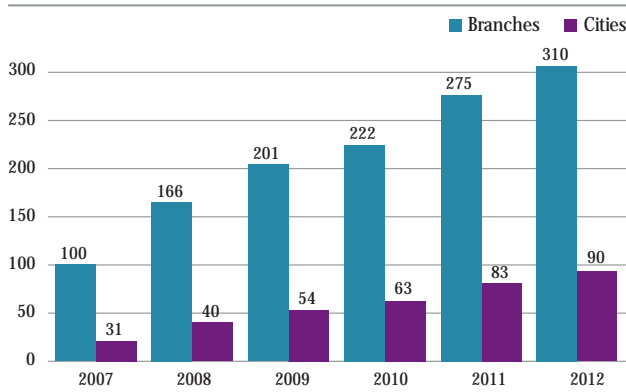
Branch Network & Deposits

Meezan Bank offers a wide range of deposit products - current, saving and term deposit accounts - all designed with flexible features to meet the needs of its customers in a Shariah-compliant manner. The Bank's diverse range of Shariah-compliant deposit products has enabled it to develop a large and well diversified stable deposit-base.

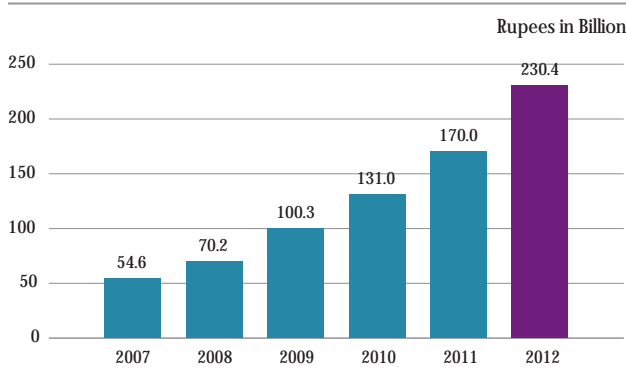
The Bank further expanded its geographic outreach and added 35 new branches to its network, closing the year with 310 branches spread across 90 cities. Meezan Bank is now the 8th largest (2011: 9th) bank in Pakistan in terms of branch network. The continuous expansion of its network has enabled the Bank to serve customers from all walks of life, commensurate with its Vision to 'establish Islamic banking as banking of first choice'.

Deposit growth of the Bank has been impressive. Total deposits of the Bank crossed Rs. 230 billion compared to Rs. 170 billion for 2011, an increase of 35% - significantly higher than the banking industry average of 13.75%. Total customer base (number of accounts) also increased by 42% from 487,574 to 693,983. The Bank's large branch network supplemented by a dedicated liability sales team made it possible to surpass the aggressive targets that the Bank had set for itself in early 2012.

Branch Network



Deposits



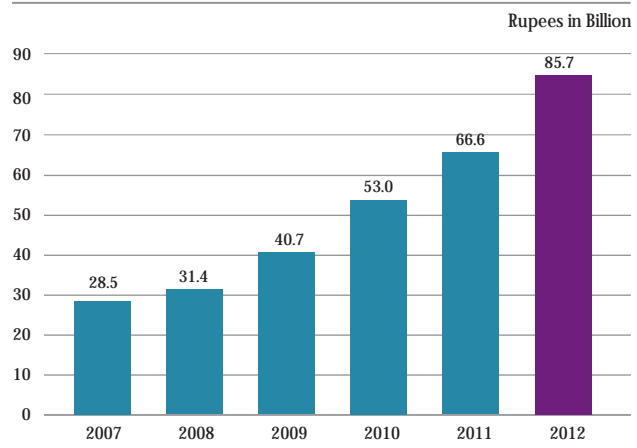
Corporate Banking

The Corporate Banking department provides financing and financial services to large corporate and institutional clients including public sector institutions, by partnering with them to build long-term relationships. These services include traditional products required by the companies for managing their cash flows and trade needs as well as more sophisticated and innovative solutions for the management of corporate risks and large-scale investments. By drawing on the expertise of in-house product specialists and Shariah scholars, the Bank is capable of providing Shariah-compliant financing solutions for almost all trade, working capital and project financing needs of business houses.

The persistent energy crisis and a challenging law and order situation in the country resulted in slow economic growth and business uncertainty that has been the primary cause of low private sector credit off-take during the year. However, despite these negatives, corporate earnings were robust and most sectors performed well. The Bank's Corporate Banking team worked hard and was able to grow its corporate portfolio to almost Rs. 86 billion by year-end 2012 against Rs. 66.6 billion in 2011. The 29% growth was possible due to the focused marketing strategy adopted by the Bank of booking top-tier corporate names. The consistency of the Bank's efforts can be gauged from a 3-time increase in the corporate portfolio over the last five years - reflecting a CAGR of almost 25%, despite the prevailing economic slowdown.

The growth in portfolio came from a fairly diversified client base availing both short and long term facilities and the Bank was thus able to maintain a well-diversified portfolio with a share in almost all major industrial sectors of the country. In addition to building new corporate relationships, the Bank also focused on deepening its existing relationships and feels that the uptick in economic activity will provide opportunities in future to aggressively grow the corporate assets and earn healthy returns at an acceptable level of risk.

Corporate Banking Assets



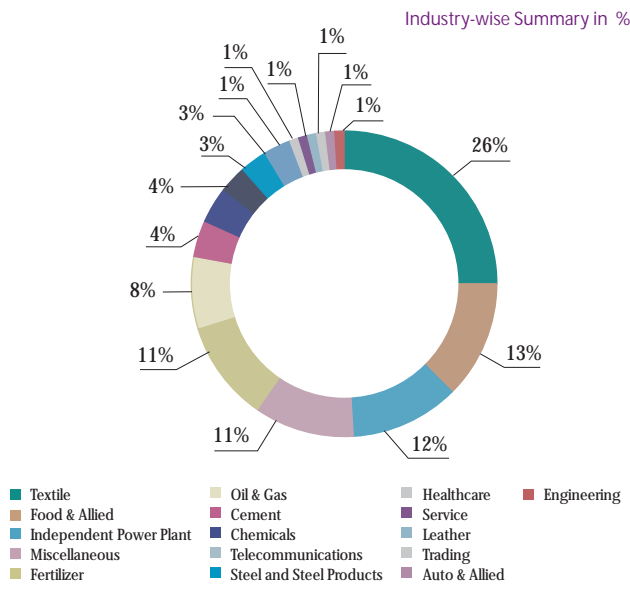
The Bank maintained stringent risk management criteria while evaluating corporate credit proposals. Although the Bank's deposit base recorded a very healthy growth and financing spreads narrowed due to substantial dip in the discount rate, the Bank avoided the temptation to deploy funds in high yielding, riskier



assets. To cover the gap caused by declining yields the Bank is also focusing on increasing its trade business and allied services to generate a higher fee-based income.

As a step towards increasing the diversity of products being offered to its corporate clients, the Bank is now providing tailor-made Cash Management and other innovative products to its corporate customers.

Corporate Banking Portfolio



client base. With a team of highly qualified and experienced professionals that include MBAs, ACAs, ACCAs, Engineers and CFA charterholders, IBD is well equipped to offer full range of Investment Banking solutions to its ever demanding clients.

The year 2012 was yet another challenging year for Pakistan's economy. Amidst these challenges, IBD was able to negotiate transactions worth Rs. 42.4 billion and added high quality assets amounting to Rs. 8.9 billion to the total financing portfolio of the Bank. IBD also continued with its role jointly with Dubai Islamic Bank and Standard Chartered Bank as financial advisor to the Government of Pakistan (GoP) and in this regard, Sukuk auctions amounting to over Rs. 163.5 billion were completed during the year.

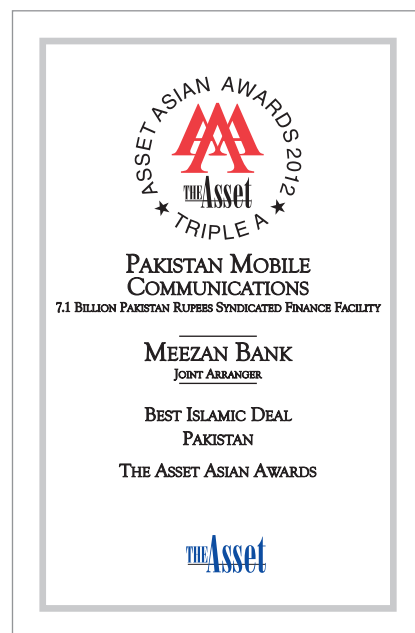
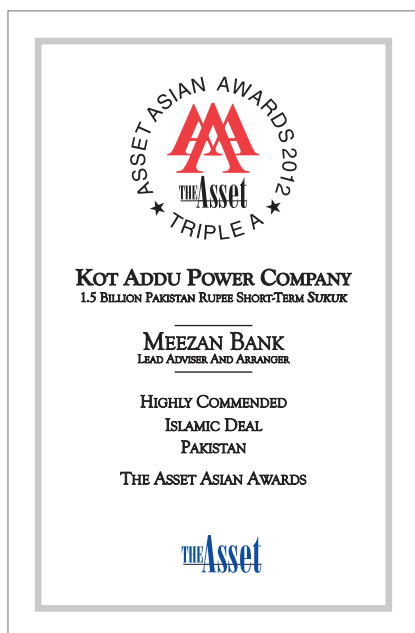
The Bank arranged several unique transactions during the year which were first-of-their-kind in the country. The most notable of these was the innovative financing structure, based on certificate of leasing, arranged for Ghani Glass Limited which significantly cut down the overall borrowing cost of the Company. The Bank also structured an innovative Short-term Sukuk to cater to the working capital requirement of Engro Fertilizers Limited. This structure used a combination of Tijarah and Istisna modes of Islamic finance. Other selected transactions in which the Bank was represented are highlighted overleaf.

The Bank's efforts in the field of Islamic finance also continued to be recognized by numerous independent bodies and were acknowledged through various awards and accolades.

Investment Banking

The Investment Banking Department (IBD) provides a wide range of financing solutions including structured finance, project financing and advisory services to the Bank's extensive corporate

The Bank will start 2013 with the commitment to continue innovating in the field of Islamic corporate finance. Its focus will be on applying all its energies towards establishing Islamic banking as banking of first choice in Pakistan and maintaining the Bank's position as the leader of Islamic banking industry in Pakistan.



Major Investment Banking Transactions



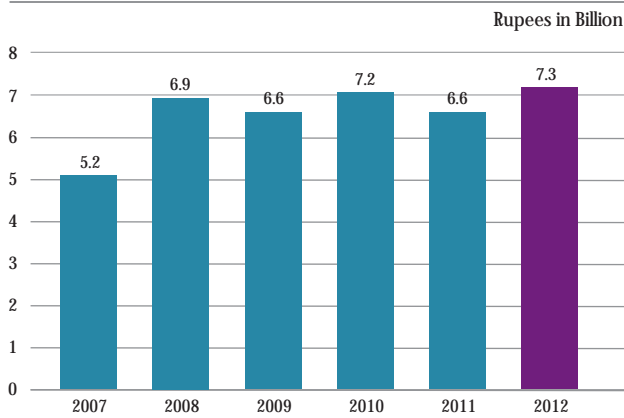


Commercial Banking (including Small & Medium Enterprises and Agriculture Finance)

The 'Small and Medium Enterprises' (SME) department targets customers with sales turnover of upto Rs. 300 million and financing requirement of upto Rs. 75 million while the Commercial Banking department targets the 'middle-market' segment of customers with sales turnover of upto Rs. 800 million. This market segment represents the backbone of Pakistan's economy and has high growth potential.

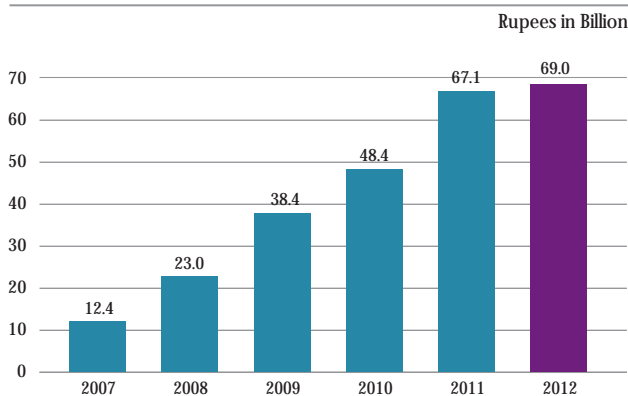
The Bank has established geographical 'Hubs' with specialized resources for better management of this portfolio through improved business focus and better controls. This will help improve the Bank's penetration of this profitable and relatively untapped business segment. Senior resources have also been dedicated to provide the necessary impetus and direction to the efforts being made for enhancing the Bank's portfolio in this business segment.

Commercial Banking Assets



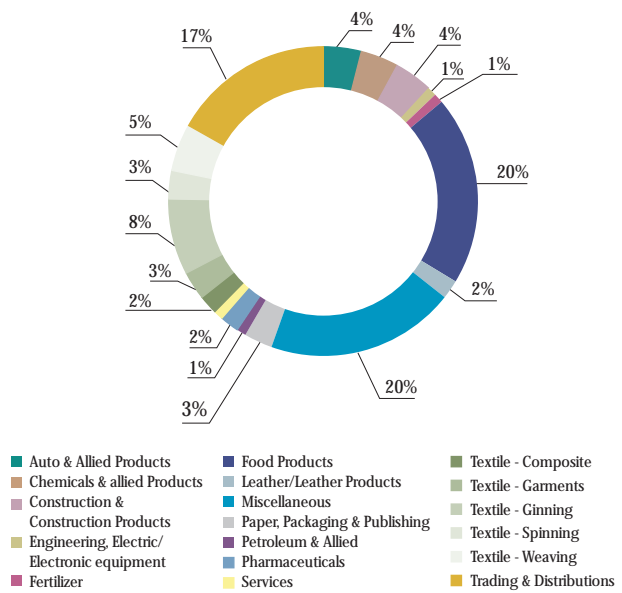
Despite challenging economic conditions, the Bank increased its Commercial Banking portfolio by 11% to Rs. 7.3 billion and booked trade business of Rs. 69 billion - an impressive 9 times reciprocity against the funded exposure.

Commercial Banking Trade Business Performance



The Bank is now planning to enhance and strengthen its portfolio in this segment by deepening existing relationships, geographically diversifying its client-base and expanding into the untapped agricultural market segment.

Commercial Banking Portfolio



Consumer Banking

Meezan Bank's Consumer Banking team is responsible for managing the consumer financing products and the newly created 'Wealth Management' segment. These two segments are detailed below.

Wealth Management

Recognizing the needs of high-net worth customers, Meezan Bank launched its first Shariah-compliant wealth management product 'Meezan Premium Banking' in October 2012. Premium Banking customers enjoy special privileges and priority service including:



- State-of-the-art Premium Banking Centers at Karachi, Lahore and Islamabad
- Premium Phone Banking - a dedicated Call Center exclusively for the Premium Banking customers
- Premium Internet Banking - an exclusive Internet Banking facility that offers fee waivers on basic banking transactions





- Meezan Visa Platinum Debit Card - a prestigious card, offering many discounts at selected retail outlets, restaurants and hotels across the country. In addition, Premium Banking customers enjoy access to International CIP lounges at Karachi, Lahore and Islamabad airports as well as other special offers from time to time
- Access to a comprehensive range of 9 different Mutual Fund products managed by the very successful Asset Management Company, Al Meezan Investment Management (a subsidiary of Meezan Bank)



More than 7,000 Premium customers enjoy the privileges of Meezan Premium Banking and initial response to the product has been very encouraging. Plans are underway to add other value added products to the Wealth Management business of the Bank.

Consumer Finance

Meezan Bank is the pioneer in providing Shariah-compliant consumer products in the country. Despite the difficult economic and worsening law and order situation during the year, Meezan Bank remained committed to the needs of its customers; a strategic decision that has yielded positive business results.

Meezan Bank offers four consumer asset products to its customers - Car Ijarah (auto finance), Easy Home (housing finance), Laptop Ease (laptop finance) and Meezan Labbaik (Hajj & Umrah finance facility).

- Car Ijarah (auto finance)

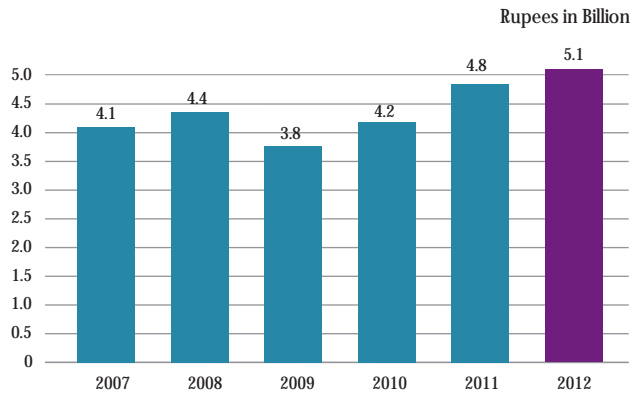


The automobile industry witnessed a much awaited revival during 2012. Car sales increased to 178,753 units as compared to 145,442 in the previous year, an increase of 18.6 %. However, over 85% of the sales during the first three quarters of 2012 were cash sales mainly because of the high financing rates prevailing in the market. This trend showed a change in the last quarter as the financing rates started to decrease.

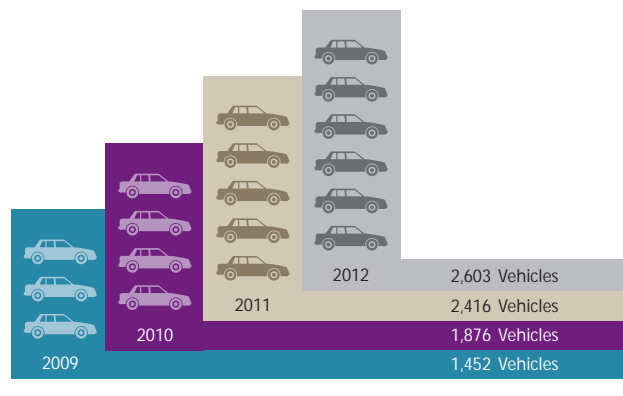
Meezan Bank's auto finance business, 11 years after its launch, now stands at Rs. 5.1 billion with over 8,500 active vehicle contracts. Meezan Bank was among the top three Banks in the country providing finance to the Auto industry in 2012. The Bank's success in this business line is attributable to a number of factors including competitive features of the Car Ijarah product - allows both new and used vehicles, a strong sales team supported by a setup that enables quick turnaround to the customers, an extensive branch network and participation in exhibitions and co-branding initiatives with major automobile manufacturers. The following co-brandings were done during 2012:

- Co-branding with Pak Suzuki Motors for a specially structured product branded Residual Value Car Ijarah
- Coure Ecomatic Co-brand Residual Value Car Ijarah scheme with Indus Motors

Car Ijarah Portfolio

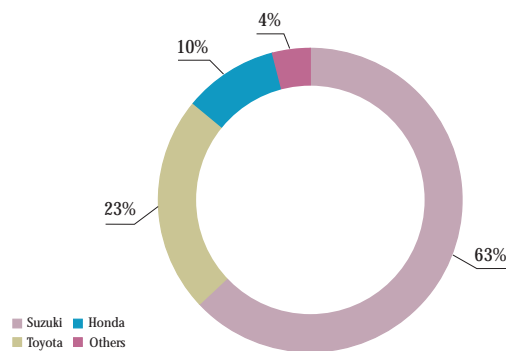


Number of Vehicles Financed



The Bank follows the strategy of maintaining stringent credit criteria for the Consumer Banking segment. Healthy portfolio management and risk diversification in this business line is evident as the ratio of non-performing financing for the Car Ijarah portfolio remains at a low level of 0.75%, which is amongst the best in the industry.

Asset Distribution - Manufacturer-wise

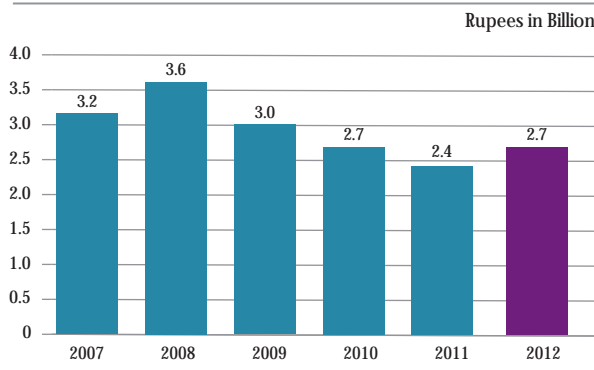


■ Easy Home (housing finance)



Meezan Bank's housing finance portfolio stood at Rs. 2.7 billion with 1,100 customers across Pakistan. Disbursements during the year amounted to Rs. 1.0 billion, the highest disbursement achieved by the Bank in the last three years. As a result, Meezan Bank is now ranked among the leading banks in the Mortgage finance industry.

Easy Home Portfolio



The Bank plans to increase its market penetration during 2013 through a strategic plan focused on providing a more diverse product menu while adopting industry best practices that focus on customer ease while maintaining a good quality credit portfolio. Portfolio NPL is also well within industry average.

■ Laptop Ease (laptop finance)



Meezan Bank's Laptop finance business experienced good growth during the year with the Bank providing more than 1,700 laptops to individual customers. As a result of its prudent business approach and strong credit controls, the portfolio has a delinquency ratio of less than 0.5% of the total portfolio.

The Bank's product menu comprises of popular brands DELL and HP. The DELL brand was added during 2012 and customer response to this product has been very positive.

Going forward, the Bank is planning to add other well-known brands to increase its product range and make this product more attractive by adding the option of Internet connectivity with the laptops financed through Laptop Ease.

■ Meezan Labbaik (Hajj & Umrah financing)



Meezan Labbaik (Hajj & Umrah financing) is designed to facilitate customers who wish to perform Hajj or Umrah through a product that allows them to pay the price of their travel package in 12 monthly installments. Installments start after they have completed their Hajj or Umrah. The Bank's role in this product, is that of a sales and funds collection agent acting on behalf of selected travel agents while delivery of the travel package selected by the customer is the responsibility of the travel agent.

Meezan Labbaik provides the following two options to the customer:

- To pay the full price of the selected package upfront and travel immediately, after completion of all travel arrangements
- To pay a down-payment and travel immediately after completion of all travel arrangements. The remaining price can be paid in 12 equal monthly installments with no additional charges

353 customers performed Umrah and 250 customers performed Hajj during the year by availing the benefit of Meezan Labbaik.

Treasury & Financial Institutions

Meezan Bank's Treasury has established itself as an active and formidable player in the local foreign exchange and money markets. As a result of strong inflows, emanating from robust deposit growth, and slow credit off-take due to low private sector demand, the Bank remained very liquid throughout the year and Treasury has done an excellent job in managing the excess liquidity of the Bank within the parameters of Islamic banking. A substantial portion of the Bank's liquidity was deployed in the four Government of Pakistan (GOP) Ijarah Sukuk auctions during the year, with the Bank investing an additional amount of approximately Rs. 42 billion. In the secondary market, the Bank actively bought and sold GOP Ijarah Sukuk worth Rs. 50 billion from banks during the year, and has therefore played a critical role in helping develop the secondary market for Islamic instruments.

In addition to the domestic Sukuk market, the Bank also focused on building up its portfolio of high quality offshore Sukuks and remained an active participant in primary auctions during the year.

When you can avail convenient Riba-free financing products

what are you waiting for?

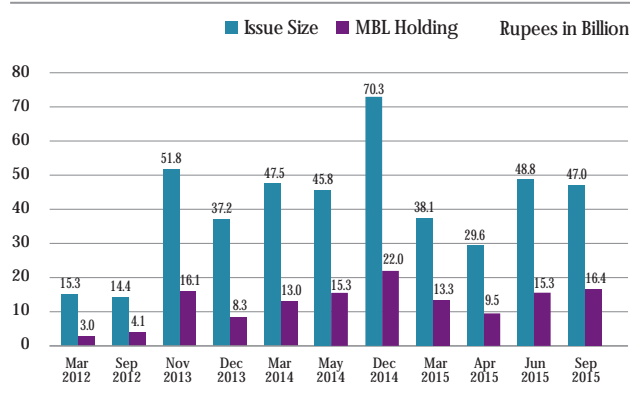
Now **310** branches in **90** cities nationwide

Meezan Bank
The Premier Islamic Bank

A wide range of consumer financing products



Government of Pakistan Ijarah Sukuk



To further its objective of creating a vibrant Islamic money market, Meezan Bank signed interbank placement agreements with various counterpart Islamic Financial Institutions (IFIs). Furthermore, the Bank is also involved in inducting new treasury money market products such as Secured Musharakah for the interbank market to cater to the increased business needs. Once Secured Musharakah becomes a recognized vehicle for money market placement amongst Islamic Financial institutions, it will pave the way for development of SBP's lender of last resort facility for IFIs.

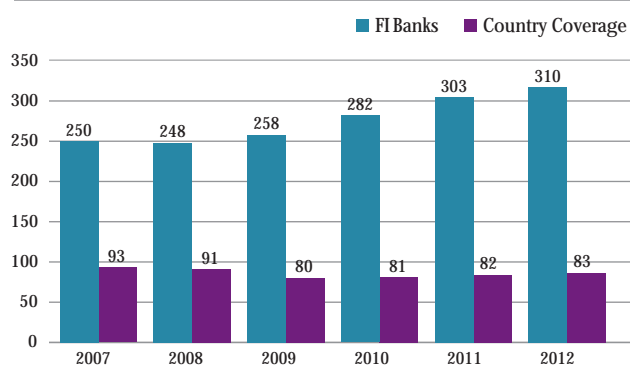
The corporate treasury desk focused on competitive pricing for its existing clients and has succeeded in establishing ties with one of the biggest oil refineries in Pakistan. The desk has developed a dollar-linked Bai Salam product as a Shariah-compliant alternative to conventional bills discounting using FE 25 deposits.

On the interbank FX trading side, 2012 was an rewarding year with respect to the establishment of FX limits with foreign banks such as Commerzbank, and signing of formal FX Wa'ad Agreements with Standard Chartered DIFC and Mashreq Al-Islami. It has also established spot & forwards lines with the foreign branch of a local bank for hedging currency exposure in HKD. Deployment of aggressive pricing strategies enabled this desk to support TMU and ALM sides to increase the trade business and to manage the Bank's liquidity. Currently, FX Interbank is working on the implementation of a Dealing Interface between live platforms and the Bank's core banking system, making Meezan Bank's Treasury only one of a handful of dealing rooms with such an arrangement.

The list of internationally renowned banks on Meezan Bank's correspondents list is growing day by day. This is a reflection of the Bank's growing financial strength and strong credit risk as an institution.

Reinforcing the Bank's efforts to earn Shariah-compliant income on overnight deposits based on the Shariah principles of Wakala, the Financial Institutions and Correspondent Banking unit (FID) has successfully developed an Islamic Automated Investment Product (AIP) on its Mashreq Bank USD nostro clearing account this year.

Correspondent Banking Network



During the year, the Bank was able to open a Renminbi Yuan (CNY) Nostro account with Bank of China, the third largest bank in mainland China, making Meezan Bank among the few banks in Pakistan and especially in the Islamic banking industry to have a Nostro account with Bank of China. To bolster the trade relationship with China further, FID was able to successfully bring onboard Industrial and Commercial Bank of China (ICBC), the largest bank in China, via a SWIFT RMA relationship.

FID also opened Nostro accounts in Hong Kong Dollars and Swedish Krona with National Bank of Pakistan (Hong Kong) and Skandinaviska Enskilda Banken AB respectively. These Nostro Accounts will facilitate trade settlement in their respective currencies while strengthening Meezan Bank's presence in these markets. The complete list of all correspondent banks is given in this Annual Report.



Meezan Bank & Mashreq Bank sign Accord



Al Meezan Investment Management Limited

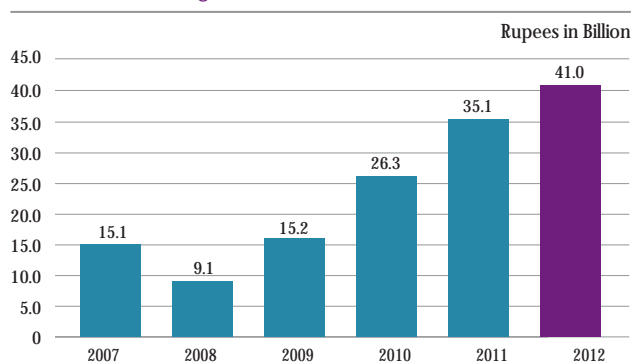
Asset Management

The asset management business of Meezan Bank is managed by its subsidiary, Al Meezan Investment Management Limited (Al Meezan). The company has been in operation since 1995 and has one of the longest and most consistent track records among private sector companies of managing mutual funds in Pakistan. It also has the distinction of being the only asset management company in Pakistan that has the mandate of providing only Shariah-compliant investments solutions to its investors. Apart from asset management, Al Meezan is also licensed to render Investment Advisory Services and manage Voluntary Pension Schemes.

Al Meezan has grown steadily over the years with total funds under management of Rs. 41 billion, which constitutes 12.2% of the entire mutual fund industry, and 69.2% of the total Shariah-compliant mutual fund industry. Al Meezan is the third largest asset management company in the private sector, and the largest Islamic asset management company managing Shariah-compliant funds. The company is also managing the largest equity fund in the private sector as well as the largest voluntary pension fund. JCR-VIS Credit Rating Company has also rated Al Meezan as AM2 denoting 'High Management Quality' rating with stable outlook.

The growth in net assets under management over last 7 years is depicted in the chart below:

Funds under Management of Al Meezan



The Product Development team at Al Meezan works proactively to introduce new Shariah-compliant investment structures while the Product Development and Shariah Compliance team of Meezan Bank ensures Shariah-compliance of funds under management of Al Meezan.

During the year, Al Meezan successfully launched KSE Meezan Index Fund, an index tracker fund based on the KSE Meezan Islamic 30 Index. This brought the total funds being managed by Al Meezan to seven open-end funds, one closed-end fund and one pension fund. After the completion of statutory requirements, Meezan Financial Planning Fund of funds will also be added to Al Meezan's product portfolio. With the blend of these funds across various categories, Al Meezan has the capacity

to meet the financial requirements of diverse investors based on their individual investment needs.

The fund-wise break up of assets under management along with return on these funds since inception and for calendar year 2012, are as under:

Name of Fund	Type	Net Assets - Rs. Million (December 31, 2012)	Annualized Return since Inception till December 31, 2012	Return for 2012
Al Meezan Mutual Fund (AMMF)	Open-End Equity Fund	1,804	16.91%	48.53%
Meezan Islamic Fund (MIF)	Open-End Equity Fund	7,253	19.44%	49.11%
Meezan Balanced Fund (MBF)	Closed-End Balanced Fund	1,508	15.54%	31.58%
Meezan Islamic Income Fund (MIIF)	Open-End Income Fund	1,549	9.98%	15.30%
Meezan Cash Fund (MCF)	Open-End Money Market Fund	6,902	10.44%	9.79%
Meezan Sovereign Fund (MSF)	Open-End Income Fund	20,082	10.90%	10.17%
Meezan Capital Protected Fund - II	Open-End Capital Protected Fund	475	14.33%	18.27%
Meezan Tahaffuz Pension Fund	Voluntary Pension Scheme Fund			
- Equity sub fund		432	12.83%	48.72%
- Debt sub fund		450	9.46%	9.90%
- Money market sub fund		255	9.53%	9.56%
KSE Meezan Index Fund*	Open-End Index Tracker Fund	300	N/A	18.48%
Total Assets Under Management		41,010		

*KSE Meezan Index Fund was launched during the year on May 23, 2012



Operations Review

The support units of Meezan Bank work together to ensure that all transactions undertaken by the business units are in accordance with the directives of its Shariah Advisor and the Shariah Supervisory Board (SSB) and the Bank's policies and procedures. The support units are:

Product Development & Shariah Compliance

The Product Development & Shariah Compliance (PDSC) department, which was formally setup in March 2005, ensures that all activities at Meezan Bank are strictly Shariah-compliant. PDSC provides a centralized hub for innovative research and product development activities, finding practical and Shariah-compliant solutions for different financial needs, Islamic banking training and Shariah audit & compliance. The department works under the guidance and supervision of the Bank's Shariah Advisor - Dr. Muhammad Imran Ashraf Usmani and the Shariah Supervisory Board (SSB) of the Bank and includes the following diversified activities:

- Facilitating new research and product development activities
- Refining existing products and procedures
- Providing Islamic banking training to new and existing staff members
- Facilitating learning of Islamic banking at universities and business schools
- Conducting regular Shariah audit and reviews of branches and departments
- Coordinating with the Bank's Shariah Supervisory Board
- Providing Islamic banking advisory services to both local and foreign institutions

The Bank has achieved such success and recognition in its research and product development activities that the practices and procedures adopted by Meezan Bank, is often accepted as the Islamic banking industry standard, not only locally but also internationally. In carrying out its responsibilities the PDSC manages the following core functions:

Product Development and Structuring

The Product Development and Structuring team of the Bank works with clients, Shariah scholars, legal firms and accountants to develop client-specific tailor-made solutions to enable clients to obtain Shariah-compliant financing facilities; more than 800 such cases were structured during the year. Going forward, such initiatives will pave the way, Insha'Allah, for further innovation and contribute towards establishing Islamic banking as banking of first choice.

Meezan Bank, being the market leader through its research wing, is active in highlighting, pursuing and resolving numerous issues for the Islamic banking industry. The Bank has actively worked with the central bank in developing the recently issued guidelines for Pool Management and Accounting treatment for

Credit Murabaha transactions. The Bank has also developed and proposed Foreign Exchange (FX) Trade confirmation formats for Ready and Forward Transactions for recording FX transactions executed between the Bank and SBP. Active research & coordination is also underway with the central bank for development of Islamic Long Term Financing Facility, revision in reporting in Computerized Reporting System for Islamic inter-bank transactions, development of a pricing benchmark for the Islamic Banking industry, resolution of Shariah-compliance issues related to foreign exchange transactions, development of Islamic finance/discount window for Islamic banks and improving disclosure requirements in Annual Reports for Islamic banks.

Internal Islamic Banking Training

To enhance staff knowledge and skills related to Islamic financial products, Meezan Bank runs a rigorous training plan for its employees at all levels ranging from basic orientation in Islamic banking for all new staff to specialized functional modules and certificate programs as well as product-related trainings and refresher programs. During 2012, 109 knowledge sharing sessions were held wherein knowledge pertaining to Islamic banking was extended to over 3,300 employees.

External Training, Customer & Public Awareness Initiatives

The Bank conducted 42 Islamic banking seminars and Corporate/SME Workshops in 26 cities during the year. These were attended by more than 5,000 participants representing customers, the Bank's Corporate/SME clients, general public and professionals. The Corporate/SME workshops were focused on resolving the practical issues faced by customers and on educating them about the various processes and steps involved in executing a Shariah-compliant transaction.

The Bank continued its support to institutions including SBP, National Institute of Banking and Finance (NIBAF) and Centre for Islamic Economics (CIE) in conducting Islamic banking training sessions. The Bank also supported various Islamic banking courses, sessions and degree programs in different institutes and organizations including Institute of Business Administration (IBA) - Karachi, Mohammad Ali Jinnah University, Riphah International University Islamabad, COMSATS - Lahore, Baqai Institute of Diabetology - Karachi, The Citizens Foundation (TCF), The Institute of Legal Studies - Islamabad, COMMECS Institute of Business and Emerging Sciences (CIBES), etc.

Shariah Audit & Compliance

The Bank has always adopted a policy of no compromise on adherence to Shariah principles. The Shariah Audit function plays a pivotal role in achieving this objective by ensuring Shariah-compliance in each and every activity undertaken by the Bank. This process involves customer meetings, factory visits and reviews of business processes and transactions to ensure that the transactions executed with the customers are in compliance with Islamic Shariah. Shariah audit of the process of profit distribution to depositors is also conducted periodically to ensure adherence to Shariah guidelines.

Islamic Banking & Shariah Advisory Services

The Islamic Financial Advisory arm of Meezan Bank assists financial institutions, Mutual Funds, Stock Exchanges and several other entities, both local and international, in developing Shariah-compliant alternatives to conventional products by sharing its accumulated research and experience.

Operations

The Operations department is responsible for complete back-office processing for Branch Banking, SWIFT, Cash Houses, Trade Finance, Credit Administration, Treasury, Capital Market, Alternate Distribution Channels (ADC), Mutual Funds, Home Remittances, Reconciliation, Transaction Banking and Central Bank Reporting. The primary function of the Operations department is to ensure that all transactions are accurately processed in line with the Bank's internal Policies/Procedures/SOPs and Shariah guidelines, SBP regulations and all related legal requirements.

Some of the key initiatives taken during 2012 are:

- A new Transaction Banking Unit has been set up to cater to Branchless Banking (BB), Mobile Banking and Cash Management. A formal request has been submitted to State Bank of Pakistan to acquire BB license and as a first step SBP has asked the Bank to conduct a Pilot project as Proof of Concept. This pilot project has been launched with one of the leading companies in Pakistan. On the successful completion of the BB pilot project, the Bank expects that full-fledged BB License will be granted to Meezan Bank.

Cash Management products such as payroll management, Supply Chain payments and Collections are also an integral part of Transaction Banking. The focus is to allow the Bank's corporate customers to manage their cash flows more efficiently by seamlessly interfacing with Meezan Bank's systems on a real-time basis.

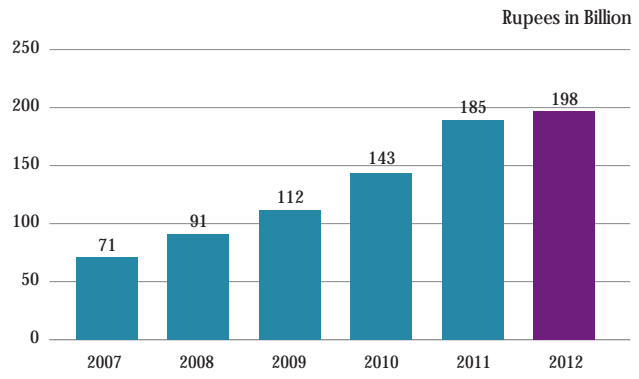


WESTERN UNION Award ceremony of World of Betters Contest by Western Union held at Meezan House

- Centralized Account Opening Centres are operating in Karachi, Lahore, Faisalabad, Multan and Islamabad ensuring implementation of robust controls on this critical activity across all branches.
- New personalized cheque books were introduced with improved security features and a more aesthetic look.
- Meezan Bank is now among the active Home Remittance processing banks in Pakistan and has entered into agreements with 18 international Remittance Companies. The Bank processed Home Remittance transactions amounting to Rs. 7.4 billion during the year.

The Bank is also very active in handling trade finance (import and export) business with total volume of approximately Rs. 200 billion passing through the Bank's counters. A snapshot of trade performance over the past 5 years is shown below.

Trade Finance



Information Technology

Rapid change is the norm in today's financial world, and IT has focused its energy and resources to evolve its enterprise models, people, processes and technology to acknowledge this shift. Being able to adapt to change is critical to any organization's success, so it is imperative to develop a framework that leverages technologies and components to create a new level of integration between business processes and IT.

As a result significant investment has been made over the years, including 2012, to improve the quality of this platform by upgrading both hardware and software and this will be an on-going process. A few of the notable highlights include:

- The acquisition of high-end IBM P770 enterprise servers for both the Primary Data Centre and the Secondary Disaster Recovery (DR) Site. This is a major investment for the Bank and is expected to provide the requisite back-end support for handling the increasing transaction load, expanding branch network and growing demands of business units. Concurrent with the hardware upgrade, the Bank's DR Site is being moved from Karachi to Islamabad, in keeping with international standards, and will Insha'Allah ensure 100% resilience and business continuity.



- Completion of the roll-out of the centralized core banking system - T24 across its entire branch network. This has resulted in bringing all the banking transactions on to a single platform, thus improving the availability of information across the network, reducing the response time for customers and enhancing the quality of operational controls.
- Software upgrade of all Alternate Distribution Channels (ADC). This has been done to ensure that all ADC channels - ATM, Internet Banking, Call Centre etc. - are equipped with latest functionality to meet the fast changing consumer banking landscape.
- Implementation of the true Business Intelligence tool. As part of the on-going process of improving the quality of management information to enable timely decision-making, the Bank is in the process of implementing a sophisticated BI tool which is expected to significantly improve the quality of MIS within the organization.

Alternate Distribution Channels

Alternate Distribution Channels (ADC) offers an alternative to traditional 'brick and mortar' branches, by giving access to customers to their bank accounts and other bank products through the Bank's ATMs, Call Centre, Internet Banking, SMS Alerts and Visa Debit Cards. ADC focuses on reliability, convenience, and 24/7 access. In 2012, the overall customer base for ADC products grew by 56% with an increase of 26% in the number of transactions across all ADC channels.

The Bank is continuously working to improve the quality of its customer experience and to enhance its menu of ADC products; this includes the expansion of its nationwide ATM network with the addition of 44 new ATMs, taking the total number to 245, up-grading functionality available through inter-banking and up-grading its Call Centre. Inter-Bank Funds Transfer and Third-Party Funds Transfer features are also available at all ATMs of Meezan Bank along with Utility Bill payments and mobile top-ups, offering round-the-clock convenience.

Meezan Bank's Call Centre handled almost a million calls during the year and customers continued to avail its services 24/7 to access their account information and to conduct banking transactions such as requisition of pay orders and cheque books as well as product-related inquiries. To better serve the Bank's customers, Customer Relationship Management and Call Management applications have been upgraded allowing for improved response times.

In 2012, the Bank launched its Platinum Visa Debit Card for its Premium Banking customers. Since its launch, over 1,500 Platinum Visa Cards have been issued concurrent with the expanding Premium Banking clientele. The Card carries several built-in value-added features such as increased withdrawal limits along with CIP lounge privileges at major local airports and discounts at a wide array of restaurants, retailers, healthcare providers etc and various attractive international offers.

Meezan Bank's Gold and Silver Visa Debit Cards continued to gain popularity among customers with the numbers growing to over 340,000 cards. To enhance the usage of this card, the Bank announced a number of promotions with well-reputed retailers such as Meat One, Arena Complex and Singer, offering complimentary benefits and discounts to customers. Gold card customers continued to enjoy complimentary access to CIP lounges at all airports in major cities of Pakistan.

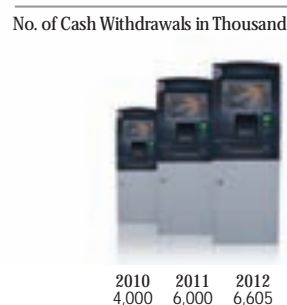
The Bank's internet banking facility continues to offer reliable and convenient ways of banking from home or on the go. Using this facility, customers can access a number of value-added services including Third-Party Funds Transfer, Utility Bill payments, Mobile Top-ups and service their Al-Meezan Mutual Fund account.

Meezan Bank's SMS Alerts service acts as both a convenient utility and a security feature. More than 70,000 new customers availed this facility during the year, taking the total to over 160,000 registered users. SMS Alerts service plays a vital role in instantly updating customers on activity in their account, which

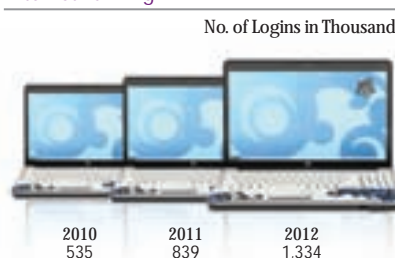
Visa Debit Card



ATM



Internet Banking



Call Center



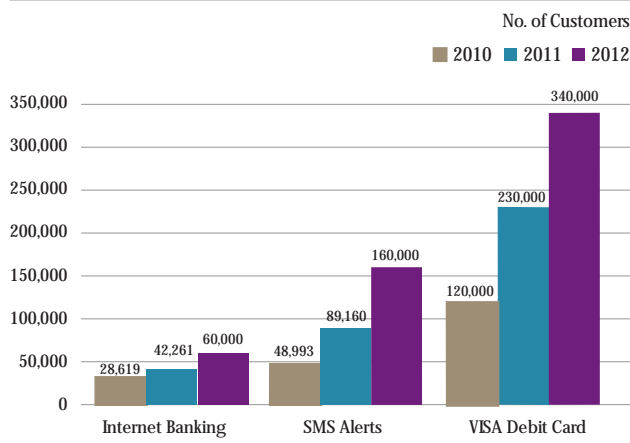
SMS Alerts



also serves as a useful tool in allowing customers to identify any possible fraudulent activity in their accounts.

Meezan Bank constantly strives to launch new and innovative ADC products and services to make banking easier for its customers.

Customer Base



Human Resources

Working with the objective of helping Meezan Bank achieve its Vision to Establish Islamic banking as banking of first choice, all units of the Human Resource function - Talent Management, Policies, Operations and Systems, provided dedicated and focused support to all Business and Support functions.

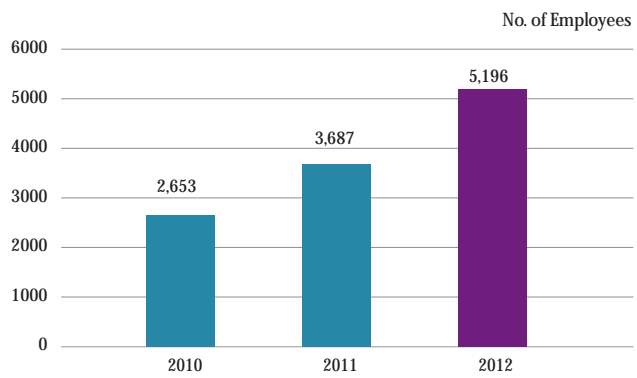
The Bank closed the year with approximately 5,200 staff as compared with 4,300 the previous year. Approximately 1,700+ staff were hired country wide; this achievement highlights the Talent Management team's planning and efforts to meet the Bank's Human Resource needs. As a part of this effort, the Bank also participated in several job fairs during the year in renowned educational institutes such as Institute of Business Administration -Karachi, Lahore University of Management Sciences and SZABIST.

An internship program for students of IBA-Karachi was rolled-out at the Head Office during the summer break at IBA. Furthermore, almost 500 students of local institutions interned at the Bank's branches across Pakistan during the year.

In HR Systems, the current year saw synchronization of the Oracle HRMS and the country-wide Attendance Management System. This initiative has greatly enhanced the quality of HR Data which will help improve decision making at strategic, business, and organization levels. Numerous HR policies were also reviewed and revised during the year in light of market changes and employee well-being. The above initiatives will help Meezan Bank move closer to its HR Vision of becoming the Employer of First Choice.

In terms of Human Capital, the Bank has substantially grown its 'tangible' and 'intangible' Human Capital with the growth of its Human Resource in both numbers and quality.

Growth in Human Capital



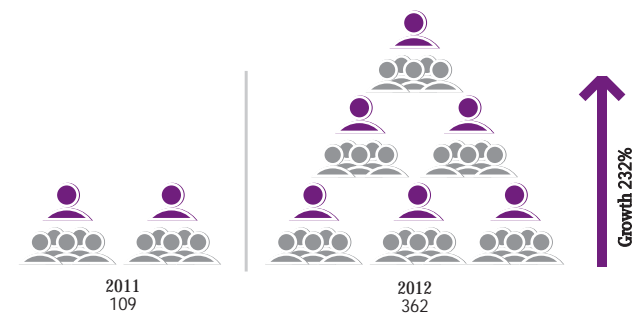
Learning & Development

The Learning and Development (L&D) department executed a number of new initiatives to improve the knowledge and skill level of Meezan Bank's staff at all levels. A total of 362 in-house learning programs were offered, encompassing 884 learning days benefitting 10,277 employees across the country. Similarly, 137 external local and international learning opportunities were provided to MBL staff, benefitting 234 participants and encompassing over 254 learning days.

No. of Participants



No. of Training Programs

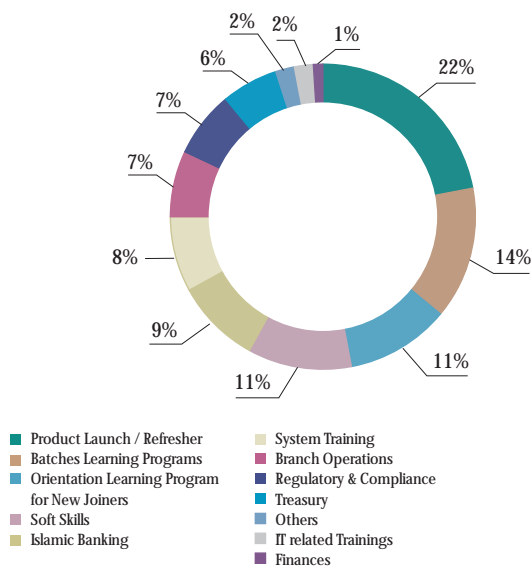


Internal and external offerings were organized in a wide range of areas including Orientation Learning Programs, Branch Banking Operations, Shariah and Islamic banking, Regulatory Compliance including SBP Prudential Regulations, AML and KYC and soft skills. The learning interventions are aimed at developing the Bank's staff into true Islamic banking professionals.

In order to keep pace with Bank's exponential growth rate, the need to hire and train fresh graduates in line with the best global



Breakup of Training Programs



and local practices became a high priority project for L&D. Three major new categories of Batch Training initiatives - Trainee Cash Officers, Business Development Officers and Management Trainee Officers were launched in addition to the ongoing initiative of Trainee Officers. A total of 50 different Batches and sub-batches on pan Pakistan basis completed their classroom and rotational learning comprising of 524 learning days, benefitting 557 fresh entrants.

To improve the quality of learning programs and the learning infrastructure, the Lahore Learning facility was renovated and is now a new and modern facility, housing a large-sized classroom and the Bank's second Mock Branch.

The Trainee Cash Officers program was a major initiative launched during 2012. These officers are hired to fill the existing gaps of Teller positions in addition to providing an HR pipeline for upcoming branches. This initiative is expected to help the Bank to substantially improve the quality of its counter service. 258 young Trainee Cash Officers were hired from a pool of 3,600 applicants; translating into a highly competitive selection rate of 3% which shows the Bank's resolve to hire quality resources. The Trainee Cash Officers were trained in 8 different batches on pan Pakistan basis at Karachi, Lahore and Islamabad.

Mock branches at Meezan House and Learning Center Lahore are now fully functional. During 2012, 40 programs were conducted at these mock branches involving 732 participants in 49 learning days. The Mock Branch at Karachi also contains an ATM through which the trainees are trained in a 'real' Branch environment to equip them with the practical elements of their day-to-day responsibilities.

Realizing the importance of building a quality pipeline of Islamic bankers at mid levels, the Learning and Development department has taken lead in developing the first Management Trainee (MT) program at Meezan Bank with active support from

HR and other key stakeholders. The batch comprises of graduates from the country's top business schools. The first Batch of MTs is now on board, having completed a rigorous 4 months learning program that included intensive classroom sessions and structured orientation at Head Office functions as well as at the Bank's branches.

In line with the best global practices, many other new initiatives were also taken to inculcate a true learning culture including establishment of Meezan House Library, revamping the Learning and Development set-up, introduction of Learning Needs Identification and Analysis, offering Arabic and Quran courses and many other initiatives. These initiatives being taken by the Learning department will Insha'Allah contribute significantly towards improving business development, Shariah-compliance and quality of customer-service in the entire Meezan Bank network.



Service Quality

The Bank has a dedicated Service Quality department (SQ) in place, which is a centralized unit comprising of a dedicated team of individuals who ensure that quality in service is delivered and maintained uniformly at all levels throughout the country. A comprehensive set of service benchmarks are in place against which actual performance is measured. Continuous improvement in SQ is an on-going process and is an integral part of the culture of the Bank.

The Customer Care Unit (CCU), which is an essential part of Service Quality handles customer queries and problems and ensures that complaints are addressed within strictly monitored timelines. The Dispute Resolution Unit, in addition to CCU, has been established to treat customers' financial issues with special attention.

This department also conducts Customer Satisfaction Surveys through the SQ team and Mystery Shopping exercises through external agencies. This activity is carried out to obtain an unbiased picture of the Bank's overall performance and provides feedback for improving the Bank's service culture.

Marketing & Corporate Communication

The Bank launched several initiatives focused on highlighting the milestones that it had achieved during the year and on communicating the unique selling points of its products. The marketing campaigns listed below comprised of press, radio and Social Digital Media advertising.

- Performance of 2011
- Ten years of Corporate Islamic Banking
- Meezan Laptop Ease campaign with Dell
- Ten years of Islamic Banking
- Riba Se Azaadi 2012 campaign
- Business Plus product campaign
- Meezan Bank Corporate campaign

The Bank also regularly informs the public about its achievements as well as business and operational milestones through Press Releases in print, electronic and Social Digital Media channels as well as covering them in its Newsletter - PAGES.

The Bank has significant presence on Social Digital Media with:


- Its Facebook fanpage being amongst the top 3 most popular banking fanpages in Pakistan with more than 85,000 followers.
- Its website being Pakistan's 2nd most visited banking website and the most visited Islamic banking website in Pakistan.
- Its LinkedIn group being the largest Islamic banking group (global) with 3,750 members.
- Its Twitter following being the largest number of Twitter followers of any Bank in Pakistan.
- Its YouTube channel being the largest and only dedicated Islamic Banking channel.



Press Conference - Announcement of Financial Results 2011


The Bank conducted the following Marketing and Public Relation activities during 2012:

- It held 42 Islamic Banking Seminars and 62 Customer Appreciation Days nationwide to promote awareness of Islamic banking.
- It sponsored and participated in over 50 events nationwide.
- Interviews of the Bank's management team were arranged in print, radio and television to promote understanding about Islamic banking among the general public.
- The Bank continued its initiative of designing and producing informative calendars for distribution to its existing and potential customers. The calendar is also made available in digital form on the Bank's website.
- The Bank has adopted the practice of distribution of Ramadan cards instead of the conventional Eid cards in order to highlight the importance of this holy month. The Ramadan cards are always designed with a special religious message and have been appreciated by both customers and non-customers.



When you can celebrate Yaum-e-Azaadi along with Riba sey Azaadi

what are you waiting for?



Now **300+** branches in **89** cities nationwide

Alhamdulillah, we have been independent for 65 years, but isn't it time we also freed ourselves from Riba (Sood)? Meezan Bank lets you choose from a range of Halal solutions to all your banking needs. Today, as we celebrate the independence of our great homeland, we also have the choice of attaining Azaadi from Riba - then what are you waiting for?



Corporate Social Responsibility

During 2012, Meezan Bank made contributions in the form of financial assistance, providing logistical support and availability of human resources for numerous charitable causes in various sectors as elaborated below.

Initiatives in the Health Sector

Shaukat Khanum Memorial Cancer Hospital



Shaukat Khanum Memorial Cancer Hospital and Research Centre is recognized as amongst the most credible and resilient charities and Cancer Hospitals in Pakistan. The Hospital provides comprehensive treatment, free of cost, to thousands of indigent cancer patients across the country. As in the previous years, Meezan Bank continued to provide support to the Shaukat Khanum Cancer Hospital. In 2012 the Bank took a further step in its efforts to promote and assist the foundation on numerous projects which include:

MoU for donation collection boxes in over 300 branches of Meezan Bank

Meezan Bank signed an MoU with Shaukat Khanum Memorial Hospital, under which the Bank will place Shaukat Khanum Memorial Hospital coin/collection boxes in all branches of Meezan Bank. In the first phase of this initiative the Bank will place these boxes in all its branches of Sind and Baluchistan.

The Bank also agreed to provide free online deposit accounts for the hospital, which allow for collection from these collection boxes to be directly deposited in the Hospital's account maintained at the same branch. This agreement has provided extremely positive results as the collection from these boxes has increased significantly, especially in those areas where the Hospital did not have prominent presence or donation collection channels.

Tobacco Awareness

Meezan Bank joined hands with Shaukat Khanum Memorial Hospital to spread awareness of tobacco-related diseases. The Bank also arranged for a seminar for its employees on Anti-tobacco Day. The seminar was conducted by a special team of doctors and representatives from the hospital and was attended by employees of the Bank.



Idara Al Khair and Memon Medical Institute (MMI)



Idara Al Khair has established schools for children of the shanty towns and slums of New Karachi. Meezan Bank assisted Idara Al Khair and MMI foundation to provide complete health screening of the students studying in Idara Al Khair schools. This initiative not only allowed for these children to get their complete medical check-up done, which is a rare opportunity for them, but also resulted in timely detection of certain diseases in these children.

MMI provided free treatment to the 1,600 students and teachers of Idara Al Khair, including laboratory tests, surgery and provision of medicines to the patients.

Children Cancer Hospital & Afzaal Memorial Thalassemia Foundation



Meezan Bank joined hands with the Children Cancer Hospital, a reputed hospital for cancer treatment in Karachi, and the Afzaal Memorial Thalassemia Foundation, a foundation which provides free health care to thalassemia-affected Children, to promote awareness about cancer, thalassemia and their prevention. Branches of Meezan Bank displayed banners and distributed flyers carrying information about these diseases as well as details for charity contribution to these organizations.

Sindh Institute of Urology Transplant (SIUT)



The SIUT provides free medical treatment for kidney, liver diseases and cancers, it is a renowned centre for ethical kidney transplantation. Meezan Bank supports fund raising efforts of SIUT by making its branches available for placement of information leaflets and banners to promote the organisation's efforts and assist in collection of donations.

Pakistan Islamic Medical Association (PIMA)



Pakistan Islamic Medical Association is the largest organization of doctors in Pakistan. Its objective is to promote Islamic learning and medical education among doctors. Meezan Bank showed its support to the Association by sponsoring the 22nd International Convention of PIMA where over 2,500 delegates including doctors from across Pakistan gathered and gained knowledge from deliberations of scholars and leading doctors.

Pakistan Association of the Deaf (PAD)



Pakistan Association of the Deaf (PAD), formerly known as Karachi Deaf Welfare Association, is a member of World Federation of the Deaf and represents the Pakistani deaf community nationally

and internationally. Meezan Bank sponsored the All Pakistan Deaf 20/20 Cricket Tournament which took place in Bahawalpur to support PAD in its efforts to bring betterment in the life of the deaf community of Pakistan.

The Kidney Centre Post Graduate Training Institute



The Kidney Centre is a non-profit institution that provides prompt medical treatment for all nephrological ailments. The Center provides free-of-cost treatment to needy individuals. As part of Meezan Bank's efforts to provide for the medical needs of the underprivileged, the Bank supported a fund-raiser for the Kidney Center which was attended by prominent citizens of the city through placing an advertisement in the event's souvenir.

Donations to National Causes

Donations to NGOs for relief efforts for Floods in 2012

Meezan Bank has provided financial and human resource support for those affected by the floods in Pakistan. During 2012, the Bank provided financial aid to various NGOs of repute, including Islamic Relief, and Muslim Aid for distribution of funds to flood victims. The Bank's staff personally visited flood relief camps throughout Pakistan and supervised numerous relief efforts.

Capital Development Authority



Meezan Bank participated in CDA's Spring Tree Plantation event, 2012 at Islamabad, which is an annual event organized by Capital Development Authority. Meezan Bank's Regional Manager, North, planted a tree at the occasion. This participation was driven by Meezan Bank's recognition of the importance of a clean and green environment and its desire to contribute to improving the environment.

Initiatives in the Educational Sector

IBA Karachi



IBA is a renowned Business School in Karachi. The school runs a National Talent Hunt Program to select meritorious, yet needy students of various Intermediate Boards across the country. Meezan Bank facilitated IBA in the selection process of the National Talent Hunt Program by providing its Branch network and Talent Management resources (HR) for interviews in all the four provincial capitals as well as the federal capital of the country. 16 students were selected and given admission in IBA out of the 30 students who were shortlisted following the Orientation Program and Admission Test.

The Citizen Foundation (TCF)



TCF is a professionally managed, non-profit organization set up in 1995 by a group of citizens concerned with the dismal state of education in Pakistan. As of 2012, TCF has established 830 purpose-built school units nationwide with an enrolment of 115,000 students. Meezan Bank showed its continuous support towards the cause of educating the less privileged children by co-sponsoring TCF's Golf Tournament in 2012.

SZABIST



In order to promote and support excellence in higher education in Pakistan, Meezan Bank sponsored Corporate Gold Medals for students at SZABIST's Convocation in 2012. Gold Medals were awarded to students who attained the highest grades in Islamic banking and related courses. The Bank has been sponsoring Corporate Gold Medals for SZABIST since 2010.



TCF's Golf Tournament in 2012 sponsored by Meezan Bank



Regional Manager, North, planting a tree at the CDA's Spring Tree Plantation 2012



Sustainability Report

Meezan Bank is cognizant of its responsibility for developing and implementing sustainable business practices that address the expectations that the society has from a financial institution. The Bank's consciousness of its responsibility towards the society and towards its stakeholders is also expressed in its Vision and Mission statements.

Stakeholders

Meezan Bank's stakeholders are the people and organizations that affect or are affected by its operations. Organizations do not operate in isolation from society and the Bank's stakeholders have a legitimate interest in the way it operates.

The Bank's stakeholders are a diverse group and include the following:

- Shareholders, represented by the Board of Directors
- Customers: Retail, Corporate, Consumer and Commercial Banking customers
- Employees
- Regulators (Government)
- Business partners: Suppliers & Service providers
- Trade Associations
- Peers: Other financial institutions (Islamic & Conventional)
- Opinion-formers: Journalists, Special interest groups, public via multiple communication channels

Stakeholder engagement

Stakeholder relationships are long-term relationships which should be handled professionally and with sincerity. Meezan Bank engages its stakeholders through numerous channels, while maintaining focus on its Mission to optimize 'stakeholders' value through an organizational culture based on learning, fairness, respect for individual enterprise and performance.

Employees

Human Capital is the Bank's most valuable equity. Meezan Bank uses various means to ensure that its people stay motivated and committed to the cause of Islamic banking and are groomed to develop into better professionals as well as productive members of the society. Some of the initiatives undertaken by the Bank for its staff are:

- Employee Satisfaction Survey: This survey is conducted on a nationwide basis to gauge employees' level of job satisfaction.
- Appreciation of achievements: Academic and professional achievements are milestones in an individual's career and therefore need to be recognized in the most effective manner. Meezan Bank promotes its staff's achievements via internal email circulation and publications in the Bank's newsletter 'Pages'. The Bank makes the published research work of its employees



available to all staff in electronic form through the Corporate Communication department. In 2012, the Bank also distributed long service awards to staff members who had completed 5 and 10 years of service.

- Staff get-togethers: The Bank makes efforts to ensure that the quality of working relationships among its staff are improved through regular interactions in the form of staff gatherings at both local and regional level. During 2012, on the event of completion of 10 years of operations, the Bank held its first offshore meeting for the Senior Management team which, in addition to providing a venue for exchange of creative ideas, also proved to be an effective team-building exercise.

Institutional Investors

Meezan Bank holds regulatory and internal meetings with its Institutional Investors in the form of Board of Director Meetings and Board Committee meetings, which are planned and announced on a periodic basis.

Shareholders

Shareholders engagement is ensured through Annual General Meetings held every year which all shareholders are invited to attend. These meetings provide the Shareholders an opportunity to interact with the Bank's senior management and share their suggestions, concerns and views.

Customers & Public

Meezan Bank's customers include individual and corporate depositors, large corporations as well as Small & Medium Enterprises. The Bank ensures that all customer segments are engaged with the Bank through numerous forums and via multiple channels. To achieve this, the Bank regularly conducts a number of activities during the year for its customers as well as the general public, such as Islamic Banking Seminars, Customer Appreciation Days and local get-togethers on New Branch Openings.

- Islamic Banking Seminars are conducted across the country on a regular basis in order to increase awareness and dispel common confusions about Islamic Banking. These are open-to-public local events that are attended by residents and traders of the locality as well as members of local trade bodies and chambers. This initiative has been appreciated across the country to the extent that local trade bodies and chambers have invited the Bank to hold these seminars at their premises for their members as well. These seminars, in addition to spreading knowledge about Islamic Banking, also give the staff of Meezan Bank the opportunity to interact with existing and potential customers to understand their needs and get feedback from them for further improvement of Meezan Bank's products and services.
- Customer Appreciation Days are branch-specific events where customers are invited with their friends and families to visit their branch and interact with branch staff over light snacks. These events give Meezan Bank's staff the opportunity to have one-on-one discussions with customers and their families that strengthen the Bank's relationship with its customers.

- Branch Opening Events offer another opportunity where all staff of a new branch meets the residents and businessmen of the locality of the branch. This event adds value both by giving a jump-start to the business activities as well as giving the potential customers an opportunity to meet the new team and start developing a better understanding of the concepts and products of Islamic banking.

Other public engagement events conducted during the year included those held at:

- Baqai Institute of Dermatology and Endocrinology: A special half-day presentation on Islamic banking and its application in the economic and financial sector of the country was given to the students, faculty and administration staff of the institute.
- The Citizens Foundation (TCF): TCF is a professionally managed, non-profit organization with 830 purpose-built school units nationwide with 115,000 students. Meezan Bank provided speakers and logistical support for a special presentation on Islamic values and Islamic banking and economic system for selected students of TCF who were enrolled for admission in various intermediate colleges in Karachi.

The Corporate Communication Department is responsible for the dissemination of information within and outside the Bank. The department engages internal staff and external stakeholders including the Public via the Annual Report, regular Press Releases, publication of the Quarterly Newsletter, periodic direct customer



communications and Social Digital Media channels including Facebook, Twitter and LinkedIn. In 2012, the Bank's Facebook page and Corporate Website was amongst the top 3 in Pakistan in terms of fanbase and visitors respectively. The department also engages customers by arranging visibility and accessibility of the Bank on public discussion forums, seminars and electronic & print media.

Recruitment & Succession Planning

Meezan Bank's Human Resources department is a key player in developing policies for attracting and retaining human capital at the Bank. The department also ensures implementation of the Bank's succession planning. The policy and procedure for design and implementation of succession planning is anchored by top management and facilitated by HR. Successors are identified on the basis of their potential to be a successor for a position as well as their performance and experience. The recruitment process is transparent and is available in the Human Resource Manual accessible to all staff via the Intranet. Meezan Bank uses, where

applicable, all available mediums for job advertisements as part of their recruitment process, including the Bank's website, social media and digital media channels of Facebook & LinkedIn, and print advertising in prominent local newspapers. Existing employees are encouraged to apply for vacant positions and the Human Resources Department conducts internal searches as well.

In 2012, the Bank recruited staff across the country via Batch hiring for, Branch Operations Officers, Personal Bankers, Business Development Officers, Cash Officers and the Bank's first Management Trainee Batch. All the batches were hired under a merit-based and very transparent process.

Learning & Development

Meezan Bank focuses on developing its employees to ensure they deliver their personal best. To this end, employees are offered a wide variety of training and development opportunities that build on their strengths, improve their skills and overcome individual challenges. Training includes operational training courses and workshops as well as specialized soft skilled trainings.

- The internal learning programs are managed under an organized learning calendar through a large pool of internal trainers whereas externally offered opportunities are used for specialized technical trainings as well as soft-skill trainings.
- The Bank has set up Mock branches at Karachi and Lahore for providing training on the new T24 Core Banking system. The Mock branch at Karachi also contains an ATM through which staff members are trained in a 'real' branch environment to equip them with the practical elements of their day-to-day responsibilities.
- In 2012, the Bank established a library at the Meezan House with local and international publications on soft skills, operational skills, standards and benchmarks, reference books, religious publications and periodicals.

Health and Safety

Meezan Bank believes that providing a safe and pleasant working environment to its staff is a part of its core responsibilities as an employer and has taken various steps to ensure that its employees are provided a safe working environment and access to opportunities to develop a healthy lifestyle.

Medical benefits & Health facilities

The Bank recognizes the importance of medical assistance benefits that give peace of mind to individuals and enables them to focus on their professional responsibilities without having to worry about financial risks in the event of a medical problem. Hospitalization coverage therefore forms an integral component of the total rewards package offered by Meezan Bank, in keeping with its stated compensation philosophy of offering a balanced and competitive remuneration package for attracting and retaining talent. Meezan Bank has instituted an outpatient, hospitalization and maternity benefit plans for its employees by providing coverage for these eventualities.



Sustainability Report

The Bank encourages a healthy lifestyle for both male and female employees by providing them access to independent Fitness Gyms, a 1,200 sqft swimming pool and separate recreational areas at Meezan House. The facilities are supported by specialized swimming and fitness trainers to assist the staff in their exercise and diet routine. The Bank also provides professionally and hygienically cooked meals to its staff at the Head Office cafeteria which is prepared in an on-location kitchen. Along with these subsidized meals, the staff is also provided with multiple coffee areas for free refreshments throughout the day.



Meezan House is also equipped with an imported Reverse Osmosis Plant for water purification which is used to discourage procurement of bottled water and to provide a cost-effective solution for pure drinking water for staff.

Company Sports

Meezan Bank organises a variety of sports activities for its employees. Cricket, a national favourite, is promoted within the organization and financial industry through participation of Meezan Bank's Cricket Team in local cricket tournaments. The Bank regularly organizes Cricket tournaments for inter-department, inter-branch and inter - region staff who travel and compete within the country.

Meezan Bank also shows its support towards sports through sponsorship of numerous tournaments for different age groups which include both CSR and marketing opportunities. In 2012, the Bank sponsored competitions for Regatta, Cricket and Golf.



Safety Measures

Employees

The Bank has invested in protecting its employees in the following methods:

- Employees are covered by Medical and Life Takaful
- Meezan Bank provides shuttle transportation with security for staff at subsidized cost for employees travelling to and from Meezan House
- Bank Premises are secured by security systems and security guards
- Meezan House has a well-designed fire fighting system for every floor. Trained fire fighters are always available at the location. The Bank also conducts fire drills for employees help them become aware of the steps in case of an emergency and has trained and assigned a team to assist in the case of a fire or natural calamity.

Customers

Safety measures have been taken to protect customers using ATMs and other ADC channels by implementing the following:

- Installation of locks and cameras in all ATM Rooms with 24/7 recording
- Anti-skimming devices have been installed on all ATMs
- ATM-safe-usage-guidelines are displayed on all ATM screens before the customer undertakes a transaction
- The Meezan Internet Banking website is encrypted with 256 bit encryption
- Two-factor authentication for funds-transfer transaction on Internet Banking was added in 2012
- All customer calls to Call Centre are recorded
- IVR Transactions are secured via a separate Telephone Banking PIN (T-PIN)
- SMS alerts service keeps the customers constantly updated of any activity (Debit or Credit) in their account

Selection of Business Partners

Meezan Bank ensures that its business partners are selected and approved through a detailed review and selection process. The Bank's procurement team is empowered to finalize the best supplier and service provider based on quality, costing, historic relations and market reputation. The process is reviewed by the Internal Audit team to ensure compliance to the approved internal processes as well as market norms.

Service Quality Monitoring

Meezan Bank has Pakistan's largest Islamic banking branch network of 310 branches in 90 cities of Pakistan. This branches work as per defined operational procedures which are constantly reviewed and monitored through the Service Quality Department and via Shariah Audits through the Product Development & Shariah Compliance Department. Service Quality Controllers are posted

in branches to review and report branch activity and results and to support branch staff in ensuring delivery of a pleasant and professional banking experience to its customers. Furthermore, branches are incentivised to enhance their Service Quality and Shariah-compliance delivery through Branch Service Quality Awards, Alternate Distribution Channel Awards and Shariah Audit Rating Awards. These are mentioned and highlighted via MIS, internal announcements and published in the Bank's quarterly newsletter.

Conservation of Energy and Resources Energy

An integral part of Meezan Bank's branding is its branch signage which is the most commonly visible image of the Bank. Due to the ongoing energy crisis in the country, it was decided to redesign Meezan Bank's branch signage to reduce electricity consumption. The Bank designed an elegant and energy-efficient structure in which only a small portion of the signage is lit, thereby using less electricity, yet enhancing its aesthetic appeal. The overall energy consumption decreased by approximately 35%. Keeping in mind that Meezan Bank has over 310 branches across Pakistan; this contributes significantly in reducing the overall energy consumption by the Bank.

Meezan Bank has also taken energy-saving measures at its Head Office. The recently constructed Head Office building was designed with glass panels and atriums which allow natural light to come in throughout the day, thereby virtually eliminating the need for artificial lighting in large sections of the building during working hours. As part of its effort to reduce carbon emissions, Meezan Bank invested in centralised gas fired chillers which air-condition the entire building. In addition, expensive reflective double glazing has been used to clad the building that ensures maximum insulation and reduces energy consumption.



Natural Resources and Process Efficiency

Meezan Bank has taken initiatives to promote a paperless environment to improve its working efficiency and control operating expenses resulting from photocopy and printed papers. To this end, the following steps have been taken:

- Implementation of electronic process flows for certain HR-related processes

- Implementation of an electronic IT help desk and document repository system

In 2012, the Administration department of the Bank initiated a system to track and limit the number of photocopied documents made in the Head Office. This system has enabled the department to control the wastage resulting from photocopies.

Consumer Protection Measures

The Bank has taken the following measures to provide financial risk coverage to its Consumer Banking customers:

- Meezan Bank has addressed the critical need of Life Takaful Coverage for its Housing Finance customers by providing a completely Shariah-compliant Life Takaful cover to its customers. In the event of the death of a customer (due to any cause), the Takaful benefit covers the outstanding amount payable to the Bank. The Takaful cover is also available in case of customer's natural or accidental disability. The Life Takaful cover provides great comfort to the Bank's Housing finance customers as well as their family members.
- Meezan Bank is facilitating its Laptop Financing customers by providing free of cost Takaful coverage during the financing tenure of the Laptop. Theft of laptop and damage of laptop are both risks which are covered by the Bank's approved Takaful company for which the Bank pays the premium.
- Meezan Bank's Auto finance product operates under the Ijarah model; hence the Bank takes responsibility for comprehensive Takaful coverage of the vehicle over the complete financing period while it also provides the additional facilities of Tracker with free monitoring and accidental death coverage for the customer.

Business Ethics & Anti-Corruption Measures

The Human Resources Department provides the Code of Conduct and Standard of Ethics for the Bank. A comprehensive document is in place as a part of the Human Resource Policy & Procedure Manual which is available to all staff members on the Bank's Intranet. The document is approved by the Board's Human Resource and Remuneration Committee. The Disciplinary Action Committee (DAC) takes action on any violation of policies & procedures, act of fraud & forgery, breach of discipline and code of conduct, ethics & business practices, law of land and statutory regulations by an employee. Appeals of the staff against whom DAC has already taken disciplinary action is reviewed by an independent Disciplinary Action Review Committee (DARC) which is formed with a view to ensure a fresh review of each appeal filed against the DAC decision. Details of the Standard of Ethics, Business Practices & Code of Conduct are available in this Annual Report.

Contribution to the National Exchequer

Details of contribution to the National Exchequer are available in the Statement of Value Added and Distributed.



Report of the Board Audit Committee

During the period under review, the Audit Committee held five meetings. A summary of the activities carried out by the Board Audit Committee during the period from January 01, 2012 to December 31, 2012 is as follows:

- The Committee reviewed quarterly, half yearly and annual financial statements of the bank before submitting the same for approval of the Board. The review was carried out to ensure that financial statements are understandable, transparent and reliable and in compliance with all applicable accounting standards, statutory and regulatory requirements. The Audit Committee findings and recommendations on the financial statements were advised to the Board.
- The Committee reviewed covering and management letters issued by the external auditors and management's response thereto, and held discussions with external auditors on major observations. The Committee also recommended the rotation / change of External Auditors / Reappointment to the Board as per the requirements of the Code of Corporate Governance.
- As part of its oversight responsibility, the Audit Committee reviewed and evaluated the bank's risks to assess its effectiveness. On the basis of the review, the Committee made various recommendations to the management including determination of appropriate measures to safeguard the Bank's assets. The Committee ensured Internal Auditor's access to the Audit Committee, encouraging communication beyond scheduled Committee meetings. The Committee ensured implementation of audit recommendations through regular reviews and follow ups. The Committee reviewed/approved the scope and extent of internal audit, including consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power; and management's response.
- The Committee also reviewed and had an oversight of implementation of Internal Controls over Financial Reporting (ICFR) program across the bank.
- The Committee regularly communicated with the management regarding the status and progress of Audit Committee decisions/Internal Audit recommendations, and new developments, as well as problematic areas. The Audit Committee is working towards strengthening the internal controls and governance. Significant matters requiring Board attention and Audit Committee recommendations are regularly reported to the Board for consideration and necessary corrective actions.

A handwritten signature in blue ink, appearing to read 'A/R/M', positioned above the printed name of the Chairman.

Ahmed Abdul Rahim Mohamed
Chairman, Board Audit Committee

Shariah Advisor's Report - 2012

الحمد لله رب العالمين، و الصلاة و السلام
على خاتم الأنبياء والمرسلين، محمد المصطفى
الأمين، وعلى آله وأصحابه أجمعين، وبعد:

By the Grace of Allah, the year under review was the eleventh year of Islamic commercial banking for Meezan Bank Limited. During this year, the Bank developed and executed a variety of new as well as established Islamic banking products and transactions after due approval from the Shariah Supervisory Board and/or Shariah Advisor. During the year, the Shariah Supervisory Board (SSB) of Meezan Bank Limited and its Executive Committee (EC) held two meetings to review various products, concepts, transactions, processes and their Shariah-compliance, referred to them by the Shariah Advisor.

As part of the Shariah-compliance framework a full fledged Product Development & Shariah Compliance (PDSC) department is working under my supervision. The role of this function is facilitating new research & product development activities, refining existing products & procedures, providing Islamic banking training, performing Shariah audit & compliance reviews of branches and departments, coordinating with Bank's Shariah Supervisory Board and providing Islamic Financial Advisory services to both local and foreign institutions.

Following were the major developments that took place during the year:

Research & New Product Development

Alhamdulillah, during the year, the Bank was able to develop and successfully launch various innovative products and structures, adding value to the Islamic financial products palette of the Bank.

Keeping in view the Bank's increasing focus on Musharakah-based financing, the Running Musharakah product was offered to a larger number of clients compared to last year.

The Tijarah - Bank Risk Line is a product developed to help exporters in obtaining Shariah-compliant pre and post shipment financing by using accepted export bills as security.

In addition to above, the first-ever Shirkatul Aqd-based short term Sukuk were developed for power producers KAPCO and HUBCO. Adding depth to the short term Sukuk market, the Bank also developed a short term hybrid Sukuk structure for Engro Fertilizer based on Istisna-Musawamah-Wakalah structure.

To extend the benefits of Islamic mode of finance to the Agriculture sector of Pakistan, the Bank developed a Salam financing product for providing Shariah-compliant financing to small and medium sized farmers.

Financing was provided to the Ship-breaking industry through a "Musawama-Spot" based financing structure. To facilitate the requirement of importers, the Bank also developed a solution for "Shipping Guarantee" cases which is in line with the AAOIFI Shariah standards and industry practices.

Improvements were made in the Bai Salam based Shariah-compliant alternative for Dollar discounting of export bills to support the Bank's Trade Finance and Treasury operations. Furthermore, Airtime based Sukuk were developed to fulfill the financing requirements of telecommunication companies' which is a very positive development in this field.

Meezan Kids and Teen Club is another innovative addition to the liability product menu of Meezan Bank. These are Pakistan's first specially designed Mudarabah based Savings Accounts which enable kids and teens to not only get familiarized with Islamic banking concepts but also to earn Halal & Riba-free returns.

Training & Development

During the year over 109 Islamic banking training sessions were held in which 3,314 employees participated throughout Pakistan, as compared to 2,786 employees who participated in 100 Islamic banking trainings last year.

Meezan Bank conducted 42 seminars and corporate/SME workshops in 26 cities which were attended by 5,075 participants representing customers, general public and professionals. One key objective of the corporate/SME workshops was to enhance the working and theoretical knowledge of the Bank's customers.

The Bank also launched the 2nd batch of Islamic Banking Certification course Level 2; an advanced-level certification program designed to enhance the Islamic banking expertise of the Bank's employees. Besides this, the Bank also conducted 5 comprehensive advanced-level 6 day Islamic banking courses for Branch Managers, Operation Managers and senior front-end employees across the country. Deposit refreshers and new deposit product-specific training sessions were also held on regular basis throughout the year.

The Intranet based Knowledge Portal, launched last year, was further improved to facilitate easy access to the updated knowledge about Islamic Banking to MBL staff with continuous additions of articles, lectures, knowledge updates and different product manuals.

Shariah Advisory

In the area of Islamic Capital Markets, Meezan Bank continued to advise all major Islamic Mutual Funds, mainly comprising of those offered by Al-Meezan Investment Management Limited and NBP Fullerton Asset Management Company Limited, regarding establishment & launch of various types of Shariah-compliant Mutual Funds.

The Bank provided advisory services for development and implementation of Shariah-compliant housing finance product for its employees to "Interloop Pvt. Limited" one of the leading socks manufacturers & exporters of South East Asia. The Bank also continued to provide advisory for Islamic consumer sales product to United Sales (Pvt.) Ltd. (USL), a subsidiary of Dawlance group under the umbrella of Diyanat financing.

Meezan Bank, being the major player in the establishment of KMI - 30 Index (KSE Meezan Islamic Index) which is Pakistan's



first ever Shariah Compliant Islamic Index, continued to advise Karachi Stock Exchange (KSE) regarding matters related to re-composition of the KMI 30 Index.

In the international arena, Meezan Bank successfully completed the Islamic Financial Advisory Project for Amana Bank, Sri Lanka. Under this project, Meezan Bank assisted Amana Bank in developing many deposit as well as financing and treasury products, getting these products approved from the Shariah Council of Amana Bank, providing the relevant trainings and in establishment of Shariah-controls for these products. Alhamdulillah, with this success, Meezan Bank's international image for providing quality Shariah-compliant products and related advisory services has strengthened significantly.

Review of Assets

The Bank primarily used Murabaha, Ijarah, Diminishing Musharakah, Musawammah, Istisna, Tijarah, Running Musharakah and Salam for its financing activities during the year.

It is encouraging to note that the share of Diminishing Musharakah moved to 33% and the share of Istisna moved to 18% of the financing portfolio. The shares of Ijarah and Tijarah transactions moved to 8% & 4% respectively. While the Share of Murabaha financing moved to 31%. The Bank's total financing portfolio reached Rs. 94.4 billion (gross) as of December 31, 2012. All these transactions were executed using Shariah-compliant financing agreements.

Review of Liabilities

On the liability side, the Bank offered different Shariah-compliant deposit products based on the mode of 'Mudarabah' & 'Qard'. Total deposits of the Bank increased by 36% and reached a sum of Rs. 230 billion as at December 31, 2012. During the year, the Bank accepted deposits on the mode of Musharakah for short-term liquidity management from inter-bank market and corporate clients.

It is heartening to observe that the improved profit payment mechanism for Certificates of Islamic Investments (COIs) and other Term Deposits has been successfully implemented as directed by the Shariah Supervisory Board of the Bank. With this new mechanism the profit payment dates for all Mudarabah-based saving products are now the same, based on the actual declared profit rates.

Throughout the year, the process of the allocation of assets and funds to various deposit pools; announcement of overall profit sharing ratios for Mudarabah-based deposits; monthly allocation of weightages and distribution of income to deposit accounts was monitored and reviewed in accordance with Shariah rules and principles.

Shariah Audit & Compliance Reviews

Shariah-compliance is taken very seriously at Meezan Bank and the Bank has always adopted a policy of no compromise on Shariah principles. The Shariah Audit function plays a vital role in achieving this objective by ensuring Shariah-compliance in each and every activity undertaken by the Bank. The Shariah Audit function keeps a continuous check on all activities starting

right from the time of opening of a branch and goes hand in hand at each step of product offering till the stage of final profit distribution to the customers.

Shariah Audit of over 250 branches was conducted as a part of the Bank's efforts to strengthen the internal Shariah controls mechanism. These audits not only cover the transactions that the branches undertake but also include an evaluation of the Shariah knowledge of staff.

On the financing side, the Bank's PDSC team also makes extra efforts to understand the customer's business model before approving or renewing any facility. Frequent customer meetings, factory visits and reviews of business processes and transactions are undertaken to ensure that the facility being offered to the customer is delivered through a process that ensures compliance with Islamic Shariah. Shariah audit of the process of profit distribution to depositors is also conducted periodically to ensure adherence to Shariah guidelines.

During the year, credit approvals, restructuring of financing facilities, customer-specific transaction process flows, text of LGs and security documents were reviewed to ensure Shariah-compliance while offering financing products to the customers.

As a part of its ongoing activities, the PDSC department approved more than 800 product structures and process flows for its clients during the year. Moreover, random physical inspections and concrete measures were taken to verify the purchase evidences and invoices of financing transactions, thus further improving the quality of internal controls. In Istisna and Tijarah transactions, existence of goods was ensured by conducting 100% physical inspections at the time of taking delivery of the goods.

I am pleased to highlight that during the year 2012, direct payments for Murabaha financings to Corporate and SME/commercial customers increased by 23% while the overall percentage of direct payment increased to 80% against 57% in the previous year. It is highly recommended that efforts be continued to maintain this percentage of direct payment in Murabaha transactions.

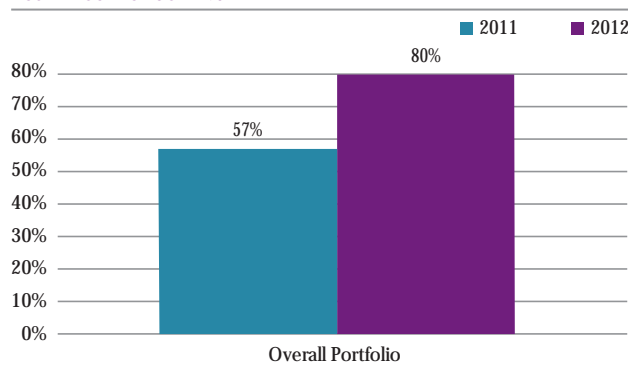
Summary of Direct Payment in Murabaha Financing for Meezan Bank

Murabahah Financing - Direct Payment	2011	2012	Growth
Overall Portfolio	57%	80%	23%
Customer Wise Segregation			
Corporate	49%	79%	30%
SME/Commercial	78%	84%	6%

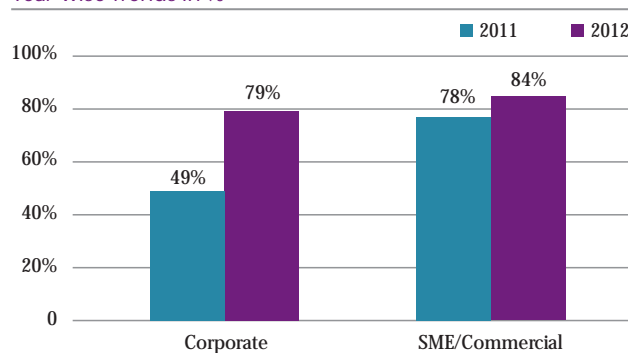
(The percentages above are rounded off)

Shariah Advisor's Report - 2012

Overall Murabahah Financing
Year-wise Trends in %



Customer-wise Segregation
Year-wise Trends in %



In addition to the above-mentioned compliance measures, Shariah audit & compliance review of 252 branches and 11 departments was conducted during the year to gain first hand understanding of the activities being carried out at the branches and departments. These audited branches constitute around 91% of the total branch network of the Bank at the start of the year 2012.

An exercise of gauging the basic understanding of the staff about the structures and concepts of Islamic banking & finance was also conducted by way of interviews and on the spot training sessions were conducted to address any shortcomings during the course of such reviews.

The audit covered overall Shariah-compliance of the Bank's operation and their alignment with the guidelines given by Shariah Advisor and the SSB. In the process, following areas were looked into:

- Suppliers' existence was confirmed by visiting the suppliers' premises on sample basis
- Cross verification of Murabaha transactions with customers' record was done to ensure that the transactional documents represented actual occurrence of events on ground
- Genuine purchase evidences were obtained to execute Murabaha transactions to ensure that Murabaha disbursements are not availed to set off previous balances with the supplier
- Agreements for Murabaha, Ijarah, Diminishing Musharakah, Istisna, Tijarah and Bai Salam were reviewed
- Declarations, description of assets, relevant purchase invoices,

sequence and order of the documents and time difference between purchases and declaration in Murabaha were reviewed to obviate the possibility of fictitious transactions

- Murabaha Monitoring Sheets (MMS) and Delayed Declaration Reports (DDR)
- Purchase deeds, treatment of ownership related cost & recovery of rentals in Ijarah transactions
- Ownership ratio in Diminishing Musharakah for housing and issuance of timely unit sale receipts
- Investment made in stock with reference to the stock screening criteria
- Import finance transactions and related documentation
- Extensive reviews of client payment, purchase cycle and periodic assessment of client's processes
- Other related documents and procedures followed by different functional areas
- Profit-sharing ratio, profit weightages, pool working, asset & deposit allocation for deposit products

During the year, in some of the Murabaha transactions the use of fabricated invoices as Murabaha purchase evidence was observed. Controls were then suggested to avoid such mistakes in future. Furthermore, it was also observed that in some of the Murabaha transactions, funds disbursed were utilized for purposes of purchasing goods other than those for which the financing transaction was approved.

A detailed Shariah review of the above-mentioned transactions is under process, finalization of which will decide on permissibility or otherwise of the income of Rs 30.10 million accrued on such transactions. Till that time we have created a provision of Rs. 30.10 million in the income of 2012. Moreover, an amount of Rs. 47.19 million was disbursed in the charity account while a provision of Rs. 2.24 million was also created and Rs. 2.20 million was disbursed in the charity account for the fiscal year 2011 and 2012 to eliminate the non-compliant portion and purify the dividend income earned from the investment made in the Shariah-compliant stocks by the Bank.

In addition to the above, in the normal course of business, the Bank transferred an amount of Rs. 32.23 million to the charity account on account of non-timely payments by customers in various financial transactions.

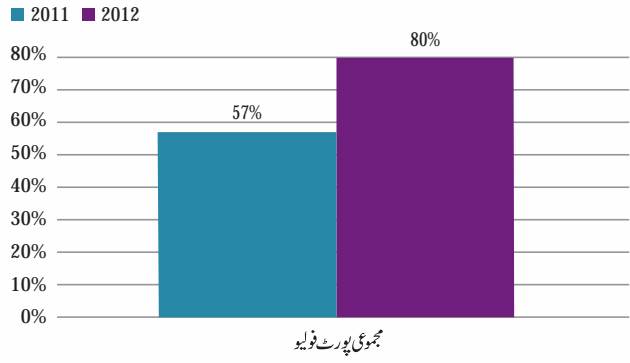
Murabaha Monitoring System

A system for continuous monitoring of Murabaha transactions is in place whereby the branches extending Murabaha financing are required to submit a monthly reporting sheet, after thorough review by the branch/departmental management, to PDSC for review and continuous monitoring of Murabaha transactions to avoid any mistakes/errors.

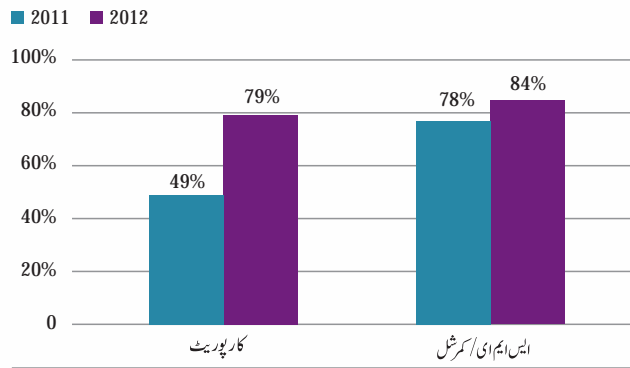
Charity

An amount of Rs. 81.625 million was transferred to the Charity Payable Account and an amount of Rs. 32.924 million was disbursed from the account after approval of the Shariah Advisor. Details of Charity are available in note # 18.4.

عقد مہر ایسوسی کی جانے والی براہ راست ادائیگیاں
رواں سال اور سابقہ سال کا مقابلہ



براہ راست ادائیگیوں کی تفصیل باعتبار گاہک
رواں سال اور سابقہ سال کا مقابلہ



تذکرہ بالا اقدامات کے ساتھ ساتھ اس سال بینک کی 252 برانچوں اور میزبان بینک کے 11 مختلف شعبوں کا شریعہ آڈٹ کیا گیا تاکہ ان برانچوں/شعبوں میں ہونے والے عقود کی براہ راست جانچ پڑتال کی جاسکے۔ 2012ء کی ابتداء میں موجود برانچوں میں سے تقریباً 91% برانچوں کا آڈٹ کر لیا گیا۔

تیز بینک کے متعلقہ اہلکاروں کی اسلامی بینکاری کے بنیادی ڈھانچوں اور صورتوں کے بارے میں معلومات کو بھی ترقی دیا گیا اور انٹرویوز کے ذریعے جانچا گیا۔

بینک کی مجموعی طور پر شرعی قوانین کی مطابقت اور شریعہ وائز راول اور شریعہ سپر وائزری بورڈ کی طرف سے دی گئی ہدایات پر عمل کو جانچنے کے لئے آڈٹ کیا گیا۔ جس کے دوران درج ذیل امور کو بطور تھامس پرکھا گیا:

- سپلائرز کے مقام کا معائنہ کر کے ان کے موجود ہونے کی بھی تصدیق کی گئی ہو۔
- مہر ایسوسی کے عقود کی جانچ پڑتال کرنے میں گاہکوں کے اپنے رکارڈز کو بھی چیک کیا گیا تاکہ اس بات کی یقین دہانی کی جاسکے کہ وہ مستحق و مستحقین کی درست لمانڈگی کرتے ہیں۔
- عقد مہر ایسوسی کی انجام دہی کے وقت اصلی ثبوت خریداری فراہم کئے گئے ہوں تاکہ سپلائرز کی سائبر ایبٹ الا دارم رقم کی ادائیگی مہر ایسوسی کی قبولیت سے نہ کی جائے۔
- مہر ایسوسی، اجارہ مشارکہ تصدق، احصاء، تجارت اور بیع سلم کے معاہدات
- ڈیپازیشن، اثاثوں کی تحصیلات، متعلقہ خریداری کی رسیدیں، دستاویزات کے نقاؤ کی ترتیب، مہر ایسوسی میں بینک کی طرف سے کی جانے والی خریداری اور گاہک کی طرف سے کی جانے والی

خریداری میں مدت کا فرق کتنا ہے۔

- مہر ایسوسی مونیٹرنگ ٹیمس اور تاخیر سے موصول ہونے والی ڈکریٹیشن
- پریچ ڈیڈ (رسید خریداری) ملکیت سے متعلق اثراجات کی تحصیلات، عقود و اجارہ میں اجرتیں وصول کرنے کا طریقہ کار۔
- مشارکہ تصدق کی بنیاد پر کی گئیں تو ملٹی ملٹری (Housing Finance) میں ملکیت کا تناسب اور وقت پر خریداری کی رسیدوں کا اجراء۔
- اسٹاک ایکسچینج میں اسکریننگ سے متعلق ہدایات کی کس حد تک اجراع کی گئی۔
- اپورٹ فائنانس ٹرانزیکشنز اور متعلقہ دستاویزات۔
- گاہکوں کی ادائیگیوں، پریچ سائیکل، اور گاہک کے طرق قبولیت کا وقت فونکٹا جائزہ دیکر متعلقہ دستاویزات اور ادائیگی عملیہ کا طریقہ کار۔
- نفع کی شرح کا تناسب، نفع کے اوزان، پریچ کا طریقہ کار، ڈیپازٹ پروڈکشن کیلئے اثاثوں اور ڈیپازٹس کا تعین۔

اس سال کچھ عقود مہر ایسوسی میں ثبوت خریداری کے لئے جعلی انوائسز پائی گئیں۔ چنانچہ آئندہ اس قسم کے واقعات سے بچاؤ کے لئے مناسب تہاویز دے دی گئیں ہیں۔ کچھ عقود میں یہ بات بھی نظر میں آئی کہ بینک کی طرف سے گاہک کو خریداری کے لئے دی جانے والی رقم بینک کی خریداری کے بجائے کسی اور کام میں خرچ کر دی گئی۔ اس معاملہ کا شرعی اعتبار سے تحقیق کیا جائے گا۔ جس کے بعد حتمی طور پر ان معاملات کے ذریعہ کما گئے 30.1 ملین روپوں کے جواز یا عدم جواز کا فیصلہ کیا جائے گا۔ جب تک حتمی طور پر اس رقم کا فیصلہ نہیں ہو جاتا اس وقت تک کیلئے 30.1 ملین روپوں کو 2012ء میں بینک کی آمدنی سے الگ کر دیا گیا ہے۔ مزید برآں 47.19 ملین روپے چربی کی اکاؤنٹ میں جمع کرا دیے گئے اور سال 2011 اور 2012ء کی مد میں 2.24 ملین روپے بینک کی آمدنی سے حزیہ الگ کر دیے گئے اور 2.2 ملین روپے چربی میں ادا کر دیے گئے۔ تاکہ اسٹاک ایکسچینج میں ہائڈ شیئرز کی سرمایہ کاری پر جواز یا عدم جواز حاصل ہو اس میں سے سودی رقم کو الگ کر دیا جائے۔

ماہوں میں ذکر کردہ رقم کے علاوہ کسٹمرز کی طرف سے متعدد جعلی عقود میں تاخیر سے ادائیگی کی مد میں حاصل شدہ 32.23 ملین روپے چربی کی اکاؤنٹ میں منتقل کر دیے گئے۔

مہر ایسوسی مونیٹرنگ سسٹم

عقد مہر ایسوسی کی مسلسل نگرانی کیلئے ایک کپیٹل ٹرانزڈیکشن سسٹم قائم کیا گیا ہے جس کے مطابق وہ تمام برانچوں جو مہر ایسوسی کی بنیاد پر قبولیت فراہم کرتی ہیں، ان کے لئے یہ ضروری ہے کہ ہر مہر ایسوسی سے متعلق بنیادی معلومات پر مشتمل شیٹ برانچ / ڈیپازٹ منٹل منٹل کے جائزے کے بعد ہر دو ہفتہ میں شریعہ ڈیپارٹمنٹ (PDSC) کو ارسال کی جائے تاکہ تمام عقود مہر ایسوسی کی عملیہ میں غلطی سے محفوظ رہا جاسکے۔ عقود، احصاء اور تجارت کیلئے بھی ایسی نظام مرتب کیا جانا چاہئے۔

چربی / صدقات و خیرات

رواں سال میں کل 81.625 ملین روپے چربی کی اکاؤنٹ میں منتقل کئے گئے۔ کل 32.92 ملین روپے شریعہ وائز ر سے منگوری کے بعد چربی کی سیکرٹریز اکاؤنٹ سے ادا کئے گئے۔ چربی سے متعلق تحصیلات ٹوٹ نمبر 18.4 میں مذکور ہیں۔ شریعہ سپر وائزری بورڈ کی ہدایات کے مطابق ایک رفاہی ادارہ احسان فرست کے نام سے قائم کیا جانا چاہئے تاکہ چربی کی فنڈز کا درست اور مؤثر استعمال ہو سکے۔



اس سال میزان بینک کی کل 250 برانچوں کا آغاز کیا گیا۔ اس آٹھ ماہوں میں نہ صرف حیدرآباد کی شرعی حیثیت کو زبردستی برقرار رکھا گیا ہے بلکہ برانچ کے ملازمین کی معلومات شریعہ کو بھی جاننا چاہتا ہے۔

اٹھ ماہوں میں بینک کے PDSC پارٹنر کی ٹیم کسٹمرز کے تجارتی ماڈل پر وقت نظر کے ساتھ نگرانی کرنے کے بعد ان کی حتمی ضروریات پر اس کے لئے طریقہ کار وضع کرتی ہے۔ کسٹمرز کے ساتھ کئے جانے والی وقتاً فوقتاً ملاقاتیں، چیکنوں کے دورے اور تجارتی طریقہ کار اور حقوق کے جائزے کے جاتے ہیں تاکہ اس بات کی یقین دہانی کی جاتی رہے کہ جو سہولت کسٹمر کو دی جا رہی ہے وہ شریعت کے مطابق ہے۔ مزید برآں اپناٹ ہولڈرز کے نفع کی تقسیم کے طریقہ کار کا بھی جائزہ لیا جاتا ہے تاکہ اصول شریعت کی خلاف ورزی نہ ہونے کی یقین دہانی ہو۔ وہاں سال میں حتمی کی منظوریوں کی مجموعی سہولیات کی از سر نو تجدید، ہر برکے کیلئے حتمی کی منظوری کا الگ الگ طریقہ کار اور منطقی دستاویزات کا شرعی اعتبار سے جائزہ لیا گیا تاکہ ان کو بھی حتمی جاننے والی حتمی سہولیات شرعی اعتبار سے درست ہوں۔

بینک کے ہر ڈاکٹریٹ اور پینٹ اور شریعہ کمیٹی نے اپناٹ ہولڈرز نے 800 سے زائد حتمی کے ہر ہفتہ (مالی معاملات کی انجام دہی کا تفصیلی طریقہ کار) منظور کئے۔ بینک کی طرف سے دی جانے والی برانچوں کا طریقہ کار بھی شعبہ بانکا اور منظر کر رہا ہے۔

یہ مختلف صارفین بینک کے وکیل کے طور پر جو ایشیا خریدتے ہیں ان کی تحقیق کے لئے کئی مقامات پر بینک کی طرف سے باقاعدہ نمائندہ سے لے جا کر معائنہ کیا تاکہ یہ معلوم ہو کہ واقعی ایشیا خریدی گئی ہیں۔ اصحان اور تھارہ میں ڈب تیار شدہ ایشیا بینک نے قبضہ کیا تو 100% معاملات میں یہ معائنہ کیا گیا۔

میرے لئے یہ بات قابل مسرت ہے کہ رواں سال 2012 کے دوران حتمی صورت میں براہ راست ادائیگیوں کے مجموعی تناسب میں ساڑھے برس کے مقابلے میں 23 فیصد اضافہ ہوا ہے۔ 2011 میں براہ راست ادائیگیوں کا تناسب 57% رہا تھا، جبکہ یہ تناسب 2012 میں بڑھ کر 80% ہو گیا۔ اس طرح کل 23% اضافہ ہوا۔ چنانچہ کارپوریت کسٹمرز اور چھوٹے اور درمیانے طبقے (SME)، کے گاہکوں کے ساتھ کئے جانے والے حتمی صورت میں براہ راست ادائیگیوں کے تناسب کو برقرار رکھنے کی کوششیں کی جاتی رہی ہیں۔

حتمی صورت میں براہ راست ادائیگیوں کا خلاصہ

شرح ترقی	2012	2011	حتمی صورت میں کی جانے والی براہ راست ادائیگیوں
مجموعی پورٹ فولیو	80%	57%	
باعتبار گاہک			
کارپوریت	30%	49%	79%
ایس ایم ای / کرسٹل	6%	78%	84%

مندرجہ بالا فی صد شرحیں نزدیکی مکمل عدد میں تبدیل کر دی گئی ہیں۔

بین الاقوامی بازار میں میزان بینک نے کامیابی کے ساتھ امانت بینک سری لنکا کے ساتھ شرعی مشاورت فراہم کرنے کا کام پایہ تکمیل تک پہنچایا۔ اس کے تحت میزان بینک نے امانت بینک کو اپناٹ ہولڈرز کے لئے اور نگرانی سے متعلق حتمی پروڈکٹس تیار کرنے میں معاونت فراہم کی۔ ان تمام پروڈکٹس کو امانت بینک سری لنکا کے شریعہ بورڈ سے منظور بھی کرایا، متعلقہ ترقیاتی ٹیمیں بھی کرائیں اور شرعی طور پر درست حتمی کے لئے ضروری تجاویز بھی پیش کیں۔ الحمد للہ، اس کامیابی کے نتیجے میں میزان بینک کی بین الاقوامی سطح پر بہترین شرعی پروڈکٹس اور متعلقہ مشارقی سہولیات فراہم کرنے میں ایک کامیاب کردار ادا کرنے کی سادھ مزیہ مضبوط ہو گئی۔

اٹھ ماہوں کا جائزہ

موجودہ سال میں میزان بینک نے ابتدائی طور پر سرمایہ، چارج، مشارکت، تھارہ، اصحان، تھارہ اور منظر کے امور سہولیات فراہم کیں۔

یہ بات حتمی طور پر ہے کہ میزان بینک کی مجموعی حتمیوں میں مشارکت تھارہ کا تناسب 33% ہو چکا ہے۔ اور منظر، اصحان اور تھارہ کا تناسب مجموعی حتمیوں میں کل 18% ہو گیا ہے۔ جبکہ حتمی اور تھارہ کی مقدار بالترتیب 18% اور 4% ہو چکی ہے۔ جبکہ حتمی صورت میں مشارکت کا تناسب 31% ہو چکا ہے۔ بینک کا مجموعی حتمی پورٹ فولیو (برطانیہ 31 دسمبر، 2012ء) 194.4 ارب تک پہنچ چکا ہے۔ بینک کے یہ حتمی حتمی حتمیوں معاہدات کو استعمال کرتے ہوئے کئے گئے جو شرعی اعتبار سے درست ہیں۔

ڈیپازٹس کا جائزہ

بینک نے اپنی ڈیپازٹ سائیڈ پر کئی اہم شرعی ماڈلز اپناٹ ہولڈرز پر ڈکٹیشن وضع کی ہیں جو منظر اور قرض پر مبنی ہیں۔ برطانیہ 31 دسمبر، 2012ء میں بینک کے ڈیپازٹس میں 36% فیصد اضافہ ہوا ہے اور بینک کا مجموعی ڈیپازٹ 1230 ارب روپے تک پہنچ چکا ہے۔ اس سال بینک نے دیگر بینکوں اور کارپوریشن گاہکوں سے مشارکت کی بنیاد پر حتمی معاہدات کیلئے رقم وصول کی ہیں۔

یہ بات قابل ستائش ہے کہ Certificates of Islamic Investments (COIIs) اور دیگر معاہداتی کا ڈکٹیشن سے متعلق نفع کی تقسیم کا زیادہ بہتر طریقہ کار شریعہ پر دائرہ زری پروڈکٹس کی ہدایات کی روشنی میں عمل میں لایا جاتا ہے جس کے نتیجے میں اب تمام منظر پڈ ڈیپازٹس پروڈکٹس کی نفع کی تقسیم کی تاریخیں ایک ہی ہیں اور حتمی نفع کے اعتبار سے نفع تقسیم کیا جاتا ہے۔

وہاں سال میں بینک کی ڈیپازٹ سائیڈ سے متعلق درج ذیل امور انجام ہوئے گئے:

مختلف اٹھ ماہوں اور فلڈ ڈکٹیشن پڈ کی طرف منسوب کرنا، منظر پڈ کی بنیاد پر نفع شدہ رقم کے مجموعی نفع کے تناسب کا اعلان کرنا، ماہانہ اوزان حتمی کرنا، سرمایہ داروں میں نفع تقسیم کرنا وغیرہ۔

شرعی آڈٹ اور کمیٹیاں

شریعت کی مسلسل مطابقت میزان بینک کے لئے اولین ترجیح رکھتی ہے، جس میں کسی بھی قسم کی مصالحت برداشت نہیں کی جاتی۔ بینک کا شرعی آڈٹ پارٹنر اس معاملے میں ایک اہم کردار ادا کرتا ہے، اور بینک کے ہر برکے کی شریعت سے مطابقت کی طرف توجہ مرکوز رکھتا ہے۔ کسی نئی برانچ کھلنے سے لے کر، پروڈکٹس اور متعلقہ تمام سہولیات اور انتظامیہ ڈیپازٹرز کو نفع کی تقسیم تک کے تمام معاملات کی شرعی حیثیت پر شرعی آڈٹ فلکشن بدستور نظر رکھتا ہے۔



Statement of Sources and Uses of Charity Fund

For the year ended December 31, 2012

	2012	2011
	Rupees in '000	
Opening Balance as of January 01	17,707	88,727
Additions during the year		
- Received from customers on delayed payment	32,230	27,076
- Dividend purification amount	2,203	2,546
- Non-shariah compliant income	47,192	27,070
- Profit on charity saving account	1,079	2,398
	<u>82,704</u>	<u>59,090</u>
	100,411	147,817
Less: Distribution of Charity		
Education	(5,675)	-
Health	(5,175)	-
Relief & Disaster Recovery	-	(130,110)
	<u>(10,850)</u>	<u>(130,110)</u>
Closing Balance as at December 31	<u><u>89,561</u></u>	<u><u>17,707</u></u>

Note:

Details of charity payments in excess of Rs. 100,000 are disclosed in note 18.4.1 to the financial statements of the Bank.



A. F. FERGUSON & CO.

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Meezan Bank Limited** to comply with the Listing Regulations No 35 (Chapter XI) of the Karachi Stock Exchange Limited where the Bank is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

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


Chartered Accountants

Karachi

Dated: February 26, 2013

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fuzul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 3153201, +93 (799) 3153200



Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on the Board of Directors. At present the Board includes:

Category	Names
Independent Directors	H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa Mr. Ahmed Abdul Rahim Mohamed Mr. Alaa A. Al-Sarawi Mr. Mohammad Abdul Aleem
Non - Executive Directors	Mr. Abdulateef A. Al-Asfour Mr. Rana Ahmed Humayun Mr. Mohammed Azzaroog Rajab Mr. Riyadh S.A. A. Edrees Mr. Mazhar Sharif
Executive Directors	Mr. Irfan Siddiqui Mr. Ariful Islam

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy arose in the Board in April 2011 which was filled up on October 08, 2012 after obtaining the required clearance from the State Bank of Pakistan.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices 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 Bank is also compliant in respect of certification of at least one director during the year 2012. The President & CEO, Mr. Irfan Siddiqui, is deemed to be certified, as he, being director in listed companies for more than 20 years is exempt from the certification.
10. There was no new appointment of the Company Secretary, Chief Financial Officer (CFO) and Head of Internal Audit during the year ended December 31, 2012.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by 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 the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee who is an independent non-executive director. The Audit Committee has appointed Head of Internal Audit as secretary to the Committee in its meeting held on February 17, 2013 so as to comply with the revised Code.
16. The meetings of the Audit Committee were held at least once every quarter and prior to approval of interim and final results of the Bank and as required by the Code. The revised terms of reference of the Committee have been approved in the meeting of the Board held on February 17, 2013 and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.
18. The Board has set up an effective internal audit function, with suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program at 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 the Bank and that 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.
20. 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.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Bank's securities, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles included in the Code have been complied with.



Irfan Siddiqui
President & CEO

February 19, 2013



Statement of Internal Controls

The statement is presented to comply with the requirement of State Bank of Pakistan (SBP) circular no. BSD 7 dated May 27, 2004 "Guidelines on Internal Controls".

The management of the Bank is responsible for establishing and maintaining an adequate and effective system of internal controls which has the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations.

The control activities are being closely monitored across the Bank through Compliance, Shariah and Internal Audit departments, which covers all banking activities in general and key risk areas in particular. In addition to performing the above responsibility, the Board of Directors has also formed an Audit Committee which has direct oversight responsibility to ensure the independence of the internal and external audit function. The Audit Committee meets at least once every quarter to discuss the scope and results of the work performed by the Compliance, Shariah and Internal Audit departments. The Audit Committee also meets with external auditors prior to approval of half-yearly and annual results of the Bank.

Based on observation and weaknesses found and identified by the auditors both internal and external and the Compliance and Shariah audit teams, improvements are brought about by the management in internal controls to ensure non-recurrence of those exceptions and elimination of such weaknesses to the maximum possible level.

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

During the year under review, the bank has substantially completed all the stages for the implementation of Internal Control guidelines prescribed by SBP and, as an ongoing process, shall endeavor to further improve the internal control system during 2013. To this end the external auditors have also reviewed the bank's internal control program and issued their Long Form Report. This report has also been submitted to SBP.

Based on the above, the Board of Directors endorses the management's evaluation of Internal Controls.

On behalf of the Board

A blue ink signature of Ariful Islam, consisting of a stylized, cursive script.

Ariful Islam
Chief Operating Officer

A blue ink signature of Irfan Siddiqui, consisting of a stylized, cursive script.

Irfan Siddiqui
President & CEO

February 19, 2013

Notice of 17th Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of the Members of Meezan Bank Limited will be held Insha'Allah on Thursday, March 28, 2013 at 10:00 a.m. at Meezan House C-25, Estate Avenue, SITE, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on November 16, 2012.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank for the year ended December 31, 2012 together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors of the Bank for the year ending December 31, 2013 and to fix their remuneration. The present auditors, A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To approve interim Cash Dividend @ 15% (i.e. Rs. 1.50 per share) already paid in August 2012.

SPECIAL BUSINESS

5. To consider, and approve the issuance of Bonus Shares as recommended by the Board of Directors and to pass the following resolution as an Ordinary Resolution:

"Resolved that:

- a. A sum of Rs 993,704,220 out of free reserves of the Bank for the issue of bonus shares be capitalized and applied for the issue of 99,370,422 ordinary shares of Rs 10/- each and allotted as fully paid bonus shares to those members of the Bank whose names appear in the Register of Members of the Bank on March 28, 2013 in the ratio of 11 ordinary shares for every 100 ordinary shares held (11%) and that such new shares shall rank pari passu in all respect with the existing ordinary shares.
 - b. Members entitled to fraction of shares as a result of their holding shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange
 - c. For the purpose of giving effect to the foregoing, the President/Chief Executive or the Company Secretary be and are hereby individually authorized to take any and all actions which may deemed fit for the issuance, allotment, distribution, etc. of the said bonus shares."
6. To approve the remuneration paid/payable to the Chairman, Vice-Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2012 for attending Board Meetings and Meetings of the Committees formed by the Board and to approve the revised scale of remuneration payable to Chairman, Vice Chairman and Non-Executive Director for attending each Meeting of the Board and for attending each Meeting of the Committees.

"Resolved that the remuneration paid/payable to the Chairman, Vice-Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2012 for attending Board Meetings and Meetings of the Committees formed by the Board, as disclosed in note 35 of the Audited Financial Statements of the Bank and revised scale of meeting fee payable to Chairman, Vice Chairman and Non-Executive Directors as shown in Statement Under Section 160 (1)(b) of the Companies Ordinance, 1984, be and is hereby approved."

7. To transact any other business with the permission of the chair.

A Statement under section 160 (1) (b) of the Companies Ordinance, 1984 pertaining to special business is enclosed.

By Order of the Board



Tasnimul Haq Farooqui
Company Secretary

March 07, 2013
Karachi



Notes:

- i) The Members' Register will remain closed from March 18, 2013 to March 28, 2013 (both days inclusive) to determine the names of members entitled to receive bonus shares and to attend and vote in the meeting.
- ii) A member eligible to attend and vote at this meeting may appoint any person as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the Registered Office not less than forty eight (48) hours before the holding of the meeting.
- iii) An individual beneficial owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card along with the participant ID numbers and sub account numbers with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose.

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the resolutions contained in item (5) and (6) of the Notice pertaining to the special business to be transacted at the Annual General Meeting of the Bank to be held on March 29, 2012.

I) Issue of Bonus Shares

In order to meet the requirement of State Bank of Pakistan to increase the paid up capital of the commercial banks to Rs. 10 billion by December 31, 2013, the Board of the Bank are of the view that Bank's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 993,704,220 for the issue of 99,370,422 bonus shares of Rs. 10/- each in the ratio of 11 ordinary shares of every 100 ordinary shares held i.e. 11%.

The Directors of the Bank have no interest in the above special business save to the extent of their shareholding in the Bank.

II) Scale of Directors' Remuneration

Pursuant to Prudential Regulation G-1 (C) the shareholders are requested to approve revised scale of meeting fee payable w.e.f February 19, 2013 as per details hereunder:

Particulars	Old Scale of Meeting Fee in USD	Revised Scale of Meeting Fee in USD
Fee to each Non-Executive Director for attending each Board Meeting.	5,250	5,250
Fee to each Non-Executive Director for attending each Committee Meeting.	500	1,000
Fee to Vice Chairman for attending each Board Meeting.	8,500	12,500
Fee to Chairman for attending each Board Meeting.	9,000	15,000



Financial Statements

Auditors' Report to the Members	102
Statement of Financial Position	103
Profit and Loss Account	104
Statement of Comprehensive Income	105
Cash Flow Statement	106
Statement of Changes in Equity	107
Notes to and forming part of the Financial Statements	108



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Meezan Bank Limited** (the bank) as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for twenty 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 Islamic financing and related assets covered more than sixty percent of the total Islamic financing and related assets of the bank, we report that:

- (a) in our opinion, proper books of account 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 account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.4 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, 2012, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the bank for the year ended December 31, 2011 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 19, 2012.


Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: February 26, 2013

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (41) 35715864-71; Fax: +92 (41) 35715879
Islamabad: FIA Building, 3rd Floor, 49 Blue Area, Faisal-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +92 (779) 3153200; +92 (799) 3153300



Statement of Financial Position

As at December 31, 2012

	Note	2012	2011 Restated	2010 Restated
Rupees in '000				
ASSETS				
Cash and balances with treasury banks	7	19,125,401	16,641,160	12,780,806
Balances with other banks	8	3,851,150	2,348,076	9,939,660
Due from financial institutions	9	500,000	4,065,406	10,511,855
Investments - net	10	152,459,855	98,488,574	54,966,907
Islamic financing and related assets - net	11	88,678,076	70,377,481	60,265,244
Operating fixed assets	12	4,898,240	3,985,248	3,066,100
Deferred tax asset - net	13	545,961	801,391	342,175
Other assets	14	4,377,827	3,843,058	2,879,678
		<u>274,436,510</u>	<u>200,550,394</u>	<u>154,752,425</u>
LIABILITIES				
Bills payable	15	3,058,503	2,282,045	1,767,370
Due to financial institutions	16	18,461,347	9,235,960	5,829,296
Deposits and other accounts	17	230,425,986	170,030,431	131,070,328
Sub-ordinated loan		-	-	-
Liabilities against assets subject to finance leases		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	18	5,939,916	5,215,607	5,005,440
		<u>257,885,752</u>	<u>186,764,043</u>	<u>143,672,434</u>
NET ASSETS		<u>16,550,758</u>	<u>13,786,351</u>	<u>11,079,991</u>
REPRESENTED BY				
Share capital	19	9,033,675	8,029,933	6,982,550
Reserves	20	2,759,942	2,058,319	1,380,010
Unappropriated profit		3,688,121	3,240,421	2,377,563
		<u>15,481,738</u>	<u>13,328,673</u>	<u>10,740,123</u>
Surplus on revaluation of investments - net of tax	21	1,069,020	457,678	339,868
		<u>16,550,758</u>	<u>13,786,351</u>	<u>11,079,991</u>
CONTINGENCIES AND COMMITMENTS	22			

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

H.E. Sheikh Ebrahim
Bin Khalifa Al-Khalifa
Chairman

Irfan Siddiqui
President and
Chief Executive

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

Profit and Loss Account

For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
Profit / return earned on financings, investments and placements	23	21,836,972	18,032,152
Return on deposits and other dues expensed	24	11,384,534	8,665,622
Net spread earned		10,452,438	9,366,530
Provision against non-performing Islamic financings and related assets (net)	11.12	404,146	1,471,614
Provision / (reversal) for diminution in the value of investments	10.9	56,186	(34,981)
Provision / (reversal) against off balance sheet obligations	18.3	930	(6,113)
Reversal of provision against amounts due from financial institutions	9.3	(10,071)	(41,365)
Bad debts written off directly		-	-
		451,191	1,389,155
Net spread after provisions		10,001,247	7,977,375
OTHER INCOME			
Fee, commission and brokerage income		969,517	757,136
Dividend income		481,026	938,983
Income from dealing in foreign currencies		346,830	571,880
Capital gain on sale of investments - net	25	505,100	219,391
Other income	26	96,117	17,365
Total other income		2,398,590	2,504,755
		12,399,837	10,482,130
OTHER EXPENSES			
Administrative expenses	27	7,192,527	5,958,595
Other (reversals) / provisions / write offs		(23,105)	168,242
Other charges / (reversals)	28	189	(1,007)
Total other expenses		7,169,611	6,125,830
		5,230,226	4,356,300
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		5,230,226	4,356,300
Taxation - Current	29	1,715,141	1,703,310
- Prior years		-	(220,027)
- Deferred		6,969	(518,526)
		1,722,110	964,757
PROFIT AFTER TAXATION		3,508,116	3,391,543
		Rupees	
Basic and diluted earnings per share	30	3.88	3.75

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.



H.E. Sheikh Ebrahim
Bin Khalifa Al-Khalifa
Chairman



Irfan Siddiqui
President and
Chief Executive



Abdullateef
A. Al-Asfour
Director



Mohammad
Abdul Aleem
Director



Statement of Comprehensive Income

For the year ended December 31, 2012

	2012	2011
	Rupees in '000	
Profit for the year	3,508,116	3,391,543
Other comprehensive income	-	-
Comprehensive income transferred to equity	3,508,116	3,391,543
Components of comprehensive income not transferred to equity		
Surplus on revaluation of investments	859,803	177,120
Deferred tax on revaluation of investments	(248,461)	(59,310)
Total comprehensive income	4,119,458	3,509,353

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

H.E. Sheikh Ebrahim
Bin Khalifa Al-Khalifa
Chairman

Irfan Siddiqui
**President and
Chief Executive**

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

Cash Flow Statement

For the year ended December 31, 2012

	Note	2012	2011 Restated
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		5,230,226	4,356,300
Less: Dividend income		(481,026)	(938,983)
		4,749,200	3,417,317
Adjustments for non-cash charges			
Depreciation		568,280	436,739
Amortization		49,043	39,718
Provision against non-performing Islamic financings and related assets - net		404,146	1,471,614
Provision / (reversal) for diminution in the value of investments		56,186	(34,981)
Reversal of provision against due from financial institutions		(10,071)	(41,365)
(Gain) / loss on sale of operating fixed assets		(24,953)	31,251
		1,042,631	1,902,976
		5,791,831	5,320,293
(Increase) / decrease in operating assets			
Due from financial institutions		3,575,477	6,487,814
Islamic financing and related assets		(18,704,741)	(11,583,851)
Other assets		(662,472)	(925,247)
		(15,791,736)	(6,021,284)
Increase / (decrease) in operating liabilities			
Bills payable		776,458	514,675
Due to financial institutions		9,225,387	3,406,664
Deposits and other accounts		60,395,555	38,960,103
Other liabilities		840,189	417,981
		71,237,589	43,299,423
		61,237,684	42,598,432
Income tax paid		(1,835,490)	(1,692,067)
Net cash flow from operating activities		59,402,194	40,906,365
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		1,150,000	-
- available for sale securities		(54,628,566)	(42,933,064)
- listed associated undertakings		310,902	(522,782)
- unlisted associated undertakings		-	146,280
Dividends received		608,729	900,850
Investments in operating fixed assets		(1,544,678)	(1,467,516)
Proceeds from sale of fixed assets		39,316	40,660
Net cash flow used in investing activities		(54,064,297)	(43,835,572)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(1,350,582)	(802,023)
Net cash flow used in financing activities		(1,350,582)	(802,023)
Increase / (decrease) in cash and cash equivalents		3,987,315	(3,731,230)
Cash and cash equivalents as at January 1	31	18,989,236	22,720,466
Cash and cash equivalents as at December 31	31	22,976,551	18,989,236

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.



H.E. Sheikh Ebrahim
Bin Khalifa Al-Khalifa
Chairman



Irfan Siddiqui
President and
Chief Executive



Abdullateef
A. Al-Asfour
Director



Mohammad
Abdul Aleem
Director



Statement of Changes in Equity

For the year ended December 31, 2012

	Share capital	Capital reserves		Revenue reserves	Unappropriated profit	Total
		Statutory reserve*	Reserve for issue of bonus shares	General reserve		
Rupees in '000						
Balance as at January 01, 2011	6,982,550	1,313,244	-	66,766	2,377,563	10,740,123
Total Comprehensive income for the year						
Profit after taxation for the year	-	-	-	-	3,391,543	3,391,543
Transactions with owners recognised directly in equity						
Transfer to reserve for issue of bonus shares	-	-	1,047,383	-	(1,047,383)	-
Issue of bonus shares	1,047,383	-	(1,047,383)	-	-	-
Cash dividend for the year 2011	-	-	-	-	(802,993)	(802,993)
	1,047,383	-	-	-	(1,850,376)	(802,993)
Transfer to statutory reserve	-	678,309	-	-	(678,309)	-
Balance as at December 31, 2011	8,029,933	1,991,553	-	66,766	3,240,421	13,328,673
Total Comprehensive income for the year						
Profit after taxation for the year	-	-	-	-	3,508,116	3,508,116
Transactions with owners recognised directly in equity						
Transfer to reserve for issue of bonus shares	-	-	1,003,742	-	(1,003,742)	-
Issue of bonus shares	1,003,742	-	(1,003,742)	-	-	-
Cash dividend for the year 2012	-	-	-	-	(1,355,051)	(1,355,051)
	1,003,742	-	-	-	(2,358,793)	(1,355,051)
Transfer to statutory reserve	-	701,623	-	-	(701,623)	-
Balance as at December 31, 2012	9,033,675	2,693,176	-	66,766	3,688,121	15,481,738

* This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

H.E. Sheikh Ebrahim
Bin Khalifa Al-Khalifa
Chairman

Irfan Siddiqui
**President and
Chief Executive**

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Bank Limited (the Bank) was incorporated in Pakistan on January 27, 1997, as a public limited company under the Companies Ordinance, 1984, and its shares are quoted on the Karachi Stock Exchange. The Bank was registered as an 'Investment Finance Company' on August 8, 1997, and carried on the business of investment banking as permitted under SRO 585(I)/87 dated July 13, 1987, in accordance and in conformity with the principles of Islamic Shariah. A 'Certificate of Commencement of Business' was issued to the Bank on September 29, 1997.
- 1.2 The Bank was granted a 'Scheduled Islamic Commercial Bank' license on January 31, 2002, and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from March 20, 2002, on receiving notification in this regard from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.
- 1.3 The Bank was operating through three hundred and ten branches as at December 31, 2012 (2011: two hundred and seventy five branches). Its registered office is at Meezan House, C-25, Estate Avenue, SITE, Karachi, Pakistan.
- 1.4 The Securities and Exchange Commission of Pakistan (SECP) vide letter EMD/233/001/2002-407 dated October 11, 2012 has granted exemption to the Bank from the preparation of consolidated financial statements of the Bank and its subsidiary company namely Al Meezan Investment Management Limited for the year ended on December 31, 2012, subject to disclosure of certain information in the financial statements of the Bank. The disclosures required by the SECP are given in note 10.10 to these financial statements.

2. BASIS OF PRESENTATION

The Bank provides Islamic financing mainly through Murabaha, Istisna, Tjjarah, Ijarah, Musharakah, Diminishing Musharakah, Running Musharakah, Bai Muajjal, Musawammah and Export Refinance under Islamic Export Refinance Scheme and Service Ijarah as briefly explained in note 6.2.

The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financings is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable if so directed by the Shariah Advisor of the Bank.

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 issued by the International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by SBP differ from the requirements of IAS, the provisions of and the directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by SBP shall prevail.
- 3.2 SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for banks in Pakistan. Accordingly, the requirements of these Standards have not been considered in preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP 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.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

3.4 Change in accounting policies and disclosure

The SBP vide BSD Circular Letter No. 03 of 2013 dated January 22, 2013 has made certain changes to the 'Revised Forms of Annual Financial Statements' as applicable to the Bank, which have been made effective for financial statements as on December 31, 2012 and onwards.

As required under the directives issued by the SBP, the Bank has changed its accounting policy in respect of presentation and disclosure of financing and related assets as under:

- The head 'Financings' in the statement of financial position has been renamed as 'Islamic financing and related assets'.
- All financings, advances (against murabaha etc), inventories and related assets previously being reported under 'other assets' have now been made part of 'Islamic financing and related assets'.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior period financial statements have been summarised below:

	December 31, 2012	December 31, 2011	December 31, 2010
	Rupees in '000		
Impact on statement of financial position			
Decrease in other assets	(14,533,527)	(11,221,896)	(6,070,081)
Increase in Islamic financing and related assets	14,533,527	11,221,896	6,070,081

There is no impact of this change on the profit after taxation and earnings per share for the current or prior year. The impacts of the change on the cash flow statement are as follows:

	December 31, 2012	December 31, 2011
	Rupees in '000	
Impact on Cash Flow Statement		
Decrease in other assets	(3,311,631)	(5,151,815)
Increase in Islamic financing and related assets	3,311,631	5,151,815

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

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

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

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on the financial statements of the Bank.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments may impact the financial statements of the Bank which has not yet been quantified.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The amendments may impact the financial statements of the Bank which has not yet been quantified.
- 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 but its effects have not yet been quantified.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Critical judgment in classification of investments in accordance with the Bank's policy (notes 6.3 and 10).
- (b) Provision for non-performing Islamic financing and related assets (note 11.12).
- (c) Determination of forced sale value of underlying securities of non performing financings (note 11.12.2).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (note 6.3.4, 6.3.5 and 10).
- (e) Staff retirement benefits (notes 6.8 and 33).
- (f) Depreciation and amortization methods of operating fixed assets (note 6.4 and 12).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 13 and 29).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5. BASIS OF MEASUREMENT

5.1 These financial statements have been prepared under the historical cost convention except that certain investments and commitments in respect of certain foreign exchange contracts are valued at market rates in accordance with the requirements of SBP.

5.2 Functional and Presentation Currency

These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency.

5.3 Rounding off

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

6.2 Islamic financing and related assets

Murabaha

In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Ijarah

In Ijarah, the Bank provides the asset on pre-agreed rentals for specific tenors to the customers.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount financed is paid back to the Bank.

Tijarah

In Tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customers for onward sale and on subsequent sale, the financed amount is paid back by the customer.

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 payment agreement for the utilization of the Bank's Musharakah share by the customer.

Running Musharakah

In Running Musharakah based financings, the Bank enters into financing with the customer based on Shirkatul Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

Bai Muajjal

In Bai Muajjal, the Bank sells Shariah Compliant sukuk on credit to other Financial Institutions / Customers. The Credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Service Ijarah

In Service Ijarah financing, the Bank provides financing by acquiring certain agreed services from the customer. After the purchase of services, the Bank appoints the customer to sell these services in the market over a period and provide a sale confirmation of such sale. The profit is only accrued from the date of receipt of such confirmation.

6.2.1 Islamic financing and related assets are stated net of specific and general provisions against non-performing Islamic financing and related assets which are charged to the profit and loss account.

Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

6.2.2 The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to the profit and loss account by applying the accounting policy consistent with the policy for depreciation of operating fixed assets.

6.2.3 Provision against non-performing financings

Specific provision

The Bank determines provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by SBP.

General provision

The Bank maintains general provision at the rate of 5% against unsecured consumer portfolio and at the rate of 1.5% against secured consumer portfolio in accordance with the Prudential Regulations issued by the SBP. In addition, the Bank has also created general provision in respect of corporate, commercial and SME financing against potential losses present in the portfolio. This provision is created based on management's best estimate and is approved by the Board of Directors.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

6.2.4 Inventories

The Bank values its inventories at the lower of cost and net realizable value.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

6.3 Investments

6.3.1 Classification

Investments of the Bank, other than investments in associates are classified as follows:

- Held for trading

These are investments which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

- Held to maturity

These are investments with fixed or determinable payments and fixed maturity and the Bank has the positive intent and ability to hold them till maturity.

- Available for sale

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

6.3.2 Regular way contracts

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

6.3.3 Initial recognition and measurement

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

6.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

- Held for trading

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

- Held to maturity

These are measured at amortised cost using the effective profit rate method, less any impairment loss recognised to reflect irrecoverable amount.

- Available for sale

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Surplus/deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position below equity.

- Investments in associates and subsidiary

Investment in associates and subsidiary is carried at cost less accumulated impairment losses, if any.

6.3.5 Impairment

Available for sale and Held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) 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 fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Investment in associates

In respect of investment in associates, the Bank reviews their carrying values at each reporting date to assess whether there is an indication of impairment. Such indication may include significant and prolonged decline in the market value, significant changes with an adverse impact on the entity, carrying amount of net assets in excess of market capitalisation etc. Management also takes into account that these investments are held for long term and therefore considers decline of upto 40% in value (applying significant decline criteria) and upto 12 months (for applying prolonged criteria) for the purposes of assessing significant and prolonged decline for listed investments. However, any threshold should be justifiable in view of other factors present for the entity. The amount of impairment loss would be determined based on the higher of value in use and fair value less cost to sell. Impairment loss is recognised in the profit and loss account.

6.3.6 Cost of investment is determined on moving average basis

6.4 Operating fixed assets

6.4.1 Tangible assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Items of fixed assets costing Rs. 20,000 or less are not capitalized and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in the profit and loss account currently.

6.4.2 Intangible assets

Intangible assets comprise of computer software. Intangible assets with definite useful lives are stated at cost less accumulated amortization and impairment losses (if any).

6.4.3 Depreciation / amortization

Depreciation / amortization is charged to the profit and loss account by applying the straight line method whereby the depreciable value of an asset is written off over its estimated service life. The Bank charges depreciation / amortization from the month of acquisition and upto the month preceding the disposal.

6.4.4 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment.

6.4.5 Useful lives and residual values

Useful lives and residual values are reviewed at each balance sheet date, and adjusted if impact on depreciation is significant.

6.4.6 Maintenance and normal repairs

Maintenance and normal repairs are charged to income as and when incurred.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

6.4.7 Impairment

The Bank assesses at each balance sheet date whether there is any indication that the operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in the profit and loss account.

6.5 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/receivable on Ijarah under IFAS 2 are recorded as income / revenue.

- Depreciation

The Bank charges depreciation from the date of recognition of Ijarah of respective assets to mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

- Ijarah Rentals

Ijarah rentals outstanding are disclosed in 'Islamic financing and related assets' on the Statement of Financial Position at amortized cost.

- Impairment

Impairment of Ijarah assets is determined on the same basis as that of operating fixed assets.

Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

6.6 Taxation

Current

The charge for current taxation is based on expected taxable income for the year at current rates of taxation, and any adjustments to tax payable in respect of previous years, after taking into consideration available tax credits, rebates, tax losses, etc.

Deferred

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences; initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting 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 assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

6.7 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 50% of their profit.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Bank's discretion and the Bank can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

6.8 Staff retirement benefits

Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying eligible service of three years. The benefits under the gratuity scheme are payable on death, resignation or at retirement.

The scheme was approved by the tax authorities in April, 2000 and the latest actuarial valuation was conducted as at December 31, 2012. The Projected Unit Credit method was used for actuarial valuation.

Actuarial gains or losses are recognised over the future expected average remaining working lives of employees, to the extent of the greater of ten percent of the present value of the defined benefit obligations at that date and ten percent of the fair value of plan assets at that date.

Defined contribution plan

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

6.9 Compensated absences

The Bank recognizes liability in respect of employees compensated absences in the period in which these are earned upto the date of Statement of Financial Position. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2012, on the basis of projected unit credit method.

6.10 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of Statement of Financial Position are recognised as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholders as appropriate.

6.11 Foreign currency transactions

Transactions and balances

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies except forward contracts other than contracts with SBP at the year end are reported in Rupees at exchange rates prevalent on the balance sheet date.

Forward contracts other than contracts with SBP relating to the foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contracts. Forward contracts with SBP relating to foreign currency deposit are valued at spot rate prevailing at the balance sheet date. Exchange gains and losses are included in profit and loss account currently.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

6.12 Provisions and contingent assets and liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each date of Statement of Financial Position and are adjusted to reflect the current best estimate.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

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

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

6.13 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

6.14 Revenue recognition

- i) Profit on Murabaha and Commodity Murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.
- ii) The Bank follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir.
- iii) Rental on Ijarah contracts written subsequent to December 31, 2008 under IFAS-2 method are recognised as income on accrual basis.
- iv) Profit on Bai Muajjal is recognised on accrual basis.
- v) Profit on Diminishing Musharakah financings are recognised on accrual basis.
- vi) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- vii) Profit on Tijarah and Istisna financings are recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds by the Bank.
- viii) Profit on Service Ijarah is recognised on accrual basis.
- ix) Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.
- x) Commission on letters of credit, acceptances and guarantees is recognised on receipt basis, except for commission on guarantees in excess of Rs. 200,000 which is recognised over the period of the guarantee. Fee and brokerage income are recognised when earned.
- xi) Dividend income is recognised when the Bank's right to receive dividend is established.
- xii) Consistent with prior years, profit suspended in compliance with the prudential regulations issued by SBP is recorded on receipt basis.

6.15 Pool Management

The Bank operates general and specific pools for deposits and inter-bank funds accepted / acquired on Mudarabah and Musharakah modes.

Under the general deposits pools, the Bank accepts funds on Mudarabah basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings, investments and placements.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to Bank's customers and liquidity management respectively under the Musharakah / Mudarabah modes.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. The directly related costs comprise of depreciation on Ijarah assets, takaful premium, documentation charges etc. No general or administrative nature of expense is charged to pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business as mentioned in the note 40.1.1.1 and are also invested in Government of Pakistan backed Ijarah Sukuks. Musharakah investments from State Bank of Pakistan under Islamic Export Refinance are channelled towards the export sector of the economy.

6.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

6.16.1 Business segments

Corporate Financing

Corporate Banking includes investment banking, syndications, IPO related activities (excluding investments), secondary private placements, underwriting and securitization.

Trading and Sales

It includes equity, foreign exchanges, commodities, own securities and placements.

Retail Banking

It includes retail financings, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

Agency Services

It includes depository receipts, custody, issuer and paying agents.

Payment and Settlement

It includes payments and collections, funds transfer, clearing and settlement.

6.16.2 Geographical segments

The Bank operates only in Pakistan.

6.17 Impairment

The carrying amount of the assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		4,396,828	4,475,568
- foreign currencies		973,180	570,389
With the State Bank of Pakistan in			
- local currency current accounts	7.1	7,776,554	7,298,835
- foreign currency current accounts	7.1	1,535,781	911,721
With the National Bank of Pakistan in			
- local currency current accounts		4,443,058	3,384,647
		<u>19,125,401</u>	<u>16,641,160</u>

7.1 These represent local and foreign currency amounts required to be maintained by the Bank with SBP as stipulated by SBP. These accounts are non-remunerative in nature.

	Note	2012	2011
		Rupees in '000	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
- in current accounts		982,654	1,658,602
Outside Pakistan			
- in current accounts		714,727	689,043
- in deposit accounts	8.1	2,153,769	431
		<u>3,851,150</u>	<u>2,348,076</u>

8.1 The return on these balances is around 0.03% (2011: 0.18%) per annum.

9. DUE FROM FINANCIAL INSTITUTIONS			
Bai Muajjal		15,500	4,040,239
Musharakah	9.1	500,000	-
Commodity Murabaha		27,564	78,302
		<u>543,064</u>	<u>4,118,541</u>
Provision against non-performing amounts due from financial institutions	9.3	(43,064)	(53,135)
		<u>500,000</u>	<u>4,065,406</u>

9.1 The average return on this product is 9.50% per annum and will mature in May 2013.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

	2012	2011
	Rupees in '000	
9.2 Particulars of due from financial institutions		
In local currency	500,000	4,024,739
In foreign currency	-	40,667
	<u>500,000</u>	<u>4,065,406</u>
9.3 Provision against amounts due from financial institutions		
Opening balance	53,135	94,500
Less: Reversals	(10,071)	(41,365)
Closing balance	<u>43,064</u>	<u>53,135</u>

10. INVESTMENTS

10.1 Investments by types	Note	2012			2011		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
							Rupees in '000
Available for sale securities							
- Sukuks	10.4	142,021,644	-	142,021,644	86,772,823	-	86,772,823
- Shares / Units	10.4	1,526,837	-	1,526,837	2,147,092	-	2,147,092
Held to maturity securities							
- Sukuks	10.5	-	-	-	1,150,000	-	1,150,000
In related parties		143,548,481	-	143,548,481	90,069,915	-	90,069,915
Subsidiary (unlisted)							
- Shares	10.6	63,050	-	63,050	63,050	-	63,050
Associates (listed)							
- Certificates / Units of funds	10.7	7,688,843	-	7,688,843	7,999,745	-	7,999,745
Associates (unlisted)							
- Shares	10.8	128,000	-	128,000	128,000	-	128,000
Investment at cost / carrying value		151,428,374	-	151,428,374	98,260,710	-	98,260,710
Less: Provision for diminution in value of investments and impairment	10.9	(455,219)	-	(455,219)	(399,033)	-	(399,033)
Investments (net of provision)		150,973,155	-	150,973,155	97,861,677	-	97,861,677
Surplus on revaluation of available for sale securities	21	1,486,700	-	1,486,700	626,897	-	626,897
Total investments at market value		<u>152,459,855</u>	-	<u>152,459,855</u>	<u>98,488,574</u>	-	<u>98,488,574</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
10.2 Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuk		125,149,486	75,655,305
Sukuk certificates / bonds			
WAPDA First Sukuk Certificates	10.2.1	110,000	1,260,309
WAPDA Second Sukuk Certificates		1,441,667	1,730,000
Pakistan International Airlines Sukuk		1,500,000	1,500,000
Sukuk Certificates		7,268,724	5,120,224
Global Sukuk Bonds		6,551,768	2,656,985
Fully paid up ordinary shares			
- Listed companies		1,473,494	923,973
- Unlisted companies		191,050	313,272
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)		3,342	897
Units of open end funds		7,577,498	8,938,400
Certificates of a closed-end fund		161,345	161,345
Total investment at cost / carrying value		151,428,374	98,260,710
Less: Provision for diminution in value of investments and impairment	10.9	(455,219)	(399,033)
Investments (net of provision)		150,973,155	97,861,677
Surplus on revaluation of available for sale securities	21	1,486,700	626,897
Total investments at market value		152,459,855	98,488,574

10.2.1 The Bank purchased 22,000 certificates of WAPDA - I Sukuk (having a face value of Rs. 110 million) through a market based transaction for a cash consideration of Rs.110.346 million. These certificates were available in the seller's CDC account and on completion of the transaction were transferred to the Bank's CDC account. The periodic Ijarah rentals due since October 22, 2009 were not paid to the Bank as there were certain discrepancies in the Central Depository Register. The Bank, through a legal notice, has clarified its position that the Bank had purchased the aforesaid Sukuk Certificates from the market at a consideration when these Sukuks were already entered in the Central Depository Register of the seller's account.

The suit is currently pending in the Sindh High Court. However, the Bank, on a prudent basis, has recognised full provision against these sukuk.

10.3 Investments in subsidiary and associates, except for Meezan Sovereign Fund and Meezan Capital Protected Fund II, form part of strategic investments of the Bank and cannot be sold for five years from the last date of purchase of such securities.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

10.4 Quality of available for sale securities

The Bank holds investments in ordinary shares, sukuk certificates and other securities of a nominal value of Rs.10 each, unless stated otherwise, in the following listed investee companies / funds:

Name of the investee company / fund	Note	2012	2011	2012	2011	2012	2011		
		Number of shares / units / certificates		Cost		Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
		Rupees in '000				Rupees in '000			
Ordinary shares									
Automobile parts and accessories									
Agriauto Industries Limited	10.4.1	117,542	190,542	7,384	11,969	9,421	Unrated	10,956	Unrated
Cement									
Attock Cement Pakistan Limited		177,948	190,737	6,792	8,372	17,761	Unrated	9,728	Unrated
D.G. Khan Cement Company Limited		1,847,046	-	82,154	-	100,812	Unrated	-	Unrated
Lucky Cement Company Limited		993,015	1,252,089	105,400	88,806	150,481	Unrated	93,957	Unrated
Automobile assembler									
Pak Suzuki Motor Company Limited		13,360	26,360	1,139	2,248	1,171	Unrated	1,556	Unrated
Power generation and distribution									
The Hub Power Company Limited		3,097,890	2,261,651	120,992	83,703	140,149	AA+/A1+	77,348	AA+/A1+
Oil and gas marketing									
Pakistan State Oil Company Limited		328,122	-	64,980	-	76,193	AA+/A1+	-	AA+/A1+
Oil and gas exploration									
Pakistan Oilfields Limited		493,426	569,676	160,841	166,177	215,894	Unrated	197,364	Unrated
Oil and Gas Development Company Limited		940,165	888,431	137,398	125,171	181,085	AAA/A1+	134,704	AAA/A1+
Pakistan Petroleum Limited		1,506,024	1,127,139	210,998	181,579	266,250	Unrated	189,720	Unrated
Attock Petroleum Limited		15,000	15,000	4,953	4,953	7,680	Unrated	6,188	Unrated
Fertilizer									
Fauji Fertilizer Bin Qasim Limited		248,000	-	9,358	-	9,570	Unrated	-	-
Fauji Fertilizer Company Limited		2,303,950	1,489,429	236,287	143,709	269,885	Unrated	222,729	Unrated
Paper and board									
Packages Limited		414,629	-	46,654	-	62,675	AA/A1+	-	-
Chemicals									
ICI Pakistan Limited		16,266	595,489	2,298	81,984	2,828	Unrated	71,619	Unrated
Technology and communication									
Pakistan Telecommunication Company Limited (A)		3,704,899	-	60,364	-	64,280	Unrated	-	-
Refinery									
Attock Refinery Limited		30,000	-	4,927	-	5,027	AA/A1+	-	-
Food Procedures									
Unilever Pakistan Limited		1,942	-	19,424	-	19,614	Unrated	-	-
Engro Foods Limited		2,216,350	-	144,266	-	217,513	Unrated	-	-
Industrial Engineering									
Milat Tractors Limited		25,000	-	14,127	-	14,114	Unrated	-	-
Miscellaneous									
Tri-Pack Films		260,704	223,616	32,759	25,302	50,055	A+/A1	35,846	A+/A1
Sukuk Certificates									
WAPDA First Sukuk Certificates	10.2.1	22,000	22,000	110,000	110,309	110,000	Govt. Guaranteed	110,309	Govt. Guaranteed
WAPDA Second Sukuk Certificates	10.4.2	346,000	346,000	1,441,667	1,730,000	1,446,568	Govt. Guaranteed	1,737,439	Govt. Guaranteed
Pakistan International Airlines	10.4.3	300,000	300,000	1,500,000	1,500,000	1,509,000	Govt. Guaranteed	1,506,000	Govt. Guaranteed

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Name of the investee company / fund	Note	2012	2011	2012	2011	2012	2011		
		Number of shares / units / certificates		Cost		Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
		Rupees in '000				Rupees in '000			
Sukuk Certificates									
Century Paper and Board Mills Limited - at cost	10.44	125,000	125,000	250,000	375,000	250,000	A+	375,000	A+
Sui Southern Gas Company Limited I - at cost		-	200,000	-	166,670	-	-	166,670	AA
Sui Southern Gas Company Limited II - at cost	10.45	180,000	-	900,000	-	900,000	AA	-	-
Engro Fertilizers Limited - at cost	10.46	150,000	150,000	750,000	750,000	750,000	A	750,000	AA-
Quetta Textile Mills Limited - at cost	10.47	30,000	30,000	120,000	135,000	120,000	BBB+	135,000	BBB+
Arzoo Textile Mills Limited - at cost	10.48	10,000	10,000	50,000	50,000	50,000	Unrated	50,000	Unrated
Sitara Peroxide Limited - at cost	10.49	30,000	30,000	132,367	140,625	132,367	Unrated	140,625	Unrated
Liberty Power Tech Ltd - at cost	10.4.10	18,140,480	18,140,480	1,666,782	1,755,269	1,666,782	A+	1,755,269	AA
Eden Builders Limited - at cost	10.4.11	14,400	14,400	22,500	40,500	22,500	A	40,500	A
Maple Leaf Cement Factory Limited - at cost	10.4.12	40,000	40,000	194,575	199,660	194,575	D	199,660	D
Maple Leaf Cement Factory Limited - at cost	10.4.13	1,500	1,500	2,500	7,500	2,500	D	7,500	D
Amreli Steel Limited - at cost	10.4.14	50,000	50,000	230,000	250,000	230,000	A-	250,000	A-
Kott Addu Power Company I - at cost		-	100,000	-	500,000	-	-	500,000	AA+
Kott Addu Power Company II - at cost	10.4.15	100,000	-	500,000	-	500,000	AA+	-	-
Kott Addu Power Company III - at cost	10.4.16	160,000	-	800,000	-	800,000	AA+	-	-
Hub Power Company I - at cost		-	125,000	-	750,000	-	-	750,000	AA+
Hub Power Company II - at cost	10.4.17	214,800	-	1,074,000	-	1,074,000	AA+	-	-
Hub Power Company III - at cost	10.4.18	15,200	-	76,000	-	76,000	AA+	-	-
Ghani Glass Limited - at cost	10.4.19	100,000	-	500,000	-	500,000	Unrated	-	-
GOP Sukuk									
Ijarah Sukuk Third		-	30,000	-	3,001,275	-	-	3,014,100	Govt. Guaranteed
Ijarah Sukuk Fourth		-	35,950	-	3,596,770	-	-	3,614,054	Govt. Guaranteed
Ijarah Sukuk Fifth	10.4.20	161,300	161,050	16,134,163	16,113,638	16,248,564	Govt. Guaranteed	16,193,578	Govt. Guaranteed
Ijarah Sukuk Sixth	10.4.21	83,000	103,000	8,305,901	10,314,916	8,377,190	Govt. Guaranteed	10,398,880	Govt. Guaranteed
Ijarah Sukuk Seventh	10.4.22	130,793	128,893	13,083,755	12,897,487	13,202,245	Govt. Guaranteed	12,984,681	Govt. Guaranteed
Ijarah Sukuk Eighth	10.4.23	152,620	147,270	15,266,956	14,728,473	15,411,568	Govt. Guaranteed	14,768,232	Govt. Guaranteed
Ijarah Sukuk Ninth	10.4.24	220,892	150,020	22,096,124	15,002,746	22,272,540	Govt. Guaranteed	15,002,000	Govt. Guaranteed
Ijarah Sukuk Tenth	10.4.25	132,745	-	13,274,500	-	13,419,192	Govt. Guaranteed	-	-
Ijarah Sukuk Eleventh	10.4.26	64,850	-	6,488,524	-	6,544,014	Govt. Guaranteed	-	-
Ijarah Sukuk Twelveth	10.4.27	155,422	-	15,615,773	-	15,691,405	Govt. Guaranteed	-	-
Ijarah Sukuk Thirteenth	10.4.28	148,825	-	14,883,789	-	14,968,819	Govt. Guaranteed	-	-
Units of open-end funds									
United Islamic Saving Fund		-	7,960,026	-	800,000	-	-	843,545	AA-
KGI Islamic Income Fund		-	1,214,678	-	100,000	-	-	123,049	A+(f)
Pak Oman Advantage Islamic Income Fund		-	947,592	-	50,000	-	-	49,793	A+(f)
HBL Islamic Money Market Fund		-	1,028,774	-	100,000	-	-	105,748	AA(f)
Atlas Islamic Income Fund		98,894	98,894	50,000	50,000	51,008	AA-(f)	50,904	AA-(f)
Sukuk Bonds									
Central Bank of Bahrain International Sukuk	10.4.29	10,000,000	10,000,000	1,001,826	946,754	1,037,141	BBB	966,628	BBB
Wakala Global Sukuk	10.4.30	725,000	725,000	70,427	65,203	73,748	A3	65,618	A3
Abu Dhabi Sukuk Bonds	10.4.31	5,000,000	-	506,257	-	507,066	A2	-	-
First Gulf Bank Sukuk	10.4.32	5,000,000	-	516,655	-	516,987	A2	-	-
Saudi Electric Company Sukuk	10.4.33	5,000,000	-	503,010	-	501,907	AA-	-	-
Saudi Electric Company Sukuk	10.4.34	5,000,000	-	525,617	-	526,049	AA-	-	-
Emirates Islamic Bank Sukuk	10.4.35	5,000,000	-	496,878	-	501,220	A3	-	-
State Of Qatar Sukuk	10.4.36	5,000,000	-	485,748	-	490,035	Aa2	-	-
State Of Qatar Sukuk 10 Years	10.4.37	5,000,000	-	498,756	-	506,458	Aa2	-	-
Qatar Islamic Bank	10.4.38	10,000,000	-	973,979	-	974,130	A	-	-
Qatar International Islamic Bank	10.4.39	5,000,000	-	486,867	-	487,228	A3	-	-
Penusahaan Penerbit SBSN / Republic of Indonesia Sukuk	10.4.40	5,000,000	-	485,748	-	506,575	Baa3	-	-
Islamic Development Bank Trust Services Sukuk		-	6,500,000	-	585,099	-	-	618,351	AAA
Malaysia Sukuk Global		-	6,750,000	-	609,191	-	-	635,062	A3
Qatar Islamic Bank Sukuk		-	5,000,000	-	450,738	-	-	463,783	A
Others									
Haleeb Foods Limited - at cost		-	2,786,000	-	122,222	-	-	122,222	Unrated
S.W.I.E.T. SCRL - at cost		5	5	3,342	897	3,342	Unrated	897	Unrated
				143,548,481	88,919,915	145,035,181	89,546,812		



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

- 10.4.1 The nominal value of these shares is Rs. 5 each.
- 10.4.2 The paid up value of these sukuks is Rs. 5,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates is six monthly Karachi inter-bank offer rate minus 25 basis points. These sukuks will mature in 2017.
- 10.4.3 The paid up value of these sukuks is Rs. 5,000 per certificate. The return on these sukuks is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 175 basis points. These sukuks will mature in 2014. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.
- 10.4.4 The paid up value of these sukuks is Rs. 2,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010 - 2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 135 basis points.
- 10.4.5 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 5 years, with principal receivable in 2015 - 2017. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 75 basis points.
- 10.4.6 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 8 years, with principal receivable between 2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.7 The paid up value of these sukuks is Rs. 4,000 per certificate. The tenure of these certificates is 7 years, with principal receivable between 2010 - 2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.8 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 years, with principal receivable between 2009 - 2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to 2 and plus 175 basis points from year 3 to year 6.
- 10.4.9 The paid up value of these sukuks is Rs. 4,412 per certificate. The tenure of these certificates is 8 years, with principal receivable between 2012 - 2020. The profit is calculated on the basis of one month Karachi inter-bank offer rate plus 100 basis points.
- 10.4.10 The paid up value of these sukuks is Rs. 91.88 per certificate. The tenure of these certificates is 12 years, with principal receivable between 2011 - 2020. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.4.11 The paid up value of these sukuks is Rs. 1,562 per certificate. The tenure of these certificates is 5.5 years, with principal receivable between 2010 - 2014. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 230 basis points.
- 10.4.12 The paid up value of these sukuks is Rs. 4,864 per certificate. The tenure of these certificates is 9 years, with principal receivable between 2012 - 2018. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.13 The paid up value of these sukuks is Rs. 1,667 per certificate. The tenure of these certificates is 3 years, with principal receivable in March 2013. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

- 10.4.14 The paid up value of these sukuku is Rs. 4,600 per certificate. The tenure of these certificates is 7 years, with principal receivable between 2012 - 2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 250 basis points.
- 10.4.15 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in June 2013. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.16 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in June 2013. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.17 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in February 2013. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 125 basis points.
- 10.4.18 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in February 2013. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 125 basis points.
- 10.4.19 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 5 years, with principal receivable in February 2013. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 175 basis points.
- 10.4.20 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuku certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market treasury bills. These certificates will mature in 2013.
- 10.4.21 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuku certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit on these certificates comprises of six months weighted average yield of six months market treasury bills. These certificates will mature in 2013.
- 10.4.22 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuku certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market treasury bills. These certificates will mature in 2014 .
- 10.4.23 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuku certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market treasury bills. These certificates will mature in 2014.
- 10.4.24 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuku certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market treasury bills . These certificates will mature in 2014.
- 10.4.25 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuku certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market treasury bills. These certificates will mature in 2015.
- 10.4.26 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuku certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market treasury bills. These certificates will mature in 2015.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

- 10.4.27 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market treasury bills. These certificates will mature in 2015.
- 10.4.28 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market treasury bills. These certificates will mature in 2015.
- 10.4.29 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2014. The profit coupon rate is 6.247 percent per annum. These securities are held through a custodian.
- 10.4.30 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2016. The profit coupon rate is 2.991 percent per annum. These securities are held through a custodian.
- 10.4.31 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2015. The profit coupon rate is 3.745 percent per annum. These securities are held through a custodian.
- 10.4.32 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2017. The profit coupon rate is 4.046 percent per annum. These securities are held through a custodian.
- 10.4.33 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2017. The profit coupon rate is 2.665 percent per annum. These securities are held through a custodian.
- 10.4.34 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2022. The profit coupon rate is 4.211 percent per annum. These securities are held through a custodian.
- 10.4.35 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2018. The profit coupon rate is 4.147 percent per annum. These securities are held through a custodian.
- 10.4.36 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2018. The profit coupon rate is 2.099 percent per annum. These securities are held through a custodian.
- 10.4.37 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2023. The profit coupon rate is 3.241 percent per annum. These securities are held through a custodian.
- 10.4.38 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2017. The profit coupon rate is 2.50 percent per annum. These securities are held through a custodian.
- 10.4.39 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2017. The profit coupon rate is 2.688 percent per annum. These securities are held through a custodian.
- 10.4.40 The paid up value of these sukuku is US\$ 1 per certificate and will mature in 2022. The profit coupon rate is 3.3 percent per annum. These securities are held through a custodian.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

10.5	Held to maturity securities	2012	2011	2012	2011
	Name of the investee entity	Number of Certificates		Cost Rupees in '000	
	Sukuk Bonds / certificates				
	WAPDA First Sukuk Certificates (Sukuk - WAPDA)	-	230,000	-	1,150,000
				-	1,150,000

10.6	Subsidiary (unlisted)								
Particulars	Note	2012	2011	2012	2011	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
		Number of Shares		Rupees in '000		%	Rupees		
Al-Meezan Investment Management Limited (ordinary shares)	10.6.1	3,250,000	3,250,000	63,050	63,050	65	277.67	June 30, 2012	Mr. Muhammad Shoaib
				63,050	63,050				

10.6.1 The nominal value of these shares is Rs. 100 each. These shares are placed in custody account with the Central Depository Company of Pakistan Limited. These shares cannot be sold without the prior approval of SECP in accordance with SECP's circular No. 9 of 2006 dated June 15, 2006.

10.7 Associates (listed)
The Bank holds investments in ordinary shares / units / certificates of Rs. 10 each, unless stated otherwise, in the following listed investee entities:

Name of the investee entity	Note	2012	2011		2012	2011
		Number of shares / certificates / units		Percentage of direct equity holding %	Cost Rupees in '000	
Ordinary Shares						
Certificate of closed end fund Meezan Balanced Fund		16,134,468	16,134,468	13.44%	161,345	161,345
Units of open end funds Al-Meezan Mutual Fund	10.7.1	6,602,132	5,561,607	Open end fund	46,957	46,957
Meezan Islamic Fund		13,383,465	11,160,075	Open end fund	380,525	380,525
Meezan Islamic Income Fund		-	6,123,869	Open end fund	-	308,289
Meezan Capital Protected Fund - II		2,247,476	2,000,000	Open end fund	100,000	100,000
Meezan Sovereign Fund		147,045,843	138,275,432	Open end fund	7,000,016	7,002,629
					7,688,843	7,999,745

10.7.1 The nominal value of open end fund units is Rs. 50 each.

10.7.2 The above associates are incorporated in Pakistan.

10.7.3 Investments in listed associates have a market value of Rs. 8,428 million (2011: Rs. 8,021 million).



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

10.8 Associates (unlisted)

The Bank holds investments in ordinary shares of Rs. 10 each, unless stated otherwise, in the following unlisted investee companies:

Particulars	Note	2012	2011	2012	2011	Percentage of equity holding %	Break up value per share Rupees	Latest available audited financial statements	Name of the chief executive
		Number of shares / certificates		Rupees in '000					
Plexus (Private) Limited		1,499,980	1,499,980	15,000	15,000	50%	3.24	June 30, 2010	Mr. Ali Imran Khan
Faysal Management Services (Private) Limited	10.8.1	540,000	540,000	54,000	54,000	30%	111.55	December 31, 2011	Mr. Nauman Ansari
Blue Water (Private) Limited	10.8.2	90,000	90,000	9,000	9,000	30%	104.58	June 30, 2010	Mr. Shuja-ul-Mulk Khan
Falcon Greenwood (Private) Limited	10.8.2	250,000	250,000	25,000	25,000	25%	95.27	June 30, 2010	Mr. Abbas Khan
Pak Kuwait Takaful Company Limited		2,500,000	2,500,000	25,000	25,000	6%	4.98	December 31, 2011	Mr. Imtiaz Ahmed Bhatti
Total				128,000	128,000				

10.8.1 The nominal value of these shares is Rs. 100 each. These shares cannot be sold without the prior approval of SECP in accordance with circular No. 10 of 2006 dated June 16, 2006.

10.8.2 The nominal value of these shares is Rs. 100 each.

10.8.3 The above associates are incorporated in Pakistan.

10.9 Provision for diminution in value of investments and impairment

	2012			2011		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	29,649	369,384	399,033	315,211	118,803	434,014
Charge / (reversal) for the year						
- on associates (listed)	-	-	-	(287,046)	-	(287,046)
- on associates (unlisted)	-	-	-	1,484	-	1,484
- on available for sale investments	-	56,186	56,186	-	250,581	250,581
	-	56,186	56,186	(285,562)	250,581	(34,981)
Closing balance	29,649	425,570	455,219	29,649	369,384	399,033

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

10.9.1 Provision in respect of type and segment	2012	2011
	Rupees in '000	
Associates - unlisted Fully paid up-ordinary shares	29,649	29,649
Other - available for sale investments Fully paid up-ordinary shares Sukuks	1,883 423,687 455,219	1,883 367,501 399,033

10.10 An extract of the reviewed statement of financial position of the Bank's subsidiary Al-Meezan Investment Management Limited as at December 31, 2012 and the profit and loss account for the twelve months period ended December 31, 2012 is as follows:

	2012	2011
	Unaudited	
	Rupees in '000	
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Investments - at fair value through profit or loss	1,990,998	1,335,709
Investments - available for sale	67,075	118,823
Receivable from related parties	62,117	49,373
Operating fixed assets	40,269	36,173
Prepayments, other receivables and long term deposits	18,836	21,571
Deferred taxation - net	23,699	5,764
Cash and bank balances	15,889	14,812
	<u>2,218,883</u>	<u>1,582,225</u>
EQUITY AND LIABILITIES		
Share Capital	500,000	500,000
Unappropriated profit	1,014,420	669,466
Surplus on revaluation of available-for-sale investments	11,075	12,692
	<u>1,525,495</u>	<u>1,182,158</u>
LIABILITIES		
Murabaha	400,258	200,000
Creditors, accrued expenses and other liabilities	278,746	195,112
Taxation	14,384	4,955
	<u>2,218,883</u>	<u>1,582,225</u>
	For the twelve months period ended December 31, 2012	
	Rupees in '000	
PROFIT AND LOSS ACCOUNT		
Operating Income	527,573	411,528
Other Operating Income	379,409	308,642
Operating Expenses	(393,862)	(284,181)
Other Charges	(29,807)	(29,889)
Profit before taxation	483,313	406,100
Taxation	(39,050)	(41,575)
Profit after taxation	<u>444,263</u>	<u>364,525</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

10.10.1 The financial statements of the subsidiary company as at December 31, 2012 were reviewed by its statutory auditors who have expressed an unqualified conclusion thereon.

10.10.2 The annual audited financial statements of the subsidiary are available for inspection at the registered office of the Bank, and would be available to the members on request without any cost.

	Note	2012	2011 Restated	2010 Restated
11 ISLAMIC FINANCINGS AND RELATED ASSETS				
In Pakistan				
- Murabaha financings	11.1	20,172,024	17,409,279	19,321,616
- Advances against Murabaha		3,686,393	3,959,581	2,402,477
- Murabaha Inventory		2,590,600	3,361,946	2,081,661
- Net investment in Ijarah		1,467,618	2,387,178	4,193,128
- Net book value of assets / investment in Ijarah under IFAS-2		5,385,150	4,699,578	3,467,234
	11.2	6,852,768	7,086,756	7,660,362
- Advances against future Ijarah		780,853	559,510	396,437
- Financing under Islamic Export Refinance - Murabaha	11.3	2,421,644	1,702,554	2,041,370
- Advances against future Islamic Export Refinance - Murabaha		134,022	773,271	91,947
- Financing under Islamic Export Refinance - Istisna	11.4	338,428	778,634	289,149
- Advances against future Islamic Export Refinance - Istisna		3,768,756	3,328,550	2,557,027
- Diminishing Musharakah financings - housing		2,726,975	2,426,619	2,680,995
- Diminishing Musharakah financings - others		24,870,574	17,257,712	13,096,430
- Diminishing Musharakah - Advance		3,569,400	516,298	718,123
- Running Musharakah financings		1,314,000	750,000	-
- Musharakah financings		70,531	70,531	70,531
- Istisna financings	11.5	345,202	977,763	777,752
- Istisna Advance		11,116,753	8,911,059	5,787,777
- Istisna Inventory		989,573	309,348	258,310
- Tijarah financings	11.6	2,943,447	485,970	1,468,736
- Tijarah inventory		1,218,794	1,087,144	121,126
- Bai Muajjal financings	11.7	200,258	999,306	-
- Service Ijarah financings		66,809	2,732	-
- Advances against future Service Ijarah		1,202,515	646,509	-
- Musawammah financings	11.8	45,361	25,683	-
- Musawammah Inventory		135,937	-	-
- Labbaik (Qard for Hajj and Umrah)		5,894	7,545	4,547
- Financings against bills - Salam		864,587	744,819	744,180
- Financings against bills - Murabaha		6,331	54,180	74,029
- Financings against bills - Murabaha - Advance		225,440	8,289	26,688
- Staff financings	11.9	880,579	710,111	580,105
- Loans and running finances		857,819	746,917	865,015
Gross financings		94,402,267	75,698,616	64,116,390
Less: Provision against non-performing financings	11.12	(5,724,191)	(5,321,135)	(3,851,146)
Islamic Financings and related assets (net of provision)	11.10	88,678,076	70,377,481	60,265,244

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
Rupees in '000			
11.1	Murabaha receivable - gross	21,264,093	18,505,073
	Less: Deferred murabaha income	(411,850)	(456,791)
	Profit receivable shown in other assets	(680,219)	(639,003)
	Murabaha financings	20,172,024	17,409,279
11.1.1	Murabaha Sale Price	21,264,093	18,505,073
	Murabaha Purchase Price	(20,172,024)	(17,409,279)
		1,092,069	1,095,794

11.2 Net investment in Ijarah including net book value of assets / investments under Ijarah in IFAS-2

	2012			Total
	Not later than one year	Later than one and less than five years	Over five years	
Rupees in '000				
Ijarah rentals receivable	1,444,739	3,931,452	152,865	5,529,056
Residual value	460,597	1,332,794	25,507	1,818,898
Minimum Ijarah payments	1,905,336	5,264,246	178,372	7,347,954
Less: Profits for future periods	(292,096)	(189,918)	(13,172)	(495,186)
Present value of minimum Ijarah payments	1,613,240	5,074,328	165,200	6,852,768

	2011			Total
	Not later than one year	Later than one and less than five years	Over five years	
Rupees in '000				
Ijarah rentals receivable	1,420,883	5,536,293	57,739	7,014,915
Residual value	594,427	1,368,079	9,072	1,971,578
Minimum Ijarah payments	2,015,310	6,904,372	66,811	8,986,493
Less: Profits for future periods	(537,083)	(1,362,654)	-	(1,899,737)
Present value of minimum Ijarah payments	1,478,227	5,541,718	66,811	7,086,756

11.2.1 Net book value of assets / investments in Ijarah under IFAS-2 is net of depreciation of Rs 4,113 million (2011: Rs. 2,392 million).

	2012	2011	
Rupees in '000			
11.3	Financing under Islamic Export Refinance - Murabaha - gross	2,510,039	1,797,116
	Less: Deferred income	(52,134)	(52,256)
	Profit receivable shown in other assets	(36,261)	(42,306)
	Financing under Islamic Export Refinance - Murabaha	2,421,644	1,702,554



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

	2012	2011 Restated
	Rupees in '000	
11.4 Financing under Islamic Export Refinance - Istisna - gross	385,821	832,553
Less: Deferred income	(14,808)	(545)
Profit receivable shown in other assets	(32,585)	(53,374)
Financing under Islamic Export Refinance - Istisna	<u>338,428</u>	<u>778,634</u>
11.5 Istisna Financings - gross	360,270	987,191
Less: Deferred income	(2,410)	(3,625)
Profit receivable shown in other assets	(12,658)	(5,803)
Istisna financings	<u>345,202</u>	<u>977,763</u>
11.6 Tijarah Financings - gross	2,959,241	489,702
Less: Deferred income	(231)	(830)
Profit receivable shown in other assets	(15,563)	(2,902)
Tijarah financings	<u>2,943,447</u>	<u>485,970</u>
11.7 Bai Muajjal financings - gross	226,912	1,019,133
Less: Deferred income	(4,674)	(19,166)
Profit receivable shown in other assets	(21,980)	(661)
Bai Muajjal financings	<u>200,258</u>	<u>999,306</u>
	2012	2011
	Rupees in '000	
11.8 Musawammah financings - gross	55,886	32,018
Less: Deferred income	(10,281)	(6,324)
Profit receivable shown in other assets	(244)	(11)
Musawammah financings	<u>45,361</u>	<u>25,683</u>
11.9 This includes Rs.149 million (2011: Rs. 110 million) representing mark up free financings to staff advanced under the Bank's Human Resource Policies.		
	2012	2011 Restated
	Rupees in '000	
11.10 Particulars of financings - net		
11.10.1 In		
- local currency	86,496,712	67,504,207
- foreign currencies	2,181,364	2,873,274
	<u>88,678,076</u>	<u>70,377,481</u>
11.10.2 Short-term (for upto one year)	47,828,665	49,726,377
Long-term (for over one year)	40,849,411	20,651,104
	<u>88,678,076</u>	<u>70,377,481</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

11.11 Financings include Rs. 5,000 million (2011: Rs. 4,648 million) which have been placed under non-performing status as detailed below:

Category of classification	2012			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Substandard	246,662	-	246,662	56,790	56,790
Doubtful	401,092	-	401,092	194,949	194,949
Loss	4,352,274	-	4,352,274	4,253,833	4,253,833
	5,000,028	-	5,000,028	4,505,572	4,505,572

Category of classification	2011			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Substandard	112,976	-	112,976	21,646	21,646
Doubtful	464,072	-	464,072	222,784	222,784
Loss	4,070,744	-	4,070,744	3,815,390	3,815,390
	4,647,792	-	4,647,792	4,059,820	4,059,820

11.12 Particulars of provision against non-performing financings:

	Note	2012		
		Specific	General	Total
		Rupees in '000		
Opening balance		4,059,820	1,261,315	5,321,135
Charge for the year		847,135	7,654	854,789
Less: Reversals		(400,293)	(50,350)	(450,643)
		446,842	(42,696)	404,146
Amount written off	11.13	(1,090)	-	(1,090)
Closing balance		4,505,572	1,218,619	5,724,191

	Note	2011		
		Specific	General	Total
		Rupees in '000		
Opening balance		3,112,897	738,249	3,851,146
Charge for the year		1,295,292	528,833	1,824,125
Less: Reversals		(346,744)	(5,767)	(352,511)
		948,548	523,066	1,471,614
Amount written off	11.13	(1,625)	-	(1,625)
Closing balance		4,059,820	1,261,315	5,321,135



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

- 11.12.1 The Bank maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for consumer financing issued by the SBP.

In addition, the Bank has also maintained a general provision of Rs 1,125 million (2011: Rs. 1,175 million) against financings made on prudent basis, in view of the prevailing economic conditions. This general provision is in addition to the requirements of the Prudential Regulations.

- 11.12.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financings. The accumulated benefit availed as at December 31, 2012 amounts to Rs. 79 million (2011: Rs. 231 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs 51.35 million as at December 31, 2012. The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to shareholders.

- 11.12.3 Particulars of provision against non-performing financings:

	2012		
	Specific	General	Total
	Rupees in '000		
In local currency	4,478,221	1,218,619	5,696,840
In foreign currencies	27,351	-	27,351
	<u>4,505,572</u>	<u>1,218,619</u>	<u>5,724,191</u>

	2011		
	Specific	General	Total
	Rupees in '000		
In local currency	3,978,161	1,261,315	5,239,476
In foreign currencies	81,659	-	81,659
	<u>4,059,820</u>	<u>1,261,315</u>	<u>5,321,135</u>

	Note	2012	2011
		Rupees in '000	
11.13 Particulars of write offs			
Against provisions	11.12	1,090	1,625
Directly charged to the profit and loss account		-	-
		<u>1,090</u>	<u>1,625</u>
Write offs Rs. 500,000 and above		900	1,625
Write offs below Rs. 500,000		190	-
		<u>1,090</u>	<u>1,625</u>

- 11.13.1 Details of financings written off of Rs. 500,000 and above

In term of sub-section(3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2012 is given as Annexure - 1.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

11.14 Particulars of financings 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.

	Note	2012	2011
		Rupees in '000	
Balance at the beginning of the year		728,009	603,056
Additions / disbursements during the year		336,004	262,496
Deletions / repayments during the year		(160,352)	(137,543)
Balance at the end of the year	11.14.1	<u>903,661</u>	<u>728,009</u>

Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members.

	Note	2012	2011
		Rupees in '000	
Balance at the beginning of the year		70,531	70,531
Additions / disbursements during the year		316,948	-
Deletions / repayments during the year		(316,948)	-
Balance at the end of the year	11.14.2	<u>70,531</u>	<u>70,531</u>

Debts due by subsidiary companies, controlled firms, managed Modarabas and other related parties.

	Note	2012	2011
		Rupees in '000	
Balance at the beginning of the year		200,000	200,000
Additions / disbursements during the year		200,258	200,000
Deletions / repayments during the year		(200,000)	(200,000)
Balance at the end of the year	11.14.3	<u>200,258</u>	<u>200,000</u>

11.14.1 The maximum total amount of financings including temporary financings granted during the year was Rs. 904 million (2011: Rs. 728 million). The maximum amount has been calculated by reference to the month end balance.

11.14.2 This represents balance against Musharakah facility outstanding at year end from Blue Water (Private) Limited (an associated company) amounting to Rs. 71 million (2011: Rs. 71 million). The Musharakah facility is secured against equitable mortgage over property.

11.14.3 This represents a Murabaha facility outstanding at year end to Al-Meezan Investment Management Limited.

11.14.4 Loans and financings to Executives and a Director

	Executives		Director	
	2012	2011	2012	2011
	Rupees in '000			
Opening balance	437,661	321,851	33	166
Financings disbursed during the year	146,905	163,964	-	-
Financings repaid during the year	(76,706)	(48,154)	(33)	(133)
Closing balance	<u>507,860</u>	<u>437,661</u>	<u>-</u>	<u>33</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	505,019	175,200
Tangible assets			
Property and equipment	12.2	4,236,729	3,668,981
		4,741,748	3,844,181
Intangible assets	12.4	156,492	141,067
		4,898,240	3,985,248
12.1 Capital work-in-progress			
- Land and building (including advances to suppliers and contractors for building renovation)		429,420	107,902
- Advances for computer hardware		28,417	7,406
- Advances for purchase of vehicles		11,277	14,911
- Advances for computer software		12,150	18,169
- Advances for other office machines		22,520	26,512
- Advances for furniture and fixtures		1,235	300
		505,019	175,200

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

12.2 Property and equipment

	2012							
	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2012	Rate of depreciation %
	As at January 1, 2012	Additions / (disposals)	As at December 31, 2012	As at January 1, 2012	Charge / (on disposals)	As at December 31, 2012		
	Rupees in '000							
Lease hold land	615,989	-	615,989	-	-	-	615,989	
Buildings on lease hold land	1,027,521	139,247	1,166,768	67,230	54,107	121,337	1,045,431	5
Lease hold improvements	1,362,712	354,521 (19)	1,717,214	341,999	151,687 (6)	493,680	1,223,534	10
Furniture and fixtures	225,117	59,715 (4,100)	280,732	69,085	25,350 (3,007)	91,428	189,304	10
Electrical, office and computer equipment	1,463,018	410,749 (17,474)	1,856,293	796,632	243,301 (15,298)	1,024,635	831,658	10, 20 and 33
Vehicles	432,370	186,159 (63,565)	554,964	182,800	93,835 (52,484)	224,151	330,813	20
	5,126,727	1,150,391 (85,158)	6,191,960	1,457,746	568,280 (70,795)	1,955,231	4,236,729	

	2011							
	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2011	Rate of depreciation %
	As at January 1, 2011	Additions / (disposals)	As at December 31, 2011	As at January 1, 2011	Charge / (on disposals)	As at December 31, 2011		
	Rupees in '000							
Leasehold land	544,440	71,549	615,989	-	-	-	615,989	
Buildings on leasehold land	152,336	875,185	1,027,521	34,750	32,480	67,230	960,291	5
Leasehold improvements	1,020,881	446,073 (104,242)	1,362,712	285,353	112,246 (55,600)	341,999	1,020,713	10
Furniture and fixtures	162,889	74,318 (12,090)	225,117	54,628	20,732 (6,275)	69,085	156,032	10
Electrical, office and computer equipment	1,006,980	477,821 (21,783)	1,463,018	617,817	199,373 (20,558)	796,632	666,386	10, 20 and 33
Vehicles	358,677	123,492 (49,799)	432,370	144,462	71,908 (33,570)	182,800	249,570	20
	3,246,203	2,068,438 (187,914)	5,126,727	1,137,010	436,739 (116,003)	1,457,746	3,668,981	



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

12.3 Property and equipment - Movement of net book value

	Leasehold land	Buildings on leasehold land	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
Rupees in '000							
At January 1, 2011							
Cost	544,440	152,336	1,020,881	162,889	1,006,980	358,677	3,246,203
Accumulated depreciation	-	34,750	285,353	54,628	617,817	144,462	1,137,010
Net book value	544,440	117,586	735,528	108,261	389,163	214,215	2,109,193
Year ended December 31, 2011							
Additions	71,549	875,185	446,073	74,318	477,821	123,492	2,068,438
Net book value of disposals	-	-	(48,642)	(5,815)	(1,225)	(16,229)	(71,911)
Depreciation charge	-	(32,480)	(112,246)	(20,732)	(199,373)	(71,908)	(436,739)
Net book value as at December 31, 2011	615,989	960,291	1,020,713	156,032	666,386	249,570	3,668,981
Year ended December 31, 2012							
Additions	-	139,247	354,521	59,715	410,749	186,159	1,150,391
Net book value of disposals	-	-	(13)	(1,093)	(2,176)	(11,081)	(14,363)
Depreciation charge	-	(54,107)	(151,687)	(25,350)	(243,301)	(93,835)	(568,280)
Net book value as at December 31, 2012	615,989	1,045,431	1,223,534	189,304	831,658	330,813	4,236,729

12.3.1 Included in cost of property and equipment are fully depreciated items which are still in use aggregating Rs. 726 million (2011: Rs. 523 million).

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

12.3.2 Details of disposal of fixed assets to executives and other persons are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000						
Vehicles						
Honda Citi	831	817	14	249	MBL Staff Policy	Mr. Arif Aslam - Executive
Honda Citi	836	836	-	254	MBL Staff Policy	Mr. Musaddique Iqbal Siddiqui - Executive
Honda Citi	846	846	-	254	MBL Staff Policy	Mr. Fayyaz Hussain (Employee)
Honda Citi	913	913	-	386	MBL Staff Policy	Mr. Shabbir Ahmed Shaikh (Employee)
Honda Citi	877	876	1	263	MBL Staff Policy	Mr. Muhammad Asghar - Executive
Honda Citi	913	913	-	270	MBL Staff Policy	Mr. Muhammad Yaqoob Memon - Executive
Honda Citi	898	898	-	269	MBL Staff Policy	Mr. Muhammad Asadullah - Executive
Honda Citi	901	901	-	270	MBL Staff Policy	Mr. Ata Ur Rahim Hanfi - Ex-employee
Honda Citi	1,581	1,581	-	474	MBL Staff Policy	Mr. Abdul Gaffar Memon (Employee)
Honda Citi	929	929	-	279	MBL Staff Policy	Mr. Shuja Uddin Shaikh - Executive
Honda Citi	898	898	-	270	MBL Staff Policy	Mr. Yousaf Ali Merchant (Employee)
Honda Citi	1,069	820	249	508	MBL Staff Policy	Mr. Kamran Zafar - Executive
Honda Citi	877	876	1	263	MBL Staff Policy	Mr. Alam Zeb - Executive
Honda Citi	898	898	-	270	MBL Staff Policy	Mr. Arshad Majeed - Executive
Honda Citi	1,487	942	545	845	MBL Staff Policy	Mr. Rizwan Ata - Ex - Employee
Honda Civic	1,549	1,548	1	465	MBL Staff Policy	Mr. Muhammad Saleem Khan - Executive
Honda Civic	1,540	1,540	-	452	MBL Staff Policy	Mr. Syed Tariq Hassan - Executive
Honda Civic	1,859	1,363	496	905	MBL Staff Policy	Mr. Shabbir Hamza Khandwala - Executive
Suzuki Alto	477	476	1	143	MBL Staff Policy	Mr. Naveed Ahmed - Executive
Suzuki Alto	470	353	117	273	MBL Staff Policy	Mr. Farhan Usmani (Employee)
Suzuki Alto	476	405	71	207	MBL Staff Policy	Mr. Mirza Ayub Baig - Executive
Suzuki Alto	470	408	62	207	MBL Staff Policy	Mr. Kunwar Zeeshan Shahid - Executive
Suzuki Alto	476	373	103	236	MBL Staff Policy	Mr. Nasrullah Khan Shahid (Employee)
Suzuki Alto	560	356	204	353	MBL Staff Policy	Mr. Irfan Allahrakha - Executive
Suzuki Alto	553	369	184	329	MBL Staff Policy	Mr. Muhammad Amjad Ali - Executive
Suzuki Alto	470	384	86	207	MBL Staff Policy	Mr. Mujahid Rashid - Executive
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr. Zahid Iqbal - Executive
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr. Tauqeer - Executive
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr. Chaudhary Asim Hameed - Executive
Suzuki Cultus	567	567	-	168	MBL Staff Policy	Mr. Muhammad Amin - Executive
Suzuki Cultus	647	496	151	307	MBL Staff Policy	Mr. Ali Imran Khan - Executive
Suzuki Cultus	586	449	137	258	MBL Staff Policy	Mr. Riaz Ahmed - Executive
Suzuki Cultus	586	488	98	244	MBL Staff Policy	Mr. Abdul Rauf (Employee)
Suzuki Cultus	549	549	-	165	MBL Staff Policy	Mr. Wasf Ali Babar - Executive
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr. Owais Ahmed Ola (Employee)
Suzuki Cultus	708	448	260	500	Negotiation	Mr. Asad Arshad
Suzuki Cultus	836	529	307	634	Negotiation	Mr. Iqtedar Ahmed Khan
Suzuki Cultus	792	449	343	661	Negotiation	Mr. Muhammad Mansha
Suzuki Cultus	759	458	301	653	Negotiation	Mr. Faisal Abdul Aziz
Suzuki Cultus	749	474	275	711	Negotiation	Mr. M Hussain Khan
Suzuki Cultus	748	374	374	675	Negotiation	Mr. Sohail Mehar
Suzuki Cultus	759	380	379	777	Negotiation	Mr. Muhammad Ilyas
Suzuki Cultus	796	385	411	651	Negotiation	Mr. Shahid Aziz
Suzuki Cultus	784	431	353	683	Negotiation	Mr. M Hussain Khan
Suzuki Cultus	783	313	470	730	Negotiation	Mr. Shahid Aziz
Suzuki Cultus	798	372	426	707	Negotiation	Mr. Sajawal Khan
Suzuki Cultus	815	326	489	761	Negotiation	Mr. Saleem Uddin
Toyota Corolla	1,319	923	396	1,187	Insurance Claim	Pak Kuwait Takaful Company Limited
Toyota Corolla	1,319	879	440	1,187	Insurance Claim	Pak Kuwait Takaful Company Limited
Toyota Corolla	925	925	-	277	MBL Staff Policy	Mr. Rehman Nazir - Executive
Toyota Corolla	903	903	-	264	MBL Staff Policy	Mr. Hassan Ali - Executive
Toyota Corolla	889	889	-	264	MBL Staff Policy	Mr. Kamran Mahmood Butt - Executive
Toyota Corolla	891	891	-	264	MBL Staff Policy	Ms. Naheed Ashfaq - Executive
Toyota Corolla	1,169	1,169	-	351	MBL Staff Policy	Mr. Dr. Inran Usmani - Executive
Toyota Corolla	879	747	132	264	MBL Staff Policy	Mr. Ehrmer Hammad (Employee)
Toyota Corolla	1,319	945	374	657	MBL Staff Policy	Mr. Sher Afsar Khan - Executive
Toyota Corolla	1,200	920	280	867	Negotiation	Mr. Umer Ijaz
Toyota Corolla	1,004	720	284	505	Negotiation	Mr. Mustafa Mohsin Ali
Toyota Rexton	3,457	3,457	-	553	MBL Staff Policy	Mr. Rizwan Ata (Ex - Employee) - Executive
	53,430	44,615	8,815	25,498		



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds
	Rupees in '000			
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000				
Vehicles	10,135	7,869	2,266	10,332
Electrical, office and computer equipment	17,474	15,298	2,176	2,550
Furniture and Fixtures	4,100	3,007	1,093	936
Leasehold improvements	19	6	13	-
	<u>85,158</u>	<u>70,795</u>	<u>14,363</u>	<u>39,316</u>

12.4 Intangible assets

	COST			ACCUMULATED AMORTISATION			Net book value as at December 31, 2012	Rate of amortization %
	As at January 1, 2012	Additions during the year	As at December 31, 2012	As at January 1, 2012	Amortisation charged for the year	As at December 31, 2012		
	Rupees in '000							
Computer software	293,292	64,468	357,760	152,225	49,043	201,268	156,492	20
2011	216,640	76,652	293,292	112,507	39,718	152,225	141,067	20

12.5 Intangible assets - Movement of net book value

	Year ended December 31, 2011				Year ended December 31, 2012		
	Net book value as at January 1, 2011	Addition during the year	Amortisation charge for the year	Net book value as at December 31, 2011	Addition during the year	Amortisation charge for the year	Net book value as at December 31, 2012
	Rupees in '000						
Computer software	104,133	76,652	39,718	141,067	64,468	49,043	156,492

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

13. DEFERRED TAX ASSET

	2012	2011
	Rupees in '000	
Debit / (credit) balances arising on account of:		
Profit and loss account		
Provision against non-performing Islamic financings and related assets	1,158,141	1,210,464
Excess of accounting book values over tax written down values of owned assets	(595,665)	(501,237)
Provision for diminution / impairment in value of investments	138,392	129,284
Income not accrued due to non-culmination of financings	201,345	60,254
Provision against non-banking assets acquired in satisfaction of claims and other assets	61,428	71,845
	<u>963,641</u>	<u>970,610</u>
Equity		
Surplus on revaluation of available for sale investments	(417,680)	(169,219)
	<u>545,961</u>	<u>801,391</u>

	Note	2012	2011	2010
			Restated	Restated
			Rupees in '000	
14. OTHER ASSETS				
Profit / return accrued in local currency		3,308,292	2,958,302	2,069,082
Profit / return accrued in foreign currency		59,511	6,726	13,238
Advances, deposits, advance rent and other prepayments	14.1	542,182	410,666	416,672
Dividends receivable		1,644	129,347	91,214
Stamps		7,042	6,486	3,821
Security deposits		61,655	21,487	16,968
Unrealised gain on forward foreign exchange contracts - net	14.2	126,512	82,162	19,813
Non-Banking assets acquired in satisfaction of claims	14.3	323,170	360,401	234,917
Prepaid exchange risk fee		67	69	66
Others		119,162	72,686	50,919
		<u>4,549,237</u>	<u>4,048,332</u>	<u>2,916,710</u>
Provision against other assets	14.4	(171,410)	(205,274)	(37,032)
		<u>4,377,827</u>	<u>3,843,058</u>	<u>2,879,678</u>

14.1 This includes prepaid rent and prepaid insurance aggregating Rs. 254 million (2011: Rs. 188 million) and Rs. 146 million (2011: Rs.140 million) respectively which are being amortised over a period of one year.

14.2 This is net of loss of Rs 110 million (2011: Rs 347 million) on forward foreign exchange contracts.

14.3 The market value of the non-banking assets acquired in satisfaction of claims amounts to Rs. 302 million. (2011: Rs 374 million).

14.4 Provision against other assets

	2012	2011
	Rupees in '000	
Opening balance	205,274	37,032
Charge for the year	1,245	172,077
Reversals during the year	(35,109)	(3,835)
Closing balance	<u>171,410</u>	<u>205,274</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

15. BILLS PAYABLE	Note	2012	2011
		Rupees in '000	
In Pakistan		3,058,503	2,282,045
Outside Pakistan		-	-
		3,058,503	2,282,045
16. DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		18,454,998	9,230,013
Outside Pakistan		6,349	5,947
		18,461,347	9,235,960
16.1 Particulars of due to financial institutions with respect to currencies			
In local currency		18,454,998	9,230,013
In foreign currencies		6,349	5,947
		18,461,347	9,235,960
16.2 Details of due to financial institutions secured / unsecured			
Secured			
Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme	16.2.1	5,964,998	6,030,013
Unsecured			
Overdrawn nostro accounts		6,349	5,947
Other Musharakah / Modarabas		12,490,000	3,200,000
		18,461,347	9,235,960
16.2.1 These Musharakah are on a profit and loss sharing basis maturing between January 5, 2013 to June 29, 2013 and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 8,400 million (2011: Rs. 7,500 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.			
16.3 Particulars of due to financial institutions		2012	2011
		Rupees in '000	
Short - term		18,461,347	9,235,960
Long - term		-	-
		18,461,347	9,235,960

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

17. DEPOSITS AND OTHER ACCOUNTS	Note	2012	2011
		Rupees in '000	
Customers			
- Fixed deposits		78,485,382	58,552,349
- Savings deposits		91,561,144	62,661,327
- Current accounts - non-remunerative		59,437,683	47,587,663
- Margin		682,462	682,891
		230,166,671	169,484,230
Financial institutions			
- Remunerative deposits		255,809	540,703
- Non-remunerative deposits		3,506	5,498
		259,315	546,201
		230,425,986	170,030,431
17.1 Particulars of deposits			
In			
- local currency		217,823,187	162,518,193
- foreign currencies		12,602,799	7,512,238
		230,425,986	170,030,431
18. OTHER LIABILITIES			
Return on deposits and other dues			
- payable in local currency	18.1	1,784,928	1,164,333
- payable in foreign currency		15,606	15,431
Unearned commission		6,296	16,158
Accrued expenses	18.2	1,184,251	1,181,549
Current taxation (provision less payments)		766,415	701,776
Unclaimed dividends		6,290	1,821
Payable to defined benefit plan	33.3	72,022	64,715
Provision against off-balance sheet obligations	18.3	34,099	33,169
Security deposits against Ijarah		1,784,284	1,955,609
Charity payable	18.4	54,305	5,604
Payable on account of credit murabaha		76,678	-
Others		154,742	75,442
		5,939,916	5,215,607
18.1	This includes Rs. 87 million (2011: Rs. 117 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.		
18.2	This includes Rs. 2 million (2011: Rs. 3 million) in respect of amount payable to Al Meezan Investment Management Limited (Subsidiary).		



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

18.3 Provision against off-balance sheet obligations

	Note	2012	2011
Rupees in '000			
Opening balance		33,169	39,282
Charge / (reversal) for the year		930	(6,113)
Closing balance		<u>34,099</u>	<u>33,169</u>

18.4 Reconciliation of charity payable

	Note	2012	2011
Balance as at January 1		5,604	78,406
Additions during the year		81,625	56,692
Less: Transferred to charity savings account (included in deposits and other accounts)	18.4.1	(32,924)	(129,494)
Balance as at December 31		<u>54,305</u>	<u>5,604</u>

18.4.1 Charity paid through savings account during the year was Rs. 11 million (2011: Rs.130 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organizations:

	2012	2011
Rupees in '000		
Health Oriented Preventive Education (HOPE)	200	-
Institute of Business Administration - National Talent Hunt Program	4,375	-
Idara Al Khair	500	-
Ihsan Trust	-	130,000
Lahore Businessmen Association for Rehabilitation of the Disabled	500	-
Medical Aid Foundation	200	-
Memon Health and Education Foundation	1,000	-
Omar Sana Foundation	300	-
Pakistan Kidney Institute/Shifa Foundation	1,000	-
Patients Aid Foundation - Jinnah Hospital	200	-
Sindh Institute of Urology and Transplantation	500	-
The Indus Hospital	875	-
The Kidney Center	900	-

18.4.2 The balance in Charity savings account was Rs 35 million at December 31, 2012 (2011: Rs. 12 million).

18.4.3 Charity was not paid to any individual / organization in which a director or his spouse had any interest at any time during the year.

19. SHARE CAPITAL

19.1 Authorized capital

2012	2011		2012	2011
(Number of Shares)			Rupees in '000	
<u>1,100,000,000</u>	<u>1,100,000,000</u>	Ordinary shares of Rs. 10 each	<u>11,000,000</u>	<u>11,000,000</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

19.2 Issued, subscribed and paid-up capital

	2012 (Number of Shares)	2011	Note	2012 Rupees in '000	2011
Ordinary shares	456,353,635	456,353,635		4,563,536	4,563,536
Fully paid in cash	447,013,838	346,639,675		4,470,139	3,466,397
Issued as bonus shares	903,367,473	802,993,310		9,033,675	8,029,933

20. RESERVES

	Note	2012 Rupees in '000	2011
Statutory reserve	20.1	2,693,176	1,991,553
General reserve		66,766	66,766
		2,759,942	2,058,319

20.1 Under section 21 of the Banking Companies Ordinance, 1962, an amount not less than 20% of the profit is to be transferred each year to a reserve fund till such time the reserve fund (together with the share premium account) is equal to the amount of the paid up capital.

21. SURPLUS ON REVALUATION OF INVESTMENTS

	2012 Rupees in '000	2011
Quoted shares	410,663	200,781
Other securities	1,076,037	426,116
	1,486,700	626,897
Less: Deferred tax liability	(417,680)	(169,219)
	1,069,020	457,678

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Guarantees favouring - Banks	62,587	62,587
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22.2 Transaction related contingent liabilities

Guarantees favouring - Government	3,466,291	2,949,822
- Banks	70,141	37,483
- Others	1,052,087	1,838,516
	4,588,519	4,825,821

22.3 Trade related contingent liabilities

Import letters of credit	12,906,182	11,636,339
Acceptances	3,647,454	2,888,504
	16,553,636	14,524,843



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

22.4	Commitments in respect of forward exchange contracts	Note	2012	2011
			Rupees in '000	
	Purchases		34,882,828	26,464,759
	Sales		36,650,528	26,421,847
22.5	Commitments for the acquisition of operating fixed assets		50,892	133,017
22.6	Commitments in respect of financings		39,180,955	33,360,587
22.7	Commitments in respect of purchase of sukuk		-	867,436
22.8	Other commitments			
	Bills for collection (inland)		54,875	672,538
	Bills for collection (foreign)		8,147,159	6,706,421
			8,202,034	7,378,959
23.	PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS			
	On financings to			
	- Customers		8,405,801	7,099,169
	On investments in			
	- Available for sale securities		12,840,267	8,949,389
	- Held for trading securities		150,902	-
	- Held to maturity securities		116,201	158,481
	On deposits with financial institutions		323,801	1,825,113
			21,836,972	18,032,152
24.	RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
	Deposits and other accounts		10,804,835	8,052,218
	Other short term Musharakahs / Modarabas	24.1	579,699	613,404
			11,384,534	8,665,622
24.1	This includes Rs. 447 million (2011: Rs. 483 million) paid / payable to SBP under Islamic Export Refinance Scheme.			
25.	CAPITAL GAIN ON SALE OF INVESTMENTS - NET		2012	2011
			Rupees in '000	
	Shares / units of mutual funds - listed		414,426	100,047
	Government Sukuk / certificates		90,674	119,344
			505,100	219,391

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

26. OTHER INCOME	Note	2012	2011
		Rupees in '000	
Gain on termination of Ijarah financings		49,002	30,699
Gain on termination of diminishing musharakah financings		8,832	6,057
Gain / (loss) on sale of property, equipment and others - net		24,953	(31,251)
Rental income from associate		6,137	-
Charges recovered		7,193	11,860
		<u>96,117</u>	<u>17,365</u>
27. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	35 & 27.1	3,223,685	2,650,696
Charge for defined benefit plan	33.4	72,022	64,715
Contribution to defined contribution plan	34	93,902	75,107
Non-executive directors' fees	35	24,315	14,257
Rent, electricity, taxes, insurance, etc.		1,143,202	885,342
Depreciation	12.2	568,280	436,739
Amortization	12.4	49,043	39,718
Communication		239,203	199,709
Stationery and printing		188,886	138,807
Repairs and maintenance		241,760	216,995
Security charges including cash transportation charges		227,277	190,071
Local transportation and car running		171,136	128,759
Fees, subscription and clearing charges		148,156	131,608
Entertainment		22,024	22,720
Office supplies		75,539	62,253
Hardware and software maintenance		104,859	104,844
Advertisement and publicity		77,845	98,535
Travelling		51,727	39,951
Brokerage, commission and bank charges		72,945	60,587
Legal and professional charges	27.2	14,917	12,926
Auditors' remuneration	27.3	11,372	8,363
Workers Welfare Fund	27.4	104,358	64,667
Takaful and tracker expenses on Ijarah		245,200	222,617
Others		20,874	88,609
		<u>7,192,527</u>	<u>5,958,595</u>

27.1 This includes remuneration to Shariah Advisor amounting to Rs. 5.3 million (2011: Rs. 4.5 million).

27.2 This includes remuneration to Shariah Board amounting to Rs. 1 million (2011: Rs. 1 million).

27.3 Auditors' remuneration

	2012	2011
	Rupees in '000	
	A.F. Ferguson & Co.	KPMG Taseer Hadi & Co.
Audit fee	2,400	2,300
Fee for interim review	700	661
Special certifications and sundry advisory services	5,094	4,807
Tax services	2,583	-
Out of pocket expenses	595	595
	<u>11,372</u>	<u>8,363</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

27.4 This represents accrual for contribution to Workers Welfare Fund as per the amendments made vide Finance Act, 2008 in the Workers Welfare Fund Ordinance, 1971.

	Note	2012	2011
		Rupees in '000	
28. OTHER CHARGES / (REVERSALS)			
Penalties imposed / (refunded) by the State Bank of Pakistan		189	(1,007)
29. TAXATION			
Current			
- for the year		1,715,141	1,703,310
- for prior years		-	(220,027)
		1,715,141	1,483,283
Deferred			
- for the year		6,969	(317,675)
- for prior years		-	(200,851)
		6,969	(518,526)
		1,722,110	964,757
29.1 Relationship between tax expense and accounting profit			
Profit before taxation		5,230,226	4,356,300
Effects of:			
- Tax calculated at the applicable rate of 35%		1,830,579	1,524,705
- Income chargeable to tax at reduced rate		(153,843)	(265,170)
- Prior year reversals		-	(420,878)
- Permanent differences		27,772	57,559
- Others		17,602	68,541
Tax charge for the year		1,722,110	964,757
30. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		3,508,116	3,391,543
		Number	
Weighted average number of ordinary shares		903,367,473	903,367,473
		Rupees	
Basic earnings per share	30.1	3.88	3.75
30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2012 and 2011.			
31. CASH AND CASH EQUIVALENTS			
		Rupees in '000	
Cash and balances with treasury banks	7	19,125,401	16,641,160
Balances with other banks	8	3,851,150	2,348,076
		22,976,551	18,989,236

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

32. STAFF STRENGTH

	2012	2011
	Number of staff	
Permanent	3,677	3,004
Contractual basis	1,522	1,238
Bank's own staff strength at the end of the year	5,199	4,242
Outsourced	754	658
Total Staff Strength	5,953	4,900

33. DEFINED BENEFIT PLAN

The projected unit credit method, as allowed under the International Accounting Standard 19 - 'Employee Benefits' was used for actuarial valuation based on the following significant assumptions:

	Principal actuarial assumptions	
	2012	2011
33.1 Discount rate	11.5% p.a	12.5% p.a
Expected rate of increase in salaries	11.5% p.a	12.5% p.a
Expected rate of return on investments	11.5% p.a	12.5% p.a
Normal retirement age	60 years	60 years

The disclosures made in notes 33.1 to 33.12 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2012.

	Note	2012	2011
		Rupees in '000	
33.2 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligations	33.6	300,392	247,137
Fair value of plan assets	33.7	(246,677)	(175,060)
Net actuarial (gains) / losses not recognised	33.10	18,307	(7,362)
		72,022	64,715
33.3 Movement in payable to defined benefit plan			
Opening balance		64,715	52,138
Charge for the year	33.4	72,022	64,715
Contribution made during the year		(64,715)	(52,138)
Closing balance		72,022	64,715
33.4 Charge for defined benefit plan			
Current service cost		67,057	60,309
Interest cost		29,351	22,015
Expected return on plan assets		(24,386)	(17,609)
Actuarial loss		-	-
		72,022	64,715
33.5 Actual return on plan assets		31,559	19,710



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

33.6	Reconciliation of present value of obligation		2012		2011	
			Rupees in '000			
	Present value of obligation as at January 1		247,137		175,525	
	Current service cost		67,057		60,309	
	Interest cost		29,351		22,015	
	Benefits paid		(24,657)		(12,352)	
	Actuarial (gain) / loss on obligation		(18,496)		1,640	
	Present value of obligation as at December 31		<u>300,392</u>		<u>247,137</u>	
33.7	Changes in the fair value of plan assets are as follows:					
	Opening fair value of plan assets		175,060		115,564	
	Expected return		24,386		17,609	
	Contributions by the Bank		64,715		52,138	
	Benefits paid		(24,657)		(12,352)	
	Actuarial gain		7,173		2,101	
			<u>246,677</u>		<u>175,060</u>	
33.8	The plan assets includes:					
			2012		2011	
			Rupees in '000	%	Rupees in '000	%
	Meezan Aamdan Certificates		184,879	75	113,054	65
	Meezan Islamic Income Fund		-	-	1,461	1
	GOP Ijarah Sukuk		56,844	23	56,787	32
	Savings account with Meezan Bank		4,954	2	3,758	2
			<u>246,677</u>	<u>100</u>	<u>175,060</u>	<u>100</u>
33.9	Actuarial loss to be recognized	Note	2012		2011	
			Rupees in '000			
	Corridor Limit					
	The limits of the corridor as at January 1					
	10% of obligations		24,714		17,553	
	10% of plan assets		17,506		11,556	
	Which works out to		24,714		17,553	
	Unrecognized actuarial losses as at January 1		(7,362)		(7,823)	
	Deficit		<u>17,352</u>		<u>9,730</u>	
	Average expected remaining working lives in years		5		6	
	Actuarial loss to be recognized		<u>-</u>		<u>-</u>	
33.10	Unrecognized actuarial losses					
	Unrecognized actuarial losses at January 1		(7,362)		(7,823)	
	Actuarial gain / (loss) on obligations	33.6	18,496		(1,640)	
	Actuarial gain on assets	33.7	7,173		2,101	
	Subtotal		18,307		(7,362)	
	Actuarial loss recognised	33.9	-		-	
	Unrecognized actuarial gains / (losses) as at December 31		<u>18,307</u>		<u>(7,362)</u>	

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

33.11 Amount for the current year and previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	300,392	247,137	175,525	122,631	80,277
Fair value of plan assets	(246,677)	(175,060)	(115,564)	(69,791)	(32,507)
Deficit	53,715	72,077	59,961	52,840	47,770
Actuarial gain / (loss) on obligation	(18,496)	1,640	(3,755)	(1,477)	(4,978)
Actuarial gain / (loss) on assets	7,173	2,101	882	5,709	(2,501)

33.12 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2013, works out to Rs. 85 million.

34. DEFINED CONTRIBUTION PLAN

The Bank also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2012	2011
	Rupees in '000	
Contribution from the Bank	93,902	75,107
Contribution from the employees	93,902	75,107
	187,804	150,214

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	Rupees in '000					
Fees*	-	-	24,315	14,257	-	-
Managerial remuneration	78,626	75,490	52,391	47,893	685,623	537,662
Charge for defined benefit plan	1,906	1,606	1,270	1,071	27,482	20,995
Contribution to defined contribution plan	2,287	1,989	1,524	1,325	33,944	25,740
House rent	10,294	8,676	6,859	5,781	161,678	124,582
Utilities	2,288	1,928	1,524	1,285	35,930	27,686
Medical	2,640	1,928	1,737	1,285	35,930	27,686
Conveyance	1,603	1,645	1,675	777	-	-
Others	325	125	95	33	-	-
	99,969	93,387	91,390	73,707	980,587	764,351
Number of persons	1	1	11	8	365	294

* This includes amounts charged in these financial statements as fees to ten (2011: seven) non-executive directors.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

- 35.1 Executives mean employees, other than the Chief Executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.
- 35.2 The Chief Executive, the Executive Director and certain executives have been provided with free use of the Bank's cars.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

- 36.1 The fair value of investments in listed securities, except investments categorized as 'held to maturity', investments in subsidiaries and associates is based on quoted market prices. The value of unquoted equity investments is reduced, if required, on the basis of break-up value of those investments based on the latest available audited financial statements as disclosed in notes 10.6 and 10.8.

Fair value of Islamic financings and related assets, other assets, other liabilities, fixed term deposits and other accounts cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of Islamic financings and related assets has been calculated in accordance with the Bank's accounting policy as stated in note 6.3.3.

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

	2012		2011	
	Book value	Fair value	Book value	Fair value
36.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange - net	35,150,365	35,230,137	26,687,733	27,039,216
Forward sale of foreign exchange - net	37,225,732	37,178,992	26,768,736	27,038,058

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2012					Total
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Agency services	
	Rupees in '000					
Total income	1,128,582	14,089,919	2,645,823	6,361,897	9,341	24,235,562
Total expenses	(700,487)	(11,622,419)	(1,855,836)	(6,545,435)	(3,269)	(20,727,446)
Net income / (loss)	428,095	2,467,500	789,987	(183,538)	6,072	3,508,116
Segment assets	10,524,078	175,234,356	12,481,581	76,196,495	-	274,436,510
Segment non performing assets	379,442	110,000	691,123	4,308,905	-	5,489,470
Segment provision held	313,687	110,000	848,287	4,875,904	-	6,147,878
Segment liabilities	-	18,461,347	233,484,489	5,939,916	-	257,885,752
Segment return on assets (ROA) (%)	4.07%	1.41%	6.33%	-0.24%	-	-
Segment cost of funds (%)	5.70%	5.70%	5.70%	5.70%	-	-

	2011					Total
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Agency services	
	Rupees in '000					
Total income	1,349,065	11,540,075	2,125,872	5,514,099	7,796	20,536,907
Total expenses	(755,501)	(8,427,499)	(1,723,856)	(6,235,779)	(2,729)	(17,145,364)
Net income (loss)	593,564	3,112,576	402,016	(721,680)	5,067	3,391,543
Segment assets	8,093,065	121,413,327	10,339,355	60,704,647	-	200,550,394
Segment non performing assets	257,000	110,341	941,311	3,706,481	-	5,015,133
Segment provision held	257,000	110,341	1,018,776	4,302,359	-	5,688,476
Segment liabilities	-	9,235,960	172,312,476	5,215,607	-	186,764,043
Segment return on assets (ROA) (%)	7.33%	2.56%	3.89%	-1.19%	-	-
Segment cost of funds (%)	5.75%	5.75%	5.75%	5.75%	-	-

38. RELATED PARTY TRANSACTIONS

- 38.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel and their close family members.
- 38.2 Banking transactions with related parties are entered in the normal course of business.
- 38.3 Subsidiary company
- Al Meezan Investment Management Limited
- 38.4 Key management personnel
- President and Chief Executive Officer
- Chief Operating Officer



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

38.5 Details of transactions with related parties and balances with them as at the year-end are as follows:

	Total		Subsidiary		Associates		Key Management Personnel / Directors		Other Related Parties	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees in '000									
Islamic Financing and related assets										
At January 1	270,564	270,697	200,000	200,000	70,531	70,531	33	166	-	-
Addition during the year	517,206	200,000	200,258	200,000	316,948	-	-	-	-	-
Deletion during the year	(516,981)	(200,133)	(200,000)	(200,000)	(316,948)	-	(33)	(133)	-	-
At December 31	270,789	270,564	200,258	200,000	70,531	70,531	-	33	-	-
Deposits										
At December 31	1,221,737	909,577	16,804	7,945	467,212	352,177	47,958	55,221	689,763	494,234

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

	Total		Subsidiary		Associates		Key Management Personnel / Directors		Other Related Parties	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees in '000									
Balances										
Profit receivable on financing	21,981	25,085	21,981	25,085	-	-	-	-	-	-
Dividend receivable	-	128,017	-	-	-	128,017	-	-	-	-
Transfer agency fee receivable	750	1,368	750	1,368	-	-	-	-	-	-
Payable to defined benefit plan	72,022	64,715	-	-	-	-	-	-	72,022	64,715
Payable to defined benevolent plan	7,414	-	-	-	-	-	-	-	7,414	-
Accrued expenses	2,000	3,585	2,000	3,585	-	-	-	-	-	-
Letters of credit (unfunded)	-	664	-	-	-	664	-	-	-	-
Letters of guarantee (unfunded)	100	100	100	100	-	-	-	-	-	-
Transactions, income and expenses										
Profit earned on financing	39,537	29,741	27,416	29,741	12,121	-	-	-	-	-
Return on deposits / borrowing expensed	73,122	85,370	272	305	9,493	40,129	2,565	1,824	60,792	43,112
Dividend income earned	276,000	774,192	65,000	48,750	211,000	725,442	-	-	-	-
Capital gain - net	105,401	76,411	-	-	105,401	76,411	-	-	-	-
Charge for defined benefit plan	72,022	64,715	-	-	-	-	-	-	72,022	64,715
Contribution to defined contribution plan	93,902	75,107	-	-	-	-	-	-	93,902	75,107
Contribution to staff benevolent fund	3,901	-	-	-	-	-	-	-	3,901	-
Fees expensed	6,372	5,182	6,222	4,857	150	325	-	-	-	-
Fees and other income earned	82,893	52,572	74,923	49,711	7,970	2,861	-	-	-	-
Premiums paid	106,715	116,590	-	-	106,715	116,590	-	-	-	-
Claims received	71,046	106,690	-	-	71,046	106,690	-	-	-	-
Remuneration to key management personnel including fees to non executive directors	191,359	167,094	-	-	-	-	191,359	167,094	-	-

38.6 Associates - Key Information

	2012 (Unaudited)		
	Mutual Funds	Others	Total
	Rupees in '000		
Assets	31,355,638	1,591,861	32,947,499
Liabilities	232,996	756,862	989,858
Operating revenue	5,406,189	786,170	6,192,359
Profit after tax	4,948,597	368,376	5,316,973

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

39. CAPITAL ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

39.1 Capital structure

Bank's regulatory capital has been analysed into three tiers as follows:

- Tier I capital, 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 and deficit on revaluation of available for sale investments and deduction for book value of intangibles.
- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of total risk weighted assets), reserves on revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (up to a maximum of 45%).
- Tier III Capital has also been prescribed by the SBP for managing market risk; however, the Bank does not have any Tier III capital.

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 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, 2012

39.2 Capital adequacy ratio

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

	2012	2011
	Rupees in '000	
Regulatory Capital base		
Tier I Capital		
Issued, subscribed and paid-up capital	9,033,675	8,029,933
General reserves as disclosed on the statement of financial position	2,759,942	2,058,319
Unappropriated profits	3,688,121	3,240,421
Less: Book value of goodwill and intangible assets	(168,642)	(159,236)
Other deductions **	(31,525)	(31,525)
Total Tier I capital	15,281,571	13,137,912
Tier II Capital		
General provisions or general reserves for Islamic financing and related assets losses - up to maximum of 1.25% of risk weighted assets *	1,218,619	1,211,314
Revaluation Reserves up to 45%	481,059	108,360
Less: Other deductions **	(31,525)	(31,525)
Total Tier II capital	1,668,153	1,288,149
Tier III capital (Maximum upto 100% of Total eligible Tier I capital)	-	-
Total regulatory capital base	16,949,724	14,426,061

* Under the standardised approach to credit risk, general provisions can be included in Tier-2 capital subject to the limit of 1.25% of the risk weighted assets.

** Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position.

39.3 Capital Adequacy

The main objective of the capital management is to improve the financial position and strengthen the statement of financial position of the Bank to support the growth in business, provide protection to depositors and enhance shareholders' value.

The Bank's board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures, without compromising the risk profile of the Bank. The capital requirement of the Bank has been determined, based on the projected growth plan, to be achieved in the next 3 to 5 years in all areas of business operations. Further, it also takes into account a road map for capital enhancement, as directed by the State Bank of Pakistan vide its various circulars issued from time to time.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

The Bank prepares an Annual Budget and a Three Year Plan for the purpose of the growth map and future direction. Bottom up approach is used to prepare the annual budget and detailed deliberations are held while preparing the Three Year Plan. The growth prospects take into consideration prevailing economic and political factors in Pakistan and abroad.

In implementing current capital requirements the State Bank of Pakistan requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 10% as of December 31, 2012 whereas CAR stood at 14.08% at the year ended December 31, 2012.

The Bank calculates capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel II and as per guidelines issued by the State Bank of Pakistan from time to time in this regard.

Major credit risk in respect of on and off-balance sheet exposures are mainly claims on banks, corporates, retail customers, residential mortgages, quoted and unquoted associated undertakings and Sukuks. Market risk exposures are mainly in equity and foreign exchange positions. The Bank's potential risk exposures shall remain in these exposure types.

Sensitivity and stress testing of the Bank under different risk factors namely yield rate, forced sale value of collateral, non-performing financings and foreign exchange rate depicts that the Bank's capital adequacy ratio is above the regulatory requirements.

The Bank has taken into account credit risk, market risk and operational risk when planning its assets.

The Bank's sponsors are well reputed financial institutions in Pakistan and abroad. The Bank has never faced any difficulty in the past in raising capital whenever required. The shareholders and Board in their meeting held on October 2008 had reaffirmed in principle, their commitment to meet the increased capital requirement of the Bank over the next five years.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Risk-weighted exposures	Capital requirements		Risk weighted assets	
	2012	2011	2012	2011
	Rupees in '000			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple approach)				
Banks	160,091	137,417	1,850,906	1,374,171
Corporate	6,049,176	4,725,420	62,247,376	47,254,196
Retail	279,975	278,665	2,799,749	2,786,649
Residential mortgage	113,532	97,761	1,135,321	977,613
Past due loans	47,656	57,709	476,564	577,092
Investments	1,582,608	915,929	13,820,456	9,159,294
Fixed assets	472,960	382,601	4,729,598	3,826,012
All other assets	492,713	464,535	4,927,130	4,645,346
Portfolios subject to off-balance sheet exposure -non market related (Simple approach)				
Banks	9,463	6,698	94,630	66,978
Corporate	548,298	498,901	5,482,976	4,989,010
Retail	45,147	45,203	451,466	452,028
Others	10,774	5,082	107,741	50,821
Portfolios subject to off-balance sheet exposures -market related (Current exposure method)				
Banks	96,024	46,270	960,239	462,697
Customers	29,289	18,774	292,888	187,739
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	51,026	357,699	510,262	3,576,990
Equity position risk	386,316	444,574	3,863,164	4,445,741
Foreign exchange risk	15,247	14,056	152,474	140,562
Operational Risk				
Capital requirement for operational risk	1,647,978	1,193,220	16,479,775	11,932,200
TOTAL	12,038,273	9,690,514	120,382,715	96,905,139

		2012	2011
		Rupees in '000	
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	16,949,724	14,426,061
Total risk weighted assets	(b)	120,382,715	96,905,139
Capital adequacy ratio	(a) / (b)	14.08%	14.89%

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

40. RISK MANAGEMENT

The wide variety of the Bank's business activities require the Bank to identify, assess, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Bank's strategy and growth. The Bank manages the risk through a framework of risk management, policies and principles, organisational structures and risk measurement and monitoring processes and techniques that are closely aligned with the business activities of the Bank.

Risk management principles

- The Board of Directors (the Board), provides an overall risk management supervision. The Risk Management Committee regularly reviews the Bank's risk profile.
- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organisational structure of the Bank.
- The risk management function is independent of the Bank's operations.

Risk management organisation

The Risk Management Committee comprises of two non-executive directors and one executive director. One of the non-executive directors of the Bank chairs the Risk Management Committee.

The Committee is responsible for reviewing risk profile, policies, tools and techniques so as to ensure effective management of the Bank's risks.

The Committee has delegated some of its tasks of risk management to sub-committees which are as follows:

Name of the sub-committee	Chaired by
Credit Committee	President & CEO
Asset and Liability Management Committee (ALCO)	President & CEO
Internal Controls and Operational Risk Management Committee (ICORMC)	COO

The Credit Committee is responsible for approving and monitoring financing transactions and ensuring the overall quality of the Islamic financing and related assets portfolio. For this purpose it has formulated a financing policy so as to effectively monitor the risk profile of the Bank's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, the Banking Companies Ordinance, 1962, and any other regulatory requirement.

The ALCO is responsible for monitoring, measuring and managing market risk and liquidity risk and ensuring compliance with internal and regulatory requirement.

The ICORMC ensures adequate internal controls and systems are in place, thereby ensuring operating efficiency.

The Board has constituted a fully functional Audit Committee. The Audit Committee works to ensure that the best practices of the Code of Corporate Governance are being complied with by the Bank and that the policies and procedures are being complied with.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

The Bank's risk management, compliance, internal audit and legal departments support the risk management function. The role of the risk management department is to quantify the risk and ensure the quality and integrity of the Bank's risk-related data. The compliance department ensures that all the directives and guidelines issued by the SBP are being complied with in order to mitigate the compliance and operational risks. The internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

40.1 Credit Risk

Credit risk represents the potential that a Bank's customer or counterparty will be unable to meet its obligations in accordance with agreed terms.

Credit risk management and structure

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. The Bank also ensures diversification of its portfolio into different business segments, products and sectors.

Watch list procedure is also functioning, which identifies financings with early warning indicators, in respect of clients having the potential to become non-performing. The risk management function also monitors the non-performing financing portfolio of the Bank and reports all significant matters to the Risk Management Committee.

The Bank takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of Credit Risk Mitigation (CRM) resulted in the total credit risk weighted amount of Rs. 99,377.040 million.

Thus, use of CRM resulted in capital adequacy ratio of the Bank of 14.08%.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

40.1.1 Segmental information

40.1.1.1 Segment by class of business

	2012					
	Islamic financings and related assets (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	4,373	-	1,396,421	0.61	855,991	0.61
Textile	24,775,480	26.25	3,768,504	1.64	22,140,231	15.80
Automobile and transportation equipment	1,401,616	1.48	180,849	0.08	1,103,272	0.79
Financial institutions	-	-	380,033	0.16	71,911,862	51.30
Insurance	-	-	70,287	0.03	-	-
Electronics and electrical appliances	985,640	1.04	815,363	0.35	1,101,539	0.79
Construction	47,124	0.05	1,925,264	0.84	548,231	0.39
Power (electricity), gas and water	7,312,855	7.75	82,636	0.04	4,031,997	2.88
Exports / imports	938,830	0.99	1,382,621	0.60	1,250,949	0.89
Transport, storage and communication	1,202,515	1.27	808,698	0.35	1,549,093	1.11
Chemical and pharmaceuticals	10,927,376	11.58	845,486	0.37	9,226,177	6.58
Sugar	3,150,347	3.34	43,170	0.02	1,363,442	0.97
Footwear and leather garments	704,345	0.75	210,114	0.09	800,033	0.57
Wholesale and retail trade	308,584	0.33	8,118,547	3.52	848,993	0.61
Cement	2,903,608	3.08	447,821	0.19	1,290,455	0.92
Services	4,200	-	17,432,725	7.57	563,131	0.40
Individuals	7,172,247	7.60	185,347,970	80.44	3,055,615	2.18
Others	32,563,127	34.49	7,169,477	3.10	18,530,968	13.21
	94,402,267	100	230,425,986	100	140,171,979	100

	2011 (Restated)					
	Islamic financings and related assets (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	227,647	0.02	1,642,645	0.97	2,108,409	1.85
Textile	18,140,627	23.97	3,251,376	1.91	16,424,205	14.40
Automobile and transportation equipment	1,358,657	1.96	188,576	0.11	929,328	0.81
Financial institutions	-	-	487,720	0.29	54,200,963	47.54
Insurance	-	-	75,932	0.04	81,590	0.07
Electronics and electrical appliances	1,395,149	1.86	599,022	0.35	883,660	0.77
Construction	239,277	0.03	1,036,889	0.61	902,308	0.79
Power (electricity), gas and water	5,436,446	7.09	145,730	0.09	4,598,632	4.03
Exports / imports	615,685	0.78	987,579	0.58	906,398	0.79
Transport, storage and communication	661,514	-	887,040	0.52	476,923	0.42
Chemical and pharmaceuticals	8,049,082	10.52	897,799	0.53	6,747,046	5.92
Sugar	2,237,712	3.39	130,480	0.08	1,252,616	1.10
Footwear and leather garments	927,796	1.37	373,297	0.22	1,388,972	1.22
Wholesale and retail trade	96,876	0.03	13,695,854	8.05	517,035	0.45
Cement	3,948,232	5.67	19,182	0.01	2,193,568	1.92
Services	532,532	-	16,949,833	9.97	417,636	0.37
Individuals	6,801,817	10.20	116,952,964	68.78	4,034,891	3.54
Others	25,029,567	33.11	11,708,513	6.89	15,975,676	14.01
	75,698,616	100	170,030,431	100	114,039,856	100



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

40.1.1.2 Segment by sector

	2012					
	Islamic financings and related assets (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	1,707,000	1.81	1,358,430	0.59	-	-
Private	92,695,267	98.19	229,067,556	99.41	140,171,979	100
	94,402,267	100	230,425,986	100	140,171,979	100

	2011 (Restated)					
	Islamic financings and related assets (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,706,306	4.20	897,727	0.53	-	-
Private	72,992,310	95.80	169,132,704	99.47	114,039,856	100
	75,698,616	100.00	170,030,431	100.00	114,039,856	100

40.1.1.3 Details of non-performing Islamic financings and related assets and specific provisions by class of business segment:

	2012		2011	
	Classified Islamic financings and related assets	Specific provisions held	Classified Islamic financings and related assets	Specific provisions held
	Rupees in '000			
Textile	2,549,567	2,320,747	1,859,675	1,782,783
Chemical and pharmaceuticals	29,404	18,779	52,175	19,873
Cement	147,166	109,166	196,742	158,742
Sugar	132,679	150,000	140,376	140,376
Footwear and leather garments	180,403	98,960	103,403	80,903
Automobile and transportation equipment	560,545	560,545	561,209	561,210
Individuals	272,743	197,231	301,540	165,790
Others	1,127,521	1,050,144	1,432,672	1,150,143
	5,000,028	4,505,572	4,647,792	4,059,820

40.1.1.4 Details of non-performing Islamic financings and related assets and specific provisions by sector:

	2012		2011	
	Classified Islamic financings and related assets	Specific provisions held	Classified Islamic financings and related assets	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	5,000,028	4,505,572	4,647,792	4,059,820
	5,000,028	4,505,572	4,647,792	4,059,820

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

40.1.1.5 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	5,230,226	274,436,510	16,550,758	140,171,979

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	4,356,300	200,550,394	13,786,351	114,039,856

40.1.2 Credit Risk - General Disclosures Basel II Specific

The Bank has adopted a Standardised Approach of Basel II for calculation of capital charge against credit risk. Therefore, risk weights for the credit risk related assets (on-balance sheet and off-balance sheet - market and non market related exposures) are assigned on the basis of standardised approach.

The Bank is committed to further strengthen its risk management framework which will enable the Bank to move ahead for adopting Foundation IRB approach of Basel II. Meanwhile, none of the Bank's assets class is subject to the Foundation IRB or advanced IRB approaches.

40.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach

Under standardised approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by the SBP for capital adequacy purposes. In this connection, the Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company - Vital Information System) which are also recognised by the SBP.

In case of foreign currency exposures against banks, ratings assigned by S&P, Fitch and Moody's have been applied. In case of exposure against banks, some banks have multiple ratings but those ratings do not result in mapping with different risk weights. The alignment of the alphanumeric scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel II requirements.

Types of Exposure and ECAI's used

Exposures	2012				
	JCR-VIS	PACRA	Standard & Poors (S&P)	Fitch	Moody
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Public Sector Entities	✓	✓	-	-	-



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The alignment of the Alphanumerical scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel II requirements.

40.1.2.2 Credit exposures subject to standardised approach

Exposures	2012			2011		
	Rupees in '000			Rupees in '000		
	Amount Outstanding	Deduction Credit Risk Management	Net amount	Amount Outstanding	Deduction Credit Risk Management	Net amount
Banks						
20%	-	-	-	4,025,170	-	4,025,170
50%	5,640,400	-	5,640,400	40,667	-	40,667
100%	-	-	-	-	-	-
150%	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Corporate						
20%	12,039,158	-	12,039,158	11,703,370	-	11,703,370
50%	11,845,920	-	11,845,920	6,296,096	-	6,296,096
100%	432,059	-	432,059	531,066	-	531,066
150%	-	-	-	-	-	-
Unrated	55,365,462	703,511	54,661,951	40,807,146	933,999	39,873,147
Retails						
20%	-	-	-	-	-	-
50%	-	-	-	-	-	-
75%	5,096,344	1,363,345	3,732,999	5,127,818	1,412,286	3,715,532
Total	90,419,343	2,066,856	88,352,487	68,531,333	2,346,285	66,185,048

40.1.2.3 Credit Risk: Disclosures with respect to Credit risk mitigation for Standardised approach and IRB

The Bank obtains capital relief for both its on-balance and off-balance sheet non-market related exposures by using simple approach for credit risk mitigation (CRM). Off-balance sheet items under the simplified standardised approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardised approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits, cash margins, certificates of islamic investment, monthly modaraba certificate and saving accounts.

Valuation and management of eligible collaterals for CRM is being done in accordance with the conditions laid down by the State Bank of Pakistan. Eligible collaterals for CRM purposes do not expose the Bank to price risk as they are in the form of cash collaterals. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market condition.

The credit equivalent amount of an off-balance sheet market related foreign exchange contracts are determined by using the current exposure (mark to market) method.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

The Bank mainly takes the benefit of CRM against its claims on corporate and retail portfolio. Under the Standardised Approach for on-balance sheet exposures, the corporate portfolio of Rs. 79,682.599 million is subject to the CRM of Rs. 703.5 million, whereas a claim on retail portfolio of Rs. 5,096 million is subject to CRM of Rs. 1,363 million. The total benefit of Rs. 2,067 million was availed through CRM against total on-balance sheet exposure of Rs. 272,273 million. In year 2012, total amount of cash collateral used for CRM purposes was Rs. 4,375 million, as against amount of Rs. 3,895 million in year 2011. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs. 55,901.732 million is subject to the CRM of Rs. 1,728 million whereas a claim on retail portfolio of Rs. 2,859.055 million is subject to CRM of Rs. 580 million. Total benefit of Rs. 2,308 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs. 60,385.698 million.

40.1.2.4 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz., industry, geography, and single / group borrower obligor. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single and group obligors. Within the SBP limits, the Bank has further defined limits to avoid excessive concentration of portfolio.

40.2 Equity position in the banking and trading book - Basel II Specific

The Bank classifies and values its investment portfolio in accordance with the directives of SBP as stated in note 6.3 to these financial statements.

Trading book

- Held for trading and available for sale securities with trading intent;
- They are marked to market daily;
- Any valuation difference is charged to the profit and loss account in case of held for trading securities and to equity in case of available for sale securities.

Banking book

Assets outside trading book are part of the banking book. These may include assets classified as available for sale. The Bank does not have any held to maturity investments as at December 31, 2012.

40.3 Market risk

The Bank is exposed to market risk which is the risk that the value of on and off balance sheet exposure of the Bank will be adversely affected by movements in market rates or prices such as benchmark rates, profit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital. The Market risk charge consists of two components. The general risk describes value changes due to general market movements, while the specific risk has issuer related causes. The capital charge for market risk has been calculated by using Standardized Approach.

The Bank applies Stress Testing and Value at Risk (VaR) techniques as risk management tools. Stress testing enables the Bank to estimate changes in the value of the portfolio, if exposed to various risk factors. VaR quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

40.3.1 Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The objectives of the foreign exchange risk management function is to minimise the adverse impact of foreign exchange assets and liabilities mismatch and maximise the earnings.

The Bank does not take any currency exposure except to the extent of statutory net open position prescribed by the SBP. Foreign exchange open and mismatch positions are controlled through close monitoring and are marked to market on a daily basis to contain the foreign exchange forward exposures.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	260,043,441	245,412,852	1,767,699	16,398,288
United States Dollars	13,677,714	11,097,510	(2,479,519)	100,685
Great Britain Pounds	394,581	798,802	409,600	5,379
Japanese Yen	23,548	-	(22,566)	982
Euro	245,687	576,358	335,421	4,750
Singapore Dollars	2,158	-	-	2,158
Australian Dollars	3,752	-	-	3,752
Canadian Dollars	3,806	202	-	3,604
United Arab Emirates Dirham	17,719	-	-	17,719
Swiss Francs	11,682	28	(10,619)	1,035
Saudi Riyal	8,824	-	-	8,824
Swedish Korona	1,614	-	(16)	1,598
Hongkong Dollar	425	-	-	425
Chinese Yuan	1,559	-	-	1,559
Total foreign currency exposure	14,393,069	12,472,900	(1,767,699)	152,470
Total currency exposure	274,436,510	257,885,752	-	16,550,758

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	195,497,767	168,002,728	(3,837,417)	23,657,622
United States Dollars	4,601,930	16,156,791	3,804,474	(7,750,387)
Great Britain Pounds	213,225	1,138,528	-	(925,303)
Japanese Yen	1,977	-	-	1,977
Euro	186,267	1,465,704	37,120	(1,242,317)
Singapore Dollars	4,998	-	-	4,998
Australian Dollars	8,234	-	(6,393)	1,841
Canadian Dollars	10,809	292	-	10,517
United Arab Emirates Dirham	1,487	-	-	1,487
Swiss Francs	11,719	-	(9,552)	2,167
Saudi Riyal	11,981	-	11,768	23,749
Total foreign currency exposure	5,052,627	18,761,315	3,837,417	(9,871,271)
Total currency exposure	200,550,394	186,764,043	-	13,786,351

40.3.2 Equity position risk

Equity position risk in the trading book arises due to taking long positions in the equities and all instruments that exhibit market behavior similar to equities.

Counter parties limits, as also fixed by the SBP, are considered to limit risk concentration. The Bank invests in those equities which are Shariah compliant as advised by the Shariah advisor.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

40.3.3 Yield / profit rate risk

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market profit rates. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank reprices its financings as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Bank by applying upward and downward shocks.

40.3.4 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	2012									Non-yield bearing financial instruments
		Exposed to yield risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		Rupees in '000									
On-balance sheet financial instruments											
Assets											
	19,125,401	-	-	-	-	-	-	-	-	-	19,125,401
Cash and balances with treasury banks											
Balances with other banks	0.03	3,851,150	2,153,769	-	-	-	-	-	-	-	1,697,381
Due from financial institutions	9.50	500,000	-	500,000	-	-	-	-	-	-	-
Investments - net	11.17	152,459,855	3,062,320	31,280,876	100,091,106	-	1,001,829	506,257	2,550,938	1,508,243	984,504
Islamic financing and related assets - net	12.88	88,678,076	12,839,730	17,906,737	21,451,550	12,711,250	762,906	1,335,332	1,770,566	-	-
Other assets		3,561,781	-	-	-	-	-	-	-	-	-
		268,176,263	18,055,819	49,187,613	122,042,656	12,711,250	1,764,735	1,841,589	4,321,504	1,508,243	984,504
											55,758,350
Liabilities											
Bills payable	-	3,058,503	-	-	-	-	-	-	-	-	-
Due to financial institutions	9.42	18,461,347	9,795,650	4,412,306	4,253,391	-	-	-	-	-	-
Deposits and other accounts	5.58	230,425,986	170,302,335	-	-	-	-	-	-	-	60,123,651
Other liabilities	-	4,901,686	-	-	-	-	-	-	-	-	4,901,686
		256,847,522	180,097,985	4,412,306	4,253,391	-	-	-	-	-	68,083,840
On-balance sheet gap		11,328,741	(162,042,166)	44,775,307	117,789,265	12,711,250	1,764,735	1,841,589	4,321,504	1,508,243	984,504
											(12,325,490)
Non financial assets											
- Operating fixed assets		4,898,240									
- Deferred tax asset - net		545,961									
- Other assets		816,046									
		6,260,247									
Non financial liabilities											
- Other liabilities		1,038,230									
		1,038,230									
Total net assets		16,550,758									
Off-balance sheet financial instruments											
Forward Lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total yield risk rate sensitivity gap		(162,042,166)	44,775,307	117,789,265	12,711,250	1,764,735	1,841,589	4,321,504	1,508,243	984,504	(12,325,490)
Cumulative yield risk rate sensitivity gap		(162,042,166)	(117,266,859)	522,406	13,233,656	14,998,391	16,839,980	21,161,484	22,669,727	23,654,231	11,328,741



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Effective yield rate %	2011 (Restated)											
	Total	Exposed to yield risk									Non-yield bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	16,641,160	-	-	-	-	-	-	-	-	-	-	16,641,160
Balances with other banks	2,348,076	-	-	-	-	-	-	-	-	-	-	2,348,076
Due from financial institutions	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-	-	-
Investments	98,488,574	-	23,857,819	61,039,774	-	-	1,535,835	1,119,147	-	-	-	10,935,999
Islamic financing and related assets	70,377,481	8,467,266	15,998,282	20,294,545	10,580,193	651,442	1,085,057	1,380,199	249	-	-	11,920,248
Other assets	3,198,093	-	-	-	-	-	-	-	-	-	-	3,198,093
	195,118,790	12,519,672	39,858,101	81,337,319	10,588,193	651,442	2,620,892	2,499,346	249	-	-	45,043,576
Liabilities												
Bills payable	2,282,045	-	-	-	-	-	-	-	-	-	-	2,282,045
Due to financial institutions	9,235,960	3,468,885	2,831,289	2,935,786	-	-	-	-	-	-	-	-
Deposits and other accounts	170,030,431	121,754,381	-	-	-	-	-	-	-	-	-	48,276,050
Other liabilities	4,389,063	-	-	-	-	-	-	-	-	-	-	4,389,063
	185,937,499	125,223,266	2,831,289	2,935,786	-	-	-	-	-	-	-	54,947,158
On-balance sheet gap	9,181,291	(112,703,594)	37,026,812	78,401,533	10,588,193	651,442	2,620,892	2,499,346	249	-	-	(9,903,582)
NON FINANCIAL ASSETS												
- Operating fixed assets	3,985,248											
- Deferred tax asset - net	801,391											
- Other assets	644,965											
	5,431,604											
NON FINANCIAL LIABILITIES												
- Other liabilities	826,544											
	826,544											
TOTAL NET ASSETS	13,786,351											
Off-balance sheet financial instruments												
Forward Lending	-	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-
Total yield risk rate sensitivity gap		(112,703,594)	37,026,812	78,401,533	10,588,193	651,442	2,620,892	2,499,346	249	-	-	(9,903,582)
Cumulative yield risk rate sensitivity gap		(112,703,594)	(75,676,782)	2,724,751	13,312,944	13,964,386	16,585,278	19,084,624	19,084,873	19,084,873	9,181,291	

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve.

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market profit rates on both its fair value and cash flow risks. Profit margins may increase as a result of such changes but may reduce to losses in the event that unexpected movements arise.

40.4 Liquidity risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Moreover, as core retail deposits form a considerable part of the Bank's overall funding mix therefore significant importance is being given to the stability and growth of these deposits. The BOD has approved a comprehensive liquidity management policy which stipulates the early warning indicators of liquidity risk and maintenance of various ratios.

40.4.1 Maturities of assets and liabilities

40.4.1.1 Maturities of assets and liabilities based on expected maturities

	2012									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in 000									
Assets										
Cash and balances with treasury banks	19,125,401	19,125,401	-	-	-	-	-	-	-	-
Balances with other banks	3,851,150	3,851,150	-	-	-	-	-	-	-	-
Due from financial institutions	500,000	-	-	500,000	-	-	-	-	-	-
Investments - net	152,459,855	605,540	5,075,923	3,539,444	29,029,823	53,047,903	52,695,858	4,816,972	2,470,616	1,177,776
Islamic financing and related assets - net	88,678,076	18,672,800	12,392,668	15,678,666	1,084,531	2,883,044	8,027,857	15,256,668	12,465,041	2,216,801
Operating fixed assets	4,898,240	-	-	-	962,367	457,348	457,348	914,695	967,779	1,138,703
Deferred tax asset - net	545,961	-	-	-	136,490	136,490	136,490	136,491	-	-
Other assets	4,377,827	574,701	1,153,868	2,255,914	340,316	11,422	21,442	20,164	-	-
	274,436,510	42,829,592	18,622,459	21,974,024	31,553,527	56,536,207	61,338,995	21,144,990	15,903,436	4,533,280
Liabilities										
Bills payable	3,058,503	3,058,503	-	-	-	-	-	-	-	-
Due to financial institutions	18,461,347	9,795,650	4,412,306	4,253,391	-	-	-	-	-	-
Deposits and other accounts	230,425,986	23,780,911	21,404,280	18,827,490	30,661,582	23,079,892	18,524,854	32,859,617	35,486,796	25,800,564
Other liabilities	5,939,916	637,525	1,152,916	1,731,107	883,758	330,565	620,532	583,513	-	-
	257,885,752	37,272,589	26,969,502	24,811,988	31,545,340	23,410,457	19,145,386	33,443,130	35,486,796	25,800,564
Net assets	16,550,758	5,557,003	(8,347,043)	(2,837,964)	8,187	33,125,750	42,193,609	(12,298,140)	(19,583,360)	(21,267,284)
Share capital	9,033,675									
Reserves	2,759,942									
Unappropriated profit	3,688,121									
Surplus on revaluation of investments	1,069,020									
	16,550,758									

	2011 (Restated)									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in 000									
Assets										
Cash and balances with treasury banks	16,641,160	16,641,160	-	-	-	-	-	-	-	-
Balances with other banks	2,348,076	2,348,076	-	-	-	-	-	-	-	-
Due from financial institutions	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-
Investments - net	98,488,574	-	4,246,374	2,720,325	12,168,893	26,428,554	46,220,671	2,070,759	3,782,769	850,229
Islamic financing and related assets - net	70,377,481	12,559,240	15,103,473	18,383,358	3,680,306	3,869,274	5,719,020	7,609,343	1,615,207	1,838,260
Operating fixed assets	3,985,248	-	-	-	552,293	377,094	377,094	754,187	828,445	1,096,135
Deferred tax asset - net	801,391	-	-	-	200,348	200,348	200,348	200,347	-	-
Other assets	3,843,058	528,402	1,186,146	1,695,333	72,777	180,200	180,200	-	-	-
	200,550,394	36,129,284	20,537,993	22,802,016	16,682,617	31,055,470	52,697,333	10,634,636	6,226,421	3,784,624
Liabilities										
Bills payable	2,282,045	2,282,045	-	-	-	-	-	-	-	-
Due to financial institutions	9,235,960	3,468,885	2,831,289	2,935,786	-	-	-	-	-	-
Deposits and other accounts	170,030,431	10,195,903	23,149,730	13,543,340	22,863,037	17,288,576	14,581,686	24,884,587	25,728,282	17,795,290
Other liabilities	5,215,607	635,682	889,963	1,324,351	824,409	461,527	440,279	639,396	-	-
	186,764,043	16,582,515	26,870,982	17,803,477	23,687,446	17,750,103	15,021,965	25,523,983	25,728,282	17,795,290
Net assets	13,786,351	19,546,769	(6,332,989)	4,998,539	(7,004,829)	13,305,367	37,675,368	(14,889,347)	(19,501,861)	(14,010,666)
Share capital	8,029,933									
Reserves	2,058,319									
Unappropriated profit	3,240,421									
Surplus on revaluation of investments	457,678									
	13,786,351									



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Regarding behavior of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioral study based on 3 years data. On the basis of its findings 43.5% of current accounts and 22.7% of saving accounts are bucketed into 'Upto 1-Year maturity' whereas, 56.5% of current accounts and 77.3% of saving accounts are bucketed into maturities of above 1-Year.

40.4.1.2 Maturities of assets and liabilities based on contractual maturities

	2012									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in 000										
Assets										
Cash and balances with treasury banks	19,125,401	19,125,401	-	-	-	-	-	-	-	-
Balances with other banks	3,851,150	3,851,150	-	-	-	-	-	-	-	-
Due from financial institutions	500,000	-	-	500,000	-	-	-	-	-	-
Investments - net	152,459,855	2,539,006	3,167,961	3,513,940	29,029,823	53,047,903	52,695,858	4,816,972	2,470,616	1,177,776
Islamic financing and related assets - net	88,678,076	18,672,800	12,392,668	15,678,666	1,084,531	2,883,044	8,027,857	15,256,668	12,465,041	2,216,801
Operating fixed assets	4,898,240	-	-	-	962,367	457,348	457,348	914,696	967,779	1,138,702
Deferred tax asset - net	545,961	-	-	-	136,490	136,490	136,490	136,491	-	-
Other assets	4,377,827	574,701	1,153,868	2,255,914	340,316	11,422	21,442	20,164	-	-
Total	274,436,510	44,763,058	16,714,497	21,948,520	31,553,527	56,536,207	61,338,995	21,144,991	15,903,436	4,533,279
Liabilities										
Bills payable	3,058,503	3,058,503	-	-	-	-	-	-	-	-
Due to financial institutions	18,461,347	9,795,650	4,412,306	4,253,391	-	-	-	-	-	-
Deposits and other accounts	230,425,986	162,662,085	10,889,621	9,100,965	16,874,142	3,626,841	3,616,970	9,133,588	14,521,774	-
Other liabilities	5,939,916	637,525	1,152,916	1,731,107	883,758	330,565	620,532	583,513	-	-
Total	257,885,752	176,153,763	16,454,843	15,085,463	17,757,900	3,957,406	4,237,502	9,717,101	14,521,774	-
Net assets	16,550,758	(131,390,705)	259,654	6,863,057	13,795,627	52,578,801	57,101,493	11,427,890	1,381,662	4,533,279
Share capital	9,033,675									
Reserves	2,759,942									
Unappropriated profit	3,688,121									
Surplus on revaluation of investments	1,069,020									
	<u>16,550,758</u>									

	2011 (Restated)									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in 000										
Assets										
Cash and balances with treasury banks	16,641,160	16,641,160	-	-	-	-	-	-	-	-
Balances with other banks	2,348,076	2,348,076	-	-	-	-	-	-	-	-
Due from financial institutions	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-
Investments	98,488,574	-	4,246,374	2,720,325	12,168,893	26,428,554	46,220,671	2,070,759	3,782,769	850,229
Islamic financing and related assets - net	70,377,481	12,559,240	15,103,473	18,383,358	3,680,306	3,869,274	5,719,020	7,609,343	1,615,207	1,838,260
Other assets	3,843,058	528,402	1,186,146	1,695,333	72,777	180,200	180,200	-	-	-
Deferred tax asset	801,391	-	-	-	200,348	200,348	200,348	200,347	-	-
Operating fixed assets	3,985,248	-	-	-	552,293	377,094	377,094	754,187	828,445	1,096,135
Total	200,550,394	36,129,284	20,537,993	22,802,016	16,682,617	31,055,470	52,697,333	10,634,636	6,226,421	3,784,624
Liabilities										
Bills payable	2,282,045	2,282,045	-	-	-	-	-	-	-	-
Due to financial institutions	9,235,960	3,468,885	2,831,289	2,935,786	-	-	-	-	-	-
Deposits and other accounts	170,030,431	111,872,640	15,281,451	6,224,343	12,512,412	2,650,582	3,349,558	7,073,001	11,066,444	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,215,607	635,682	889,963	1,324,351	824,409	461,527	440,279	639,396	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Total	186,764,043	118,259,252	19,002,703	10,484,480	13,336,821	3,112,109	3,789,837	7,712,397	11,066,444	-
Net assets	13,786,351	(82,129,968)	1,535,290	12,317,536	3,345,796	27,943,361	48,907,496	2,922,239	(4,840,023)	3,784,624
Share capital	8,029,933									
Reserves	2,058,319									
Unappropriated profit	3,240,421									
Surplus on revaluation of investments	457,678									
	<u>13,786,351</u>									



Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

43. NON-ADJUSTING EVENT

- 43.1 The Board of Directors in its meeting held on February 19, 2013 has announced issue of bonus shares @ 11%. The financial statements for the year ended December 31, 2012, do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2013.

44. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 19, 2013 by the Board of Directors of the Bank.

Handwritten signature of H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa in blue ink.

H.E. Sheikh Ebrahim
Bin Khalifa Al-Khalifa
Chairman

Handwritten signature of Irfan Siddiqui in blue ink.

Irfan Siddiqui
President and
Chief Executive

Handwritten signature of Abdullateef A. Al-Asfour in blue ink.

Abdullateef
A. Al-Asfour
Director

Handwritten signature of Mohammad Abdul Aleem in blue ink.

Mohammad
Abdul Aleem
Director

Notes to and forming part of the Financial Statements

For the year ended December 31, 2012

Annexure - I

Statement showing written-off loans or any other financial relief of rupees 500,000 or above during the year ended December 31, 2012.

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities as at January 1, 2012				Principal written-off	Profit written-off	Other Financial Relief provided	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Asim Qaiser & Company	Muhammad Asim (36602-0930879-1) Qaiser Shabbir (36602-0930877-5)	Abdul Majeed Shabbir Muhammad	252,093	93,359	-	345,452	-	93,359	-	93,359
2	Khurshid Spinning Mills Limited	Khawaja Amer Khurshid (33100-4420114-9)	Khawaja Khurshid Anwar	39,051	4,175	24,813	68,039	-	4,175	-	4,175
3	Alamgir Develepos Pvt Ltd	Abrar Alamgir (35202-2908330-1) Muhammad Zubair (35202-2908331-5)	Muhammad Alamgir Muhammad Alamgir	18,407	5,705	-	24,112	-	3,822	-	3,822
4	Super Stars Textile	Muzzamal Ahmed (Proprietor) (33100-4814985-9)	Muhammad Sharif	10,000	509	-	10,509	-	509	-	509
5	Alamgir Granite Processing Company	Abrar Alamgir (35202-2908330-1) Muhammad Zubair (35202-2908331-5)	Muhammad Alamgir	8,824	2,017	-	10,841	-	1,229	-	1,229
6	Kashmir Book Depot	Malik Shahid Rasool (33100-3883262-9)	Malik Ghulam Rasool	6,000	408	-	6,408	900	408	-	1,308
				334,375	106,173	24,813	465,361	900	103,502	-	104,402

الْحَمْدُ لِلَّهِ
**Consistently Outstanding.
Outstandingly Consistent.**



In 2002, with a branch network of only 6 branches in 4 cities we were one of the smallest banks in the country. Today, with a vast network of 310 branches in 90 cities across Pakistan and an average annual growth rate of 50% over the last decade, Pakistan's first and largest Islamic bank, Meezan Bank is also the fastest growing bank in the country.



Meezan Bank
The Premier Islamic Bank

111-331-331 & 111-331-332 www.meezanbank.com



Additional Information

Pattern of Shareholding	176
Categories of Shareholders	177
Standard of Ethics, Business Practices & Code of Conduct	178
Guidelines on Whistle-blowing	180
Summary of Information Security Policy	181
Guidelines for Safety of Records of the Company	181
Correspondent Banking Network	182
Branch Network	187
Glossary	196
Proxy Form	199

Pattern of Shareholding

as at December 31, 2012

No. of Shareholders	Having Shares		Shares held	Percentage
	From	To		
306	1	100	8,573	0.00
298	101	500	88,107	0.01
198	501	1,000	156,140	0.02
507	1,001	5,000	1,252,925	0.14
142	5,001	10,000	1,046,796	0.12
80	10,001	15,000	1,010,505	0.11
36	15,001	20,000	620,310	0.07
38	20,001	25,000	860,002	0.10
21	25,001	30,000	581,357	0.06
15	30,001	35,000	497,560	0.06
14	35,001	40,000	524,624	0.06
10	40,001	45,000	429,618	0.05
12	45,001	50,000	580,683	0.06
7	50,001	55,000	364,402	0.04
8	55,001	60,000	460,294	0.05
4	60,001	65,000	254,252	0.03
9	65,001	70,000	609,240	0.07
7	70,001	75,000	505,175	0.06
3	75,001	80,000	230,782	0.03
2	80,001	85,000	163,160	0.02
6	85,001	90,000	522,394	0.06
1	90,001	95,000	93,796	0.01
7	95,001	100,000	691,122	0.08
2	100,001	105,000	206,400	0.02
2	105,001	110,000	213,703	0.02
1	115,001	120,000	116,325	0.01
2	130,001	135,000	266,694	0.03
1	140,001	145,000	145,000	0.02
2	150,001	155,000	304,877	0.03
1	155,001	160,000	155,191	0.02
1	165,001	170,000	166,059	0.02
2	170,001	175,000	343,802	0.04
2	175,001	180,000	356,861	0.04
3	180,001	185,000	544,832	0.06
1	185,001	190,000	188,452	0.02
1	190,001	195,000	191,051	0.02
3	195,001	200,000	600,000	0.07
1	215,001	220,000	218,625	0.02
1	220,001	225,000	221,781	0.02
1	225,001	230,000	227,121	0.03
1	240,001	245,000	240,184	0.03
1	245,001	250,000	250,000	0.03
1	250,001	255,000	252,000	0.03
1	265,001	270,000	267,016	0.03
2	300,001	305,000	605,257	0.07
2	330,001	335,000	664,230	0.07
2	340,001	345,000	682,223	0.08
2	355,001	360,000	713,886	0.08
1	360,001	365,000	360,129	0.04
1	365,001	370,000	368,620	0.04
1	370,001	375,000	373,887	0.04
1	390,001	395,000	391,088	0.04
1	415,001	420,000	416,000	0.05
1	420,001	425,000	421,875	0.05
1	425,001	430,000	429,385	0.05
1	430,001	435,000	430,625	0.05
1	445,001	450,000	450,000	0.05
1	465,001	470,000	468,024	0.05
1	495,001	500,000	499,218	0.06
1	515,001	520,000	515,075	0.06
1	520,001	525,000	523,167	0.06
1	525,001	530,000	525,229	0.06
1	530,001	535,000	533,500	0.06
1	555,001	560,000	558,771	0.06
1	565,001	570,000	568,052	0.06
1	630,001	635,000	632,144	0.07
1	640,001	645,000	640,494	0.07
1	645,001	650,000	646,875	0.07
1	655,001	660,000	658,420	0.07
2	675,001	680,000	1,358,436	0.15
1	685,001	690,000	685,137	0.08
1	720,001	725,000	722,288	0.08
1	725,001	730,000	727,205	0.08
2	745,001	750,000	1,499,044	0.17
1	895,001	900,000	900,000	0.10
1	900,001	905,000	902,500	0.10
1	910,001	915,000	914,034	0.10
1	975,001	980,000	975,169	0.11
1	1,195,001	1,200,000	1,200,000	0.13
1	1,275,001	1,280,000	1,275,943	0.14
1	1,370,001	1,375,000	1,371,549	0.15
1	1,435,001	1,440,000	1,440,000	0.16
1	1,620,001	1,625,000	1,620,174	0.18
1	1,850,001	1,855,000	1,851,578	0.21
1	1,900,001	1,905,000	1,903,333	0.21
1	2,005,001	2,010,000	2,009,525	0.22
1	2,570,001	2,575,000	2,571,822	0.28
1	2,895,001	2,900,000	2,899,160	0.32
1	3,930,001	3,935,000	3,934,375	0.44
1	4,250,001	4,255,000	4,253,946	0.47
1	6,040,001	6,045,000	6,041,425	0.67
1	9,430,001	9,435,000	9,433,650	1.04
1	9,760,001	9,765,000	9,763,623	1.08
1	14,090,001	14,095,000	14,090,311	1.56
1	84,225,001	84,230,000	84,229,423	9.32
1	271,010,001	271,015,000	271,010,239	30.00
1	443,675,001	443,680,000	443,679,619	49.11
1821			903,367,473	100.00



Categories of Shareholders

as at December 31, 2012

Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive, their spouse and minor children	4	10,726,818	1.19%
Associated Companies, undertakings and related parties	6	810,065,743	89.67%
Banks, Development Financial Institutions and Non Banking Finance Companies	5	484,819	0.05%
Insurance Companies	6	1,605,008	0.18%
Modaraba and Mutual Funds	27	9,053,100	1.00%
General Public			
a. Local	1,652	35,057,140	3.88%
b. Foreign	51	1,047,580	0.12%
Others	70	35,327,265	3.91%
Total	1,821	903,367,473	100.00%

Additional Information as at December 31, 2012

Particulars	Number of Shareholders	Shares held	Percentage
Associated Companies & Shareholders with more than 10% shareholding			
Noor Financial Investment Co, Kuwait	1	443,679,619	49.11%
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	1	271,010,239	30.00%
Islamic Development Bank, Jeddah	1	84,229,423	9.32%
Al-Meezan Mutual Fund Ltd.	1	1,371,549	0.15%
CDC Trustee Meezan Islamic Fund	1	9,433,650	1.04%
CDC Trustee Meezan Balanced Fund	1	341,263	0.04%
NIT & ICP			
National Bank of Pakistan, Trustee Department	-	-	0.00%
Directors, Chief Executive, their spouse and minor children			
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	1	6,041,425	0.67%
Mr. Mohammad Abdul Aleem	1	166,059	0.02%
Mr. Irfan Siddiqui	1	2,899,160	0.32%
Mr. Ariful Islam	1	1,620,174	0.18%
Executives	37	1,498,394	0.18%
Public Sector Companies, Corporations, Banks, DFI's, NBFC's, Insurance Companies, Modaraba, Mutual Funds and other Organizations	108	46,470,192	5.14%
General Public	1,666	34,606,326	3.83%
Total	1,821	903,367,473	100.00%

Standards of Ethics, Business Practices & Code of Conduct

Standards of Ethics & Business Practices

The objective of these standards is to promote business practices within Meezan Bank, which are Shariah - compliant, fair, reasonable and reflect high standards of ethical behavior.

The standard of ethics and business practices, which the Bank expects from all of its employees, is a condition of employment with the Bank and may be considered at the time of performance appraisal of an employee.

- Code of Conduct, during office hours or otherwise, shall always be that of a good citizen.
- Act with integrity, competence, dignity, and ethically while dealing with the customers, shareholders, vendors and colleagues.
- Understand and comply with the legal/regulatory requirements and internal policies and procedures of the Bank that applies to the duties assigned to the employee.
- Never willingly enter into a business transaction, which shall violate any law or principles of Islamic finance.
- Never use their position to force, induce, coerce, harass and intimidate any other person, including sub-ordinate to provide any force, gift or benefit, whether financial or otherwise, to themselves or others.
- Avoid professional misconduct involving dishonesty, fraud, deceit or misrepresentation. Any unintentional mistake, wherever possible, shall be immediately rectified and reported to the line manager.
- Not make use of any information including Bank's trade secrets, proprietary, confidential information, gained in the performance of official Bank duties as a means of making any personal profit, gain or benefit for themselves or connected persons.
- Immediately report to the management of pre-existing personal relationship with any existing or potential customer, industry representative or government employee with whom the Bank has a business relationship. Pending clearance from the management, the employee shall take no further action associated with the business in which a personal relationship exists.
- Will not use the Bank's services or facilities for private purposes except with prior permission.
- Conduct Bank's business with honesty, integrity and in a professional manner.
- Avoid any action on his / her part that may be repugnant, unethical or unlawful.
- Avoid any action on his / her part that may be viewed as repugnant, unethical or unlawful by customers or public at large or the Bank itself.
- Avoid any activities that could involve or lead to involvement in any unlawful or unethical governance practice.
- Avoid participation in any political activities.

- Avoid participation in any other subversive activities.
- Abstain from gambling, betting and wagering contracts.
- Be exemplary in personal conduct towards the Bank, the other employees and customers of the Bank.
- Safeguard the confidential information of the Bank and its customers.
- Avoid actual or potential conflicts of interests in transactions on behalf of the Bank.
- Provide accurate and reliable information in records submitted.

Code of Conduct

Confidential Information

Employees shall maintain strict secrecy regarding the Bank's affairs and shall not (except so far as is necessary and appropriate in the normal course of their employment) disclose to any person, any information as to the practice, dealing or affairs of the Bank or any of their customers, which may come to their knowledge by reason of their employment.

During the course of employment and after its termination for whatever reason, the employee must not disclose to anyone (nor use for any purpose other than the business of the Bank) any information relating to the Bank or its employees which is not already available to the public, unless authorized to do so. Such information includes customer data, product manuals, technical secrets, confidential research work, technical processes, operating manuals, marketing plans and strategies and other confidential financial or business information of the Bank.

Recording of Information

No unrecorded fund or assets of Bank shall be established or maintained for any reason. No false, artificial or misleading entries in the books and records of Bank shall be made for any reason. All reporting of information should be accurate, honest and timely and should be a fair representation of the facts.

Conflict of Interest

There it is obligatory that:

- An employee may not hold a position of director, consultant, employee, representative or agent with any supplier, competitor, customer, individual or organization either doing or seeking to do business with Bank without prior written consent of the Bank's President & CEO. If any immediate family member holds a position, with any organization doing or seeking to do business with the Bank, a written disclosure must be made promptly to line manager/HRD.
- An employee may not hold any interest in any organization doing business with the Bank without the written consent of Regional Manager or Department Head, unless it is a company/ establishment quoted on a Stock Exchange and the interest is less than 1 percent.



Standards of Ethics, Business Practices & Code of Conduct

Mis-declaration / Concealment of Facts

An employee shall not make any mis-declaration or conceal the facts in knowledge. The following are illustrative examples, but are not all-inclusive:

- An employee issuing an incorrect account statement, salary certificate or any other information for any customer or staff member.
- An employee issuing a fake claim for reimbursement of any expenses whereby either the expenses are inflated and/or the difference between expenses claimed and actually incurred are pocketed by the staff member.
- An employee at the time of induction in Meezan Bank (i.e. during interview and in testimonials) provided a false, forged, misleading information or concealed, hide, incompletely stated, any information regarding credentials, academic record(s), previous employment(s) and demographic details.

Know Your Customer, Vendors and Counter Parties

In order to safeguard the Bank's reputation and integrity, it is not only necessary for employees to discipline their own actions, it is also necessary to be aware of the character and actions of customers, vendors and counter parties. Care must be exercised in selecting those with whom we deal. Each Meezan Bank business must have processes in place for checking on the credit and character of customers, vendors and counter parties.

Employees must ensure that the Bank establishes relationship with only those individuals, businesses and entities who have sound reputation and whose true identity has been established. Employees should conduct maximum caution in opening new accounts and before opening, ensures that due diligence steps are completed.

Gifts & Entertainment

At certain times of the year some customers, suppliers, contractors and consultants to the Bank may present gifts or arrange entertainment for employees. While the sentiments behind such actions are usually genuine, there is a possibility that others may misconstrue them. In a minority of cases such actions may not be in the best interest of good working relationships. Gifts may be presented locally or internationally in the form of Cash or in kind of Services, either free or discounted.

Bribery & Misconduct

An employee will be guilty of an offence, who, without lawful authority or reasonable excuse:

- Solicits or accepts any advantage as an inducement or reward for doing or intending to commit any action in relation to the Bank's affairs or business.
- Showing or intending to show favors or disfavor to any

person in relation to the Bank's affairs or business.

- Offers any advantage to any one as an inducement or reward for any favor / disfavor or otherwise.
- Intends to deceive the Bank by using any receipt, account or other document which is false or erroneous or defective in any way and which to employee's knowledge is intended to mislead the Bank.
- Take any cash or near-to-cash benefit from any stake holder of the bank to provide undue advantage.
- Pay any cash or near-to-cash benefit to any stake holder of the bank to take undue advantage.

Fraud, Theft or Illegal Activities

Employees shall be alert and vigilant with respect to frauds, thefts or illegal activity committed within the office. If any such activity comes to the attention of an employee, the employee must immediately report the same to the Head of Audit, Head of Operations and Head of Human Resources; who will arrange for appropriate follow-up action to be taken. Failure to report any such activity will be subject to disciplinary action.

Money Laundering

Bank has set its priority not to become implicated, in any way; with individuals or firms involved in criminal activities and money laundering. The employees are expected to exercise maximum caution in this regard.

The employee should know the customer, be vigilant for unusual circumstances and immediately report any suspected case to the Manager/Area Manager/Regional Manager/Compliance Department/ Audit Department, who will arrange for appropriate follow-up action to be taken. Failure to report any such activity will be subject to disciplinary action.

Courtesy & Manners

Employees of Meezan Bank Ltd. shall maintain utmost courtesy and exemplary manners when interacting with clients or with each other. Employees are dealing on behalf of the Bank, so they are required to keep high standards of professionalism and ethics. Any violations of this code shall be brought to the attention of supervising officials as well as the Human Resources Department for their information, record and remedial disciplinary action.

Honesty & Integrity

Employees shall serve the Bank, devote whole time during office hours and discharge their duties honestly, faithfully and use their utmost endeavors to promote the interest of the Bank. They shall behave with decorum, integrity, show courtesy and attention in all dealings with customers, government officials, senior officers, colleagues, subordinates and general public.

Participation in Political Organizations

No employee shall take part in, subscribe in aid of, or assist in

anyway in any political movement in Pakistan during the office timing at the office premises. No employee shall use official influence in connection with or take part in any election to a legislative body, whether in Pakistan or elsewhere.

Ideology of Pakistan

No employee shall express views detrimental to the ideology or integrity of Pakistan.

Direct Representations to the High Govt. & MBI Officials

No employee shall make any personal representations directly to Chairman, Directors or Members of the Board, or Government functionaries. Such representations must be addressed to the President & CEO through the immediate supervisor of the employee. However this policy does not in any way seek to block a citizen's redress to the judiciary and other statutory redresses.

Core Values

- Shariah Compliance
- Integrity
- Professionalism
- Service Excellence
- Social Responsibility

Meezan Bank's Personality

The Bank expects its employees to be:

- Sober
- Truthful
- Committed to excellence
- Empathetic
- Professional
- Extremely loyal
- Dependable friend

- Trust worthy business partner
- Committed to the cause of Islamic banking

Health & Hygiene

Personal Hygiene is the most important aspect of our daily life. The personality is perceived by its degree of neatness. The personal hygiene covers care of Body odor, Bad breath, Teeth, Nails, Ears, Nose, Hair, daily shower, shave (if not keeping proper beard), daily wear washed, clean, pressed cloths etc.

Computer, E-mail, Information Security

Meezan Bank computer system contains an e-mail facility, access rights, information and software, which are intended to promote effective communication within and outside the Bank, on matters relating to its business and facilitate routine information flow and smooth and safe transactions.

The e-mail system should therefore only be used for official/business purpose. All communication and information are the property of Meezan Bank and the Bank reserves the right to retrieve the contents of the messages for the purpose of monitoring. The employee shall be held accountable for all activities under his/her password.

Dress Code & Professional Attire

Attire is a reflection of professionalism as well as that of the Bank's brand and personality. A professional business appearance together with a high standard of personal hygiene is expected from all employees. The Official Dress Code of Meezan Bank is professional corporate attire inline with traditional Islamic modesty. At Meezan Bank every staff member is expected to have a professional business appearance together with a high standard of personal hygiene.

Guidelines on Whistle-blowing

Meezan Bank's branch network, business volume, geographical diversity and HR strength has been steadily increasing. This growth brings with it the risk of internal and external frauds and forgeries. The Bank's management has already communicated a zero-tolerance policy on such instances and has demonstrated its firm commitment to eradicate any dishonest or fraudulent elements from the organization. This is also evident from the various disciplinary actions taken against fraudsters and their aides in the past. The Bank is also continually striving to improve its organization-wide internal controls to ensure that its processes and policies have no room for malafide manipulation.

No system of internal controls can be effective in an organization unless its staff supports and follows the system with ownership

and responsibility. Meezan Bank has in place a well-defined and comprehensive set of guidelines on whistle-blowing and prevention of fraud & forgery. These guidelines, inter-alia make it the responsibility of each and every employee of the Bank, in his/her own capacity, instead of limiting it to a particular department or senior management only, that if an employee observes any suspicious, fraudulent or unethical activity, transaction or act that may cause a potential threat to the Bank or could be against the interest of the Bank, he/she must immediately report this to Group Head - Internal Audit through a user-friendly and easy to access Online Fraud & Forgery Reporting mechanism specifically designed for this purpose.



Summary of Information Security Policy

Information security relates to protection of valuable assets against loss, misuse, disclosure or damage. Each asset has to be reviewed from the perspective of its Confidentiality, Integrity and its Availability to the authorized personnel. A number of factors play a critical role in the successful implementation of information security.

Meezan Bank's Information Security Policy is based on ISO 27001. The policy comprises of the following 11 domains:

Security Policy: The Information Security Policy defines the policies and supporting standards that shall guide the consistent application of information security throughout Meezan Bank (head office and branches) and ensures that the interests/information of Meezan Bank and its members are adequately protected against loss, improper disclosure and unauthorized modification.

Organization of Information Security: In order to manage information security within the Bank, a framework has been established by the Bank's management to initiate and control the implementation of information security within the organization.

Asset Management: The focus of this policy is to achieve and maintain appropriate protection of the Bank's information assets. All information assets are to be accounted for and have a nominated owner. Owners shall be identified for all information assets and clear responsibility for maintenance of appropriate controls shall be assigned.

Human Resources Security: This segment of the policy ensures that the Bank's employees, contractors and third party users understand their responsibilities and are suitable for the roles they are considered for, thereby reducing the risk of theft, fraud or misuse of facilities.

Physical and Environmental guidelines: These guidelines help prevent unauthorized physical access, damage to, and interference with the Bank's premises (head office and branches) and information.

Communications and Operations Management: This policy has been put into place to ensure correct and secure operation of information processing facilities.

Access Control: This policy defines the guidelines for access to information, information processing facilities and business processes based on business and security requirements.

Information Systems Acquisition, Development and Maintenance: These guidelines ensure that security measures are always built into and are an integral part of all information systems.

Information Security Incident Management: These guidelines ensure that information security events and weaknesses associated with the Bank's information systems are communicated in a manner that allows timely corrective action to be taken.

Business Continuity Management: These guidelines have been developed to counteract interruptions to business activities and to protect critical business processes from the effects of major failures of information systems or disasters and to ensure their timely resumption.

Compliance: This policy ensures that any law, statutory, regulatory or contractual obligations and security requirements are not breached.

Each of the above domains comprise of multiple processes and controls to ensure promotion of an information security culture at Meezan Bank.

Guidelines for Safety of Records of the Company

Comprehensive guidelines are in place at Meezan Bank for ensuring that physical documents are being archived in an organized, efficient and reliable manner. These guidelines encompass detailed processes for preservation, organization, transfer, retrieval and destruction of physical records. The guidelines comprise of the following elements:

General Guidelines

This section deals with the role of the Administration Department in providing an Archive facility outside the branch and provides guidelines on when old records will be transferred to the Archive, Signatories that may authorize retrieval of records, treatment of records under litigation/dispute, type of records that may be kept under fire-proof cabinet, and the convention to be followed for allocating serial numbers to archived records.

Preservation of Old Records

This section deals with maintenance of old records in a secured environment and the procedure for documenting their complete details to facilitate retrieval and destruction after expiry of retention timelines. This section also defines the responsibilities of the Archiving Officer.

Procedures to Handle Records at Archives

These are detailed procedures with clearly allocated responsibilities

of Branch/Head Office Departments and Archiving Officers for transferring / retrieval of records to and from Archives.

Destruction of Records

This section provides guidelines about the type of records that need to be retained permanently or till the time approval from Regulators is obtained for their destruction. e.g. cases in litigation, records relating to suspicious transactions, etc.

Relevant Branch Manager / Area Manager / Departmental Head is responsible for checking and verifying the list of records that need to be destroyed. For branch records, Head Office Operations will finally approve branch's request for destruction of record, which will be carried out in the presence of Branch Manager & Operations Manager.

Retention of Old Records

These guidelines outline the various types of records and the recommended period for their retention and subsequent destruction in view of the Banking Companies Ordinance, SBP Prudential Regulations and other regulatory requirements.

Standardized Formats

Formats for forms and registers have been provided to facilitate standardization and controls across Meezan Bank's network.

Correspondent Banking Network

Country	Bank	Country	Bank
Afghanistan	Afghan United Bank		Industrial Bank Of Korea
Argentina	Bank Alfalah Limited		J.P.Morgan Chase Bank
	BNP Paribas - Succursale De Beunos Aires		Laiwu City Commercial Bank Co. Ltd.
	Deutsche Bank		Mizuho Corporate Bank (China) Ltd.
Australia	ABN Amro Bank (Now Royal Bank Of Scotland)		Société Générale
	Bank Of America, N.A.		Standard Chartered Bank
	Bank Of Western Australia		The Korea Development Bank
	BNP Paribas Australia		Wenzhou City Commercial Bank
	Commonwealth Bank Of Australia		Yantai City Commercial Bank
	HSBC Bank		Zhejiang Mintai Commercial Bank
	J.P.Morgan Chase Bank	Croatia	Deutsche Bank
	National Australia Bank	Cyprus	Bank Of Cyprus Public Company Limited
	Royal Bank Of Scotland	Czech Republic	Ceskoslovenska Obchodni Banka
Austria	Commerzbank		Commerzbank
	Deutsche Bank		Komerčni Banka A.S.
	Oberbank AG		Unicredit Bank Czech Republic
	Raiffeisenlandesbank Oberoesterreich AG	Denmark	Danske Bank A/S
	Unicredit Bank Austria AG (Formerly Bank Austria Creditanstalt)		Nordea Bank Sweden Ab (Publ)
	Vorarlberger Landes- Und Hypothekenbank	Egypt	Skjem Bank
Bahrain	ABC Islamic Bank (E.C)		Al Baraka Bank Egypt (Formerly Egyptian Saudi Finance Bank)
	Al Baraka Islamic Bank BSC		Arab International Bank
	BNP Paribas Manama		Bank Of Alexandria Sae
	Citibank NA		BNP Paribas Le Caire
	Gulf International Bank B.S.C.		Egyptian Saudi Finance Bank (Now Al Baraka Bank Egypt)
	Ithmar Bank (formerly Shamil Bank of Bahrain)		HSBC Bank Egypt
	Standard Chartered Bank		Mashreq Bank Limited
	United Bank Limited	Estonia	AS Unicredit Bank Eesti Filiaal
Bangladesh	Woori Bank		Nordea Bank Sweden Ab (Publ)
	Bank Alfalah Limited	Ethiopia	Commercial Bank Of Ethiopia
	Citibank N.A.		Dashen Bank Sc
	Habib Bank Limited	Finland	Danske Bank
	HSBC Bank		Nordea Bank Sweden AB (Publ)
	Standard Chartered Bank		Pohjola Pankki Ovj (Pohjola Bank Plc) Markets/Clearing & Settlement
	Woori Bank		Sampo Bank (Part Of Danske Bank Group)
Belgium	Bank Of America, N.A.		Skandinaviska Enskilda Banken (Seb Bank)
	BNP Paribas Fortis (Formerly Fortis Banque S.A./N.V)	France	Bank Of America, N.A.
	BNP Paribas S.A. Belgium - Belgium Branch		BNP-Paribas SA
	Commerzbank		BNP-Paribas Securities Services
	Deutsche Bank		Commerzbank
	Dexia Bank SA		Credit Agricole CIB
	Habib Bank Limited		Credit Agricole SA
	ING Belgium Nv/Sa		Credit Industriel Et Commercial
	KBC Bank NV		Deutsche Bank
	Santander Benelux SA		Habib Bank Limited
Botswana	Firstrand Bank Ltd		HSBC France
Brazil	Banco BNP Paribas Brasil S/A		National Bank Of Pakistan
	Banco Do Brasil S.A.		Société Générale
	Deutsche Bank S.A. - Banco Alemao		Sumitomo Mitsui Banking Corporation
	HSBC Bank Brazil S.A.		U.B.A.F.
Bulgaria	Unicredit Bulbank		BNP Paribas
Canada	Bank Of America, N.A.	Germany	Commerzbank
	Habib Canadian Bank		Deutsche Asset Management International Gmbh
	HSBC Bank		Deutsche Bank
	Royal Bank Of Canada		Deutsche Bank Ag, Frankfurt, Central Entry Point Europe
	Toronto Dominion Bank		Dresdner Bank (Now Part Of Commerzbank)
Cayman Island	AIB Bank (CI) Limited		DWS Investment Gmbh
Chile	Banco Itau		ING Bank N.V.
China	ABN Amro Bank (Now Royal Bank Of Scotland)		JP Morgan Chase Bank
	Agricultural Bank Of China		Landesbank Baden-Wuerttemberg
	Bank Of China		National Bank Of Pakistan
	Bank Of Communications		National-Bank AG
	Bank of Jiangsu		Nordea Bank Sweden Ab (Publ)
	Bank Of New York		Raiffeisenlandesbank Oberoesterreich AG
	China Citic Bank (Formerly Citic Industrial Bank)		Sparkasse Dortmund
	Citibank NA		Sparkasse Koelnborn
	Commerzbank		Sparkasse Westmunsterland
	Deutsche Bank		Standard Chartered Bank
	HSBC Bank		
	Industrial & Commercial Bank of China (ICBC)		



Correspondent Banking Network

Country	Bank	Country	Bank
	Sumitomo Mitsui Banking Corporation Unicredit Bank AG (formerly Hypo-und Veriensbank HVB) Volksbank Bocholt	Italy	Banca Delle Marche Spa Banca Di Credito Cooperativo Di Fomacette Banca Di Roma Banca Intesa Spa Banca Monte Dei Paschi Di Siena Spa Banca Nazionale Del Lavoro Spa Banca Nazionale Del Lavoro Spa Banca Popolare dell'Emilia Romagna Società Cooperativa Banca Popolare Di Sondrio Banca Popolare Di Vicenza Scparl Banca UBAE Spa Banco Di Napoli Banco Popolare Banco Popolare Di Verona E Novara Scrl Bank Of America, N.A. Bayerische Hypo Und Vereinsbank (Hvb) Milan Bipop Carire Spa Cassa Di Risparmio Del Veneto S.P.A. Cassa Di Risparmio Di Parma E Piacenza S.P.A. Cassa Di Risparmio Di Pistoia E Pescia S.P.A. Cassa Di Risparmio Di Venezia S.P.A. Cassa Di Risparmio In Bologna S.P.A.-Carisbo Spa Commerzbank Deutsche Bank HSBC Bank Mizuho Corporate Bank Ltd. Société Générale Unicredit Banca D'impresa Spa Unicredit Banca Spa Unicredit Private Banking Spa Unicredito Italiano Unione Di Banche Italiane SCPA (UBI) (formerly Banca Lombarda E Piemontese) Veneto Banca Scpa
Ghana	Standard Chartered Bank Ghana Limited		
Greece	Bank Of America, N.A. Egnatia Bank S.A. Geniki Bank (General Bank Of Greece, Socgen Group) Hellenic Bank Ltd Probank SA		
Hong Kong	ABN Amro Bank (Now Royal Bank Of Scotland) Bank Of America, N.A. BNP Paribas Citibank NA Commerzbank DBS Bank Ltd. Deutsche Bank Habib Bank Limited HSBC Bank J.P.Morgan Chase Bank KBC Bank NV Kookmin Bank Hong Kong Mashreq Bank Limited National Bank Of Pakistan Skandinaviska Enskilda Banken (Seb Bank) Standard Chartered Bank Sumitomo Mitsui Banking Corporation U.B.A.F. Wells Fargo Bank Na Woori Bank		
Hungary	CIB Bank Zrt (Central-European International Bank Ltd.) Commerzbank Deutsche Bank Deutsche Bank Zrt. K & H Bank Nyrt,(Formerly Kereskedelmi Es Hitelbbank Rt) Raiffeisen Bank ZRT Unicredit Bank Hungary Zrt	Japan	ABN Amro Bank (Now Royal Bank Of Scotland) Bank Of America, N.A. Bank Of New York Citibank NA Commerzbank Commonwealth Bank Of Australia Credit Agricole Indosuez Deutsche Bank HSBC Bank JP Morgan Chase Bank Mizuho Corporate Bank Ltd. National Bank Of Pakistan (Tokyo & Osaka) Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation U.B.A.F. Wachovia Bank, Na Woori Bank
India	Bank Of America, N.A. Bank Of Ceylon BNP Paribas India Citibank NA Deutsche Bank HDFC Bank Limited J.P.Morgan Chase Bank Mashreq Bank Limited Punjab National Bank Standard Chartered Bank State Bank of India	Jordan	Housing Bank For Trade & Finance Jordan Islamic Bank For Finance & Investment Standard Chartered Bank Jordan
Indonesia	ABN Amro Bank (Now Royal Bank Of Scotland) Bank Central Asia Bank Of America, N.A. Bank Syariah Mandiri Deutsche Bank HSBC Bank J.P.Morgan Chase Bank PT Bank Mandiri (Persero) Tbk PT Bank Sbi Indonesia Standard Chartered Bank Woori Bank	Kenya	Gulf African Bank Ltd. Habib Bank AG Zurich Kenya Commercial Bank Limited
		Korea	ABN Amro Bank (Now Royal Bank Of Scotland) Bank Of New York Daegu Bank Ltd., The Deutsche Bank Hana Bank HSBC Bank Industrial Bank Of Korea J.P.Morgan Chase Bank Kookmin Bank Korea Exchange Bank
Ireland	AB Bank Bank Of America, N.A. Bank Of Ireland International Banking Citibank National Irish Bank San Paolo IMI Spa		

Correspondent Banking Network

Country	Bank	Country	Bank
	Kyongnam Bank	New Zealand	Bank Of New Zealand
	National Bank Of Pakistan		HSBC New Zealand
	Pusan Bank	Nigeria	Standard Chartered Bank
	Standard Chartered Bank	Norway	DNB NOR Bank
	Sumitomo Mitsui Banking Corporation		Fokus Bank, Part Of Danske Bank Group
	U.B.A.F.		Nordea Bank Sweden AB (Publ)
	Wachovia Bank, NA	Oman	Bankmuscat SAOG
	Woori Bank		HSBC Bank Oman SAOG
Kuwait	Burgan Bank, Sak		Oman International Bank
	Citibank NA		Bank Sohar
	Commercial Bank Of Kuwait, SAK	Pakistan	Al Baraka Islamic Bank (Formerly Emirates Global Islamic)
	HSBC Bank Middle East		Al Baraka Islamic Bank
	Kuwait Finance House		Allied Bank Limited
	National Bank Of Kuwait		Askari Commercial Bank Ltd
	Noor Financial Investment Company		Bank Al Habib Limited
Latvia	AS Unicredit Bank, Latvia		Bank Alfalah Limited
	Nordea Bank Sweden AB (Publ)		Bank Islami Pakistan
Lebanon	Lebanon And Gulf Bank		Bank Of Khyber
Lithuania	Nordea Bank Sweden AB (Publ)		Bank Of Punjab
Luxembourg	BNP Paribas Luxembourg		Burj Bank Ltd. (formerly Dawood Islamic Bank)
	Commerzbank		Citibank Na
Macau	BNP Paribas SA		Deutsche Bank
	HSBC Bank		Dubai Islamic Bank
Malaysia	ABN Amro Bank (Now Royal Bank Of Scotland)		Faysal Bank
	Al Rajhi Bank		Faysal Bank (Formerly RBS & ABN Amro)
	Ambank Berhad		Habib Bank Limited (Hbl)
	Bank Of America, N.A.		Habib Metropolitan Bank
	CIMB Bank		HSBC Bank Middle East
	CIMB Islamic		Industrial & Commercial Bank of China (ICBC)
	Citibank		KASB Bank Limited
	Deutsche Bank		MCB Bank Limited
	HSBC Bank		National Bank Of Pakistan
	J.P.Morgan Chase Bank		NIB Bank
	Malayan Banking Berhad (Maybank)		Oman International Bank
	Rhb Bank Berhad		Samba Bank Limited
	Standard Chartered Bank		Silk Bank Limited
Malta	Credit Europe Bank NV Malta Branch		Sindh Bank Limited
	HSBC Bank		Soneri Bank Limited
Mauritius	HSBC Bank (Mauritius) Limited		Standard Chartered Bank
	Mauritius Post And Cooperative Bank Ltd		Summit Bank Limited
Mexico	Banca Del Bajio S.A.	Papua New Guinea	United Bank Limited
	Bank Of America, N.A.		Bank Of South Pacific Ltd
Mongolia	Trade & Development Bank Of Mongolia	Philippines	Asian Development Bank
Morocco	Attijariwafa Bank		Banco De Oro Universal Bank
	Banque Marocaine Du Commerce Exterieur		Bank Of America, N.A.
	Société Générale		Deutsche Bank
Nepal	Bank Of Kathmandu Ltd		HSBC Bank
	Himalayan Bank Limited	Poland	Bank BPH
	Nabil Nepal Arab Bank Ltd		Bank Polska Kasa Opieki
	Nepal Industrial And Commercial Bank Ltd		Deutsche Bank
	Standard Chartered Bank		Deutsche Bank Polska S.A.
Netherlands	Bank Of America, N.A.		Nordea Bank Sweden Ab (Publ)
	BNP Paribas		Société Générale
	Commerzbank	Portugal	Banco Espírito Santo
	Credit Europe Bank N.V.		Montepio Geral - Caixa Economica
	Deutsche Bank	Qatar	Barwa Bank
	Finansbank (Holland) N.V.		Mashreq Bank Limited
	Fortis Bank (Nederland) N.V.		Qatar International Islamic Bank
	Habib Bank Limited		United Bank Limited
	ING Bank N.V.	Romania	Citibank Europe Plc, Dublin-Sucursala Romania
	KBC Bank Nv		MKB Nextebank Sa (Formerly Romexterra Bank)
	Lanschot Bankiers Nv F. Van		Romanian Bank For Development (Brd) Groupe Societe Generale
	Rabobank Nederland		Unicredit Tiriac Bank
	Royal Bank Of Scotland (Formerly ABN Amro Bank N.V.)		



Correspondent Banking Network

Country	Bank	Country	Bank
Russia	Bank For Foreign Trade Bank Of Moscow Commerzbank Credit Bank of Moscow (open joint stock company) Deutsche Bank International Moscow Bank	Sri Lanka	Bank Of Ceylon Deutsche Bank Habib Bank Limited Hatton National Bank HSBC Bank MCB Bank Standard Chartered Bank
Saudi Arabia	Al Inma Bank Al Rajhi Bank Bank Al Bilad Bank Al Jazira Banque Saudi Fransi BNP Paribas Saudi Arabia Deutsche Bank Ag, Riyadh Branch Gulf International Bank B.S.C. Islamic Development Bank JP Morgan Chase Bank National Bank Of Pakistan, Riyadh National Commercial Bank Riyad Bank Saudi Hollandi Bank The Saudi British Bank	Sweden	Danske Bank A/S Nordea Bank Sweden Ab (Publ) Skandinaviska Enskilda Banken (Seb Bank) Svenska Handelsbanken
Singapore	ABN Amro Bank Bank Of America, N.A. BNP Paribas - Singapore Branch Citibank NA Commerzbank Commonwealth Bank Of Australia DBS Bank Ltd. Deutsche Bank Fortis Bank Fortis Bank (Nederland) Nv Habib Bank Limited Hana Bank HSBC Bank ING Bank N.V. JP Morgan Chase Bank KBC Bank Nv Mizuho Corporate Bank Ltd National Bank Of Kuwait Nordea Bank Sweden Ab (Publ) PT Bank Mandiri (Persero) Tbk Rabobank Asia Ltd Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation U.B.A.F Woori Bank	Switzerland	Banco Santander (Suisse) Banque Cantonale Vaudoise Banque De Commerce Et De Placements BNP Paribas (Suisse) Commerzbank (Schweiz) AG Credit Agricole Indosuez Deutsche Bank Deutsche Bank AG, Frankfurt, Central Entry Point Europe Habib Bank AG Zurich HSBC Private Bank (Suisse) S.A. ING Belgium Nv/Sa, Geneva Branch (Formerly Bbl Bruxelles, Succursale De Geneve) Merrill Lynch Bank (Suisse) S.A. United Bank Limited AG Zurich Zuercher Kantonalbank
Slovakia	Commerzbank	Taiwan	Bank Of America, N.A. Bank Of New York Chinfon Commercial Bank Citibank NA Citibank Taiwan Ltd (Formerly Bank of Overseas Chinese) Deutsche Bank J.P.Morgan Chase Bank Mega International Commercial Bank (International Commercial Bank Of China) Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation Tainan Business Bank Taiwan Cooperative Bank Union Bank Of Taiwan
Slovenia	SKB Banka Unicredit Bank Slovenija	Tanzania	Habib African Bank
South Africa	Citibank NA Firstrand Bank Ltd Habib Overseas Bank Limited HBZ Bank Limited (Habib Bank Ag Zurich) HSBC Bank Standard Chartered Bank	Thailand	Bangkok Bank Public Company Limited Bank Of America, N.A. Citibank NA Deutsche Bank HSBC Bank J.P.Morgan Chase Bank Standard Chartered Bank Sumitomo Mitsui Banking Corporation
Spain	Banco De Sabadell Banco De Valencia Banco Espanol De Credito Banco Pastor Bank Of America, N.A. Bilbao Bizkaia Kutxa BNP Paribas S.A. Sucursal En Espana Caja De Ahorros De Galicia (Caixa Galicia) Caja De Ahorros Del Mediterraneo Commerzbank Deutsche Bank HSBC Bank	Tunisia	Arab Tunisian Bank Citibank NA Société Tunisienne De Banque
		Turkey	Aktif Yatirim Bankasi A.S Al Baraka Turkish Finance House Asya Katilim Bankasi A.S. (Bank Asya) Citibank NA Denizbank A S Deutsche Bank Habib Bank Limited HSBC Bank ING Bank A.S. (Formerly Oyak Bank A.S.) Kuveyt Turk Evkaf Finans Kurumu A.S Tekstilbank Turkiye Finans Katilim Bankasi AS Turkiye Garanti Bankasi AS Turkiye Halk Bankasi AS

Correspondent Banking Network

Country	Bank	Country	Bank
	Türkiye İş Bankası AS		Capital One, NA
	Türkiye Vakıflar Bankası T.A.O		Cathay Bank
	Turkland Bank (T-Bank)		Citibank NA
	Yapı Ve Kredi Bankası A.S.		Commerzbank
Ukraine	Prominvestbank		Commonwealth Bank Of Australia
United Arab Emirates	ABN Amro Bank (Now Royal Bank Of Scotland)		Deutsche Bank
	Abu Dhabi Commercial Bank		Deutsche Bank Trust Company Americas
	Abu Dhabi Islamic Bank		First Tennessee Bank, N.A.
	Ajman Bank		Fortis Bank
	BNP Paribas Sa		Gulf International Bank B.S.C.
	Citibank NA		Habib American Bank
	Credit Europe Bank (Dubai) Ltd.		Habib Bank Limited
	DBS Bank Ltd.		Hana Bank
	Deutsche Bank		HSBC Bank
	Dubai Islamic Bank		Interbusiness Bank, N.A.
	Emirates Bank International, PJSC (Now Emirates NBD)		International Finance Corporation (IFC)
	Emirates Islamic Bank		Israel Discount Bank Of New York
	First Gulf Bank		JP Morgan Chase Bank
	Habib Bank AG Zurich		Keybank National Association
	Habib Bank Limited		Malayan Banking Berhad
	HSBC Bank Middle East		Mashreq Bank Limited
	Kuwait Turkish Participation Bank Dubai Limited		Mizuho Corporate Bank Ltd.
	Mashreq Bank Limited		National Bank Of Pakistan
	National Bank Of Abu Dhabi		National City Bank
	National Bank Of Dubai (Now Emirates Nbd)		New York Commercial Bank
	National Bank Of Fujairah		Nordea Bank Sweden AB (Publ)
	Noor Islamic Bank		PNC Bank
	Standard Chartered Bank		Regions Bank (Formerly Union Planters)
	Union National Bank		Royal Bank Of Scotland (Formerly ABN Amro Bank)
	United Arab Bank		Royal Bank Of Scotland (Formerly ABN Amro Bank)
	United Bank Limited (Ubl)		Chicago
United Kingdom	ABN Amro Bank (Now Royal Bank Of Scotland)		Santander Central Hispano
	AIB Bank		Société Générale
	Bank Mandiri (Europe) Ltd.		Standard Chartered Bank
	Bank Of America, N.A.		State Bank of India (California)
	Citibank NA		Sumitomo Mitsui Banking Corporation
	Commerzbank		Suntrust Bank
	Commonwealth Bank Of Australia		U.S. Bank NA
	Deutsche Bank		United Bank Limited AG Zurich
	European Islamic Investment Bank (EiIB)		Wells Fargo Bank NA
	Gulf International Bank B.S.C.		Woori Bank
	Habib Bank AG Zurich	Uruguay	Banco Itau
	Habib Bank Limited	Vietnam	Deutsche Bank
	Habibsons Bank Limited		J.P.Morgan Chase Bank
	HSBC Bank		Vietnam Bank For Agriculture
	JP Morgan Chase Bank		Woori Bank
	KBC Bank Nv	Yemen	Saba Islamic Bank
	Korea Exchange Bank		Shamil Bank Of Yemen And Bahrain
	Mashreq Bank Limited		United Bank Limited
	Merrill Lynch International Bank Limited		
	Mizuho Corporate Bank Ltd., London		
	National Westminster Bank Plc		
	Nordea Bank Sweden Ab (Publ)		
	Northern Bank Limited (Danske Group)		
	Standard Chartered Bank		
	Sumitomo Mitsui Banking Corporation		
	United Bank UK (formerly United National Bank (UBL & NBP)		
	Woori Bank		
United States	Abacus Federal Savings Bank		
	Banco Do Brasil S.A.		
	Bangkok Bank Public Company Limited		
	Bank Of America, N.A.		
	Bank Of New York		
	BNP Paribas Usa - New York Branch		
	Branch Banking & Trust Co		
	Brown Brothers Harriman And Co.		
	California Bank and Trust		
	Calyon (Formerly Credit Lyonnais)		



Branch Network

Alhamdulillah, Meezan Bank has established 310 branches in 90 cities across Pakistan. This is a milestone that is not only the success story of Meezan Bank but also the continuing success story of Islamic banking in Pakistan. With this extensive network, our existing and potential customers are now closer than ever in attaining Islamic banking at their doorstep. All branches provide real time online banking facilities to customers.

As the first and largest dedicated Islamic bank in Pakistan, Meezan Bank's team continues to build on its Vision of establishing "Islamic banking the banking of first choice". One of the key objectives of the Bank is to have its footprint strategically placed throughout the country enabling the public to avail the benefits of Shariah-compliant banking in their neighbourhood.

The Bank is currently segmented into three major Regions of Pakistan. The cities in which the Bank presently operates are as follows:

Southern Region	Central Region	Northern Region
Dadu	Ahmedpur East	Abbottabad
Hub (Lasbela)	Arifwala	Attock
Hyderabad	Bahawalnagar	Bannu
Karachi	Bahawalpur	Chakwal
Larkana	Burewala	Charsadda
Mirpurkhas	Chichawatni	Dadyal
Moro	Chiniot	Dera Ismail Khan
Muslim Bagh	Chishtian	Dina
Nawabshah	Daska	Gujar Khan
Quetta	Dera Ghazi Khan	Haripur
Sakrand	Faisalabad	Havelian
Sanghar	Gojra	Islamabad
Shahdadpur	Gujranwala	Jhelum
Sukkur	Gujrat	Kohat
Tando Adam	Hafizabad	Mansehra
Tando Allahyar	Haroonabad	Mardan
Tando Mohammad Khan	Hasilpur	Mirpur Azad Kashmir
	Jampur	Muzaffarabad
	Jhang	Nowshera
	Kabirwala	Peshawar
	Kamoki	Rawalpindi
	Kasur	Swabi
	Khanewal	Swat
	Khanpur	Timergara
	Kharian	Wah Cantt
	Khushab	
	Lahore	
	Lalamusa	
	Layyah	
	Lodhran	
	Mandi Bahauddin	
	Mian Channu	
	Mianwali	
	Multan	
	Muzaffargarh	
	Okara	
	Pattoki	
	Pirmahal	
	Rahim Yar Khan	
	Raiwind	
	Sadiqabad	
	Sahiwal	
	Sargodha	
	Sheikhupura	
	Stalkot	
	Toba Tek Singh	
	Vehari	
	Wazirabad	

For 2013 Meezan Bank has planned to open an additional 41 branches in Pakistan. Meezan Bank's mission is to provide its customers dedicated and pure Islamic banking facilities with the greatest of convenience and personalized services. It remains the Bank's endeavour to establish solid foundations of Islamic banking in Pakistan.

Branch Network

Southern Region

Dadu

Dadu Branch

Ground Floor, Nareja Shopping Centre, Kutchery Chowk, Near College Road, Dadu
Tel: (92-245) 710816-8

Hub (Lasbela)

Hub Chowki Branch

Hub City, District Lasbela, Balochistan
Tel: (92-853) 310252-3

Hyderabad

Auto Bhan Branch

Shop No 6 & 7 Boulevard Enclave Auto Bhan Road Latifabad No. 3, Hyderabad
Tel: (92-22) 3821291-8

Cloth Market Branch

C/916/918, Guru Nagar, Hyderabad
Tel: (92-22) 2621341-2

Gari Khata Branch

City Survey No. F/1054, Ward - F, Gari Khata, Hyderabad
Tel: (92-22) 2725671-2

Hyderabad Branch

Saddar Bazar Cantonment, Hyderabad
Tel: (92-22) 2782772

Latifabad Branch

3/D Commercial Area, Latifabad # 7, Hyderabad
Tel: (92-22) 3866964-5

Market Road Branch

Market Road Hyderabad, Survey No. 2669, 2669/1, Ward-A, Market Road, Hyderabad
Tel: (92-22) 2638362-6

Qasimabad Branch

Plot # QEA/R-6/03-4.11-12, Housing Scheme No. 1, Main Road Qasimabad, Hyderabad
Tel: (92-22) 2670511-5

Karachi

Abdullah Haroon Road Branch

S/1, Plot No. PR 2/31/5, Preedy Quarters, Abdullah Haroon Road, Karachi
Tel: (92-21) 32700143-5

Abul Hasan Isphani Road Branch

Plot # 25-A, Main Abul Hasan Isphani Road, Azeem Khan Goth, Gulshan-e-Iqbal, Block 4-A, Karachi
Tel: (92-21) 34810729-32

Super Highway Branch

Shop # 11-14, Block-2, Sector1-A, Gulzar-e-Hijri, Karachi
Tel: (92-21) 36830076-8

Al-Hilal Society Branch

Nafees Arcade, Plot No. SC-14, Chandni Chowk, KDA Scheme No.7, Main University Road, Karachi
Tel: (92-21) 34124111-5

AlTijarah Centre Branch

S-8, Ground Floor, Al-Tijarah Centre, Block-6, PECHS, Shahrah-e-Faisal, Karachi
Tel: (92-21) 34169030-4

Alamgir Road Branch

Z-484, Block 3, Bahaduryar Jang Cooperative Housing Society, Alamgir Road, Karachi
Tel: (92-21) 34140968

Babar Market Landhi Branch

2-A/167,168 & 169, Babar Market, Landhi Township, Karachi
Tel: (92-21) 35011071-5

Bahadurabad Branch

Adam Arcade, Plot No. 28, BMCH Society, Karachi
Tel: (92-21) 34145021, 34145017

Bait Ul Mukarram Branch

Shop No. S-3 & S-4, Yasir Apartments, FL-6, Block 16, Gulshan-e-Iqbal, Karachi
Tel: (92-21) 34839021-3

Barakat-e-Hyderi Branch

D10, Block H, North Nazimabad, Karachi
Tel: (92-21) 36705159

Bilawal Chowk Branch

Plot No. Commercial 7/1, Green Belt Residency, Shop No. 4 & 5, Block 2, Scheme 5, Clifton, Karachi
Tel: (92-21) 35830628, 35830634

Bin Qasim National Highway Branch

Survey No. 435, Deh Landhi, Taluka Bin Qasim Town, Karachi
Tel: (92-21) 35012376, 35012355

Block -A North Nazimabad Branch

Plot No. SD-1, Block A, KDA Scheme No. 2, North Nazimabad, Karachi
Tel: (92-21) 36722430-4

Block-E North Nazimabad Branch

Plot No. ST-4, Shop No A/D-66 & 67, Block-E-Hyderi, North Nazimabad, Karachi
Tel: (92-21) 36724294-6

Boat Basin Branch

Shop # 40-43, Commercial Sub Plot # FL-7/C/4 of Plot # 7, Block No. 5, Clifton, Karachi
Tel: (92-21) 35870697-8

Bohrapir Branch

Ranchore Quarter, Prince Street, Bohrapir, Karachi
Tel: (92-21) 32712915-8, 32712909

Boulton Market Branch

Plot No.8-9/D-I, Serai Quarters, Boulton Market, M.A. Jinnah Road, Karachi
Tel: (92-21) 32467811-5

Buffer Zone Branch

R-914, Sector-15-A/1, Buffer Zone, North Karachi, Karachi
Tel: (92-21) 36965851-5

Clifton Branch

Ground Floor, Al-Karam Centre, BC1, Block-7 Clifton, Main Clifton Road, Karachi
Tel: (92-21) 35372060-4

Cloth Market Branch

Atique Market, Bunder Quarters, Karachi
Tel: (92-21) 32418137-9

Darakhshan Society Malir Branch

Plot No. A-16/1, Darakhshan Society, Malir Township, Karachi
Tel: (92-21) 34492788, 34493005

DHA Phase I Branch

Ground Floor, Plot No. 119, DHA Phase I, Korangi Road, Karachi
Tel: (92-21) 35396854-8

DHA Phase II-Extention Branch

Plot # 69 & 71, Garibsons Building, 12th Commercial Street, DHA Phase II Extension, Karachi
Tel: (92-21) 35311953-8

DHA Phase IV Branch

Plot No. 57/C, 9th Commercial Street, DHA Phase IV, Karachi
Tel: (92-21) 35314861-4

Dhoraji Branch

35/182, C.P. & Bearar Housing Society, Karachi
Tel: (92-21) 34860861-4

FB Area Branch

C-12, Block 10, FB Area, Karachi
Tel: (92-21) 36805370-6

FTC Branch

Ground Floor, Block B, FTC Building, Shahrah-e-Faisal, Karachi
Tel: (92-21) 35650771

Garden West Branch

Shop # 9,10,11 & 12 (Amin Centre), Plot Survey # 130/1, Sheet No. G-R.2, Garden West, Karachi
Tel: (92-21) 32241383-7

Gizri Branch

Plot No. K-7/9 Gizri, Chaudhry Khalique-uz-Zaman Colony, Bakhshan Village, Bazar Area, Clifton, Karachi
Tel: (92-21) 35865670-4

Gulbahar Branch

Shop # G-8, G-9, G-10 and G-11, Sub Plot No.20/3, Sana Towers, Firdous Co-operative Housing Society, Golimar Chowrangi, Nazimabad, Karachi
Tel: (92-21) 36701155-9

Gulbai SITE Area Branch

Plot # C-25, Gulbai, SITE Area, Karachi
Tel: (92-21) 32594711-5

Gulberg Branch

Shop No.7, A-94, Block-18, FB. Area, Karachi
Tel: (92-21) 36829112-4

Gulistan-e-Jauher Branch

Plot # ST -9, Block 15, Scheme 36, Gulistan-e-Jauher, Karachi
Tel: (92-21) 34030251-4

Branch Network



Block-1, Gulistan-e-Jauhar Branch
Shops No. 1, 2, 3, 7, Ground Floor, Samrah Arcade,
Plot # SB-04, Block 1, KDA Scheme # 36,
Gulistan-e-Jauhar, Karachi
Tel: (92-21) 34013922-6

Gulshan Block 2 Branch
Ground Floor Arif Residency,
Plot # SB 08, Gulshan-e-Iqbal Block 2,
Near Rab Medical Centre, Karachi
Tel: (92-21) 34971232

Gulshan Chowrangi Branch
Sub Plot No 5-A/1-10, Plot # FL-5, Block 3,
Gulistan-e-Erum, Gulshan-e-Iqbal, Karachi
Tel: (92-21) 34811849, 34813967

Gulshan-e-Iqbal Branch
B-41, Block No. 13-A, KDA Scheme 24,
University Road, Gulshan-e-Iqbal, Karachi
Tel: (92-21) 34811901-6

Gulshan-e-Maymar Branch
A-102 Shop # 1 & 2 SB, 1 Sector X - IV,
Opposite Roman Fountain Park
Scheme -4, Gulshan-e-Maymar, Karachi
Tel: (92-21) 36350513-5

Hub River Road Branch
Building No. 06 Commercial Sector No. 04
Haroon Bahria Coperative Housing Society,
Hub River Road, Karachi
Tel: (92-21) 32364236-9

Hussainabad Branch
Block 3, Pakistan Memon Education &
Welfare Society, Hussainabad, Karachi
Tel: (92-21) 36320461-2

II Chundrigar Road Branch
Shop No. 9 & 10, Gul Tower,
II Chundrigar Road, Karachi
Tel: (92-21) 32423676

Jamshed Road Branch
Plot No. 713/6, Shaheen Tower,
Jamshed Quarters,
M.A Jinnah Road, Karachi
Tel: (92-21) 34923281-5

Jodia Bazar Branch
H-91 A, Darya Lal Street, Jodia Bazaar, Karachi
Tel: (92-21) 32473326-9

Joffa Towers Branch
SB-23 & 24, Office # G2, 102-104,
Joffa Towers, Main University Road,
Block-13 C, Gulshan-e-Iqbal, Karachi
Tel: (92-21) 34830141-5

Katchi Gali No.2 Branch
No. G-1, situated at Katchi Gali No. 2,
Marriot Road, Karachi
Tel: (92-21) 32443526-7

K.A.E.C.H.S Branch
Plot No. SA/49 (Commercial), Block-4,
Karachi Administration Employees
Cooperative Housing Society, Karachi
Tel: (92-21) 34302911-5

Keamari Branch
Plot No. 29/1, Opposite Jungle Shah College,
Keamari Town, Karachi
Tel: (92-21) 32863170-4

Khadda Market, (Khayaban-e-Shamsheer) Branch
Plot No.4-C, Khadda Market,
Khayaban-e-Shamsheer, DHA Phase V, Karachi
Tel: (92-21) 35240811-5

Khalid Bin Waleed Road Branch
Plot No. 89/N, Muhammadi Terrace, Block-2,
Khalid Bin Waleed Road, P.E.C.H.S, Karachi
Tel: (92-21) 34383914-6

Kharadar Branch
Shop No.1, Ground Floor,
Al-Fatima Plaza, Paria Street,
Ghulam Hussain Kassam Quarters, Kharadar,
Karachi
Tel: (92-21) 32316510-4

Khayaban-e-Bukhari Branch
Shop # 1-2 & Mezanine Floor,
Plot No. 22-C, Khayaban-e-Bukhari,
Phase VI, DHA, Karachi
Tel: (92-21) 35243561-5

Khayaban-e-Sehar Branch
9-C, Shahbaz Commercial Lane 1,
Khayaban-e-Sehar, Phase VI, DHA, Karachi
Tel: (92-21) 35349307-13

Khayaban-e-Shamsheer Branch
3-C, Khayaban-e-Shamsheer,
Phase V Ext., D.H.A, Karachi
Tel: (92-21) 35247600-4

Korangi Branch
Plot No. LS 3, ST-3/1, Sector No. 15,
Korangi Industrial Area, Karachi
Tel: (92-21) 35114324-5

Korangi II Branch
Q 37, Sector 33-A, Main Road Korangi, Karachi
Tel: (92-21) 35059215-16

Lea Market Branch
Plot No. 3/20, Khajoor Bazar, Lea Market, Karachi
Tel: (92-21) 32521650-4

Liaquatabad Branch
No.18, Plot No. 1/19, S.M.Taufiq Road,
Liaquatabad, Karachi
Tel: (92-21) 34125673

Light House Branch
Plot No.57, Jahangir Mansion, Shop No.14,
Thatia Compound Street, Wadhmal Odharam
Quarters, Light House, M.A Jinnah Road, Karachi
Tel: (92-21) 32742775-6

Marriott Hotel Branch
Marriott Hotel, Abdullah Haroon Road, Karachi
Tel: (92-21) 35683491

Model Colony Branch
Plot No. 06, Survey No. N-55, Tina Square,
Model Colony, Malir, Karachi
Tel: (92-21) 34492445-7

Muhammad Ali Society Branch
Fatima Jinnah Street, Muhammad Ali Housing
Society, Karachi
Tel: (92-21) 34301863-4

Nazimabad No. 3 Branch
3-A-1/13 Nazimabad No. 3, Karachi
Tel: (92-21) 36707431-4

New Challi Branch
Fakhri Trade Centre, Plot No. SR - 6/10,
Shahra-e-Liaquat, New Challi, Karachi
Tel: (92-21) 32602121-6

North Karachi Branch
Plot # SA-6 (ST-8), 11-C-1, North Karachi, Karachi
Tel: (92-21) 36965051-5

North Karachi Industrial Area Branch
Plot No.1-A, Sector 12-C, North Karachi Township,
Karachi
Tel: (92-21) 36963117-21

North Napier Road Branch
Shop No.12, Poonawala Trade Tower, Main North
Napier Road, Karachi
Tel: (92-21) 32713530-4

North Nazimabad Block-M Branch
Plot No.SB-2, Block-M,
North Nazimabad, Karachi
Tel: (92-21) 36627054-5

North Nazimabad Branch
Shop# 9-12, Sub-plot# SC14-3, plot# SC-14,
Block-F, KDA Scheme NO.2, Samar Residency,
North Nazimabad, Karachi
Tel: (92-21) 36723549-54

Orangi Town Branch
Plot # LS-15, Sector 6-E,
Orangi Town, Karachi
Tel: (92-21) 36694370-4

P & O Plaza Branch
Ground Floor, P & O Plaza ,
Opposite Muhammadi House,
II Chundrigar Road, Karachi
Tel: (92-21) 32467901-5

Pakistan Chowk Branch
Ground Floor, Plot # 08, Survey Sheet # RB-5,
Pakistan Chowk Arambagh Road, Karachi
Tel: (92-21) 32219651-6

Plaza Quarters Branch
Plaza Square Karachi, Bombay Building,
City Survey No. 37/22, Off M.A. Jinnah Road,
Karachi
Tel: (92-21) 32751560, 32751124

PNSC Branch
Ground floor at 37- A, Lalazar Area,
Off M.T. Khan Road, Karachi
Tel: (92-21) 35636240-54

Rashid Minhas Road Branch
Ground Floor, Aqsa Tower, Block-C,
Rashid Minhas Road, KDA Scheme No.33, Karachi
Tel: (92-21) 34978062, 34978064,

Branch Network

Regal Chowk Branch
Shop No. 1-B, Survey No. 273/2,
Sheet A.M (Part -2), Rahman Mansion,
Artillery Maidan Quarter, Frere Road, Saddar,
Karachi
Tel: (92-21) 32701151-5

Saddar Branch
Saddar Bazar Quarters,
Raja G. Ali Khan Road, Karachi
Tel: (92-21) 35224601-5

Saeedabad Baldia Town Branch
Plot No.604 & 609/1-A, Sector 5-J,
Saeedabad Baldia Town, Karachi
Tel: (92-21) 32817511-5

Safora Chowk Branch
Shop # 3, 4, 5 & 6, Ground Floor, Prime Tower,
Plot # SB-20, Block 7, KDA Scheme No. 36,
Safora Chowk, Gulistan-e-Jauhar, Karachi
Tel: (92-21) 34660661-5

Shahrah-e-Faisal Branch
29-A, Ground Floor, Sabah Palace,
P.E.C.H.S. Block 6, Shahrah-e-Faisal, Karachi
Tel: (92-21) 34322186-90

Shah Faisal Colony Branch
CB-33, Al Falah Society,
Shah Faisal Colony, Karachi
Tel: (92-21) 34686271-3

Shamsi Society Branch
CM 44 & 45, Ground floor, Shamsi Cooperative
Housing Society, Malir Halt, Karachi
Tel: (92-21) 34682405-7

Shireen Jinnah Colony Branch
Plot no ST-4B block 1,
Shireen Jinnah Colony, Karachi
Tel: (92-21) 35833025, 35836758

Sir Syed Road Branch
Plot no. 152-S, Ground Floor,
Sir Syed Road, Block 2, PECHS, Karachi
Tel: (92-21) 35143500-4

S.I.T.E Branch
Plot No. B/9-C, Estate Avenue,
SITE Area, Karachi
Tel: (92-21) 32550328-31

S.I.T.E II Branch
Property # H-6 Site Survey Sheet No 21,
Survey Sheet No 35 P/1-35 L/ 13, SITE, Karachi
Tel: (92-21) 32584850-53

Urdu Bazar Branch
Shops No. 11 & 12, Anfal Centre,
Plot No. RB-9/1, Rambagh Quarters,
Urdu Bazar, Karachi
Tel: (92-21) 32603031-5

Water Pump Branch
Plot No. BS-13, Block-14,
Federal B. Area, Karachi
Tel: (92-21) 36332443, 36332523

West Wharf Road Branch
Plot No.14, A & K Chambers West Wharf Road,
Karachi
Tel: (92-21) 32203445-9

Larkana
Larkana Branch
Property No.1796, Ward No. A, Bank Square,
Bunder Road, Larkana
Tel: (92-74) 4055923-5

Mirpurkhas
Mirpurkhas Branch
Plot # 15, Ward No. A, Adam Mohallah Town,
Umerkot Road, Mirpurkhas
Tel: (92-233) 876103-8

Moro
Moro Branch
Property No. 60, Ward 13,
Main Road National Highway, Moro
Tel: (92-242) 411008-14

Muslim Bagh
Muslim Bagh Branch
Shop No 40 - 41,
School Road, Muslim Bagh
Tel: (92-823) 669592-3

Nawabshah
Nawabshah Branch
Plot # 573, Ground Floor, Ward-B, Katcheri Road,
Nawabshah
Tel: (92-244) 330902-6

Quetta
Alamo Chowk Branch
Shop No.17-19 Al-Emirate City Plaza,
Alamo Chowk, Air Port Road, Quetta
Tel: (92-81) 2820158-9

Liaquat Bazar Branch
Khasra No. 155, Ward 22, Tappa Urban 1,
Najeebullah Street, Liaquat Bazar, Quetta
Tel: (92-81) 2840195-16

Mannan Chowk Branch
Mannan Chowk, Jinnah Road, Quetta
Tel: (92-81) 2829470-2

Mission Road Branch
Shop No 1-30/51 & 1-30/52, Mission Road,
Opposite Palace Bakery, Quetta
Tel: (92-81) 2832851-5

Munsafi Road Branch
2-17/16, Munsafi Road, Quetta
Tel: (92-81) 2845593-4

Sirki Road Branch
Shop No. 1 & 2, Kasi Complex, Sirki Road, Quetta
Tel: (92-81) 2454222-3

Shahdadpur
Shahdadpur Branch
Property No. 293/1, Ward-C, Station Road,
Shahdadpur
Tel: (92-235) 842952-3

Sakrand
Sakrand Branch
Deh. 18, Taluka City Sakrand,
District, Nawabshah
Tel: (92-244) 322054-57

Sanghar
Sanghar Branch
Property No.124 / A-1,
Housing Society Town, Sanghar
Tel: (92-235) 543662-3

Sukkur
March Bazar Branch
C-45, Station Road, Sukkur
Tel: (92-71) 5620771-3

Sukkur Branch
3-45, Ward-C, Station Road, Sukkur
Tel: (92-71) 5617192-4

Tando Adam
Tando Adam Branch
Muhammad Chowk,
Tando Adam, District Sanghar
Tel: (92-235) 576565-66

Tando Allahyar
Tando Allahyar Branch
Survey No. 1610/07, Opposite General Bus Stand,
Tando Allahyar
Tel: (92-22) 3892021, 3891242

Tando Mohammad Khan
Tando Mohammad Khan Branch
Plot No. 25-27, Deh Pattar Main Badin,
Hyderabad National Highway,
Tando Mohammad Khan
Tel: (92-22) 3341584-5

Central Region
Ahmed Pur East
Ahmed Pur East Branch
Property # 338, Block # IV, Kutchery Road,
Ahmed Pur East
Tel: (92-62) 2273261-2

Arifwala
Arifwala Branch
3-A, Lakkar Mandi, City Road, Arifwala
Tel: (92-457) 834502-3

Bahawalnagar
Bahawalnagar Branch
Shop # 12 Grain Market, Minchanabad Road,
Bahawalnagar
Tel: (92-63) 22 71611-2

Bahawalpur
Bahawalpur Branch
Milad Chowk, Eidgah Road, Bahawalpur
Tel: (92-62) 2732145-7

Burewala
Burewala Branch
Multan Road, Opp. College Road, Burewala
Tel: (92-67) 3773751-4

Branch Network



Chichawatni
Chichawatni Branch
Property No. 278-279, Adjacent National Saving Centre, G.T. Road, Chichawatni
Tel: (92-405) 487601-03

Chiniot
Sharah-e-Quaid-e-Azam Chiniot Branch
P-468, AI-469 II
Shahrah-e-Quaid-e-Azam, Chiniot
Tel: (92-47) 6331103-4

Chishtian
Chishtian Branch
Plot # 109, B- Block,
Opposite Ghalla Mandi Gate, Chishtian
Tel: (92-63) 2509301-2

Daska
Daska Branch
Rest House Chowk, Gujranwala Road, Daska
Tel: (92-52) 6612837-41

Dera Ghazi Khan
Dera Ghazi Khan Branch
Jampur Road, Dear Ghazi Khan
Tel: (92-64) 2474255-7

Faisalabad
Bhowana Bazar Branch
150-D, B.V, Gole Bhowana Bazar, Faisalabad
Tel: (92-41) 2633042-4

Clock Tower Branch
P-175 Clock Tower, Karkhana Bazar, Faisalabad
Tel: (92-41) 2606085-7

Dijkot Road Branch
Shops # 68 & 69, Dijkot Road,
Adjacent to Grain Market, Faisalabad
Tel: (92-41) 2416141-4

Gole Cloth Katchery Bazar Branch
P-54 Gole Cloth, Katchery Bazar, Faisalabad
Tel: (92-41) 2610373-4

Jhang Road Branch
Plot # S-29-30, Near Ayub Colony,
Opposite Motor Market, Jhang Road,
Faisalabad
Tel: (92-41) 2650854-6

Madina Town Susan Road Branch
Plot # 98/23, Madina Town, Susan Road,
Faisalabad
Tel: (92-41) 8557141-3

Millat Chowk Branch
158-B-1 Gulistan Colony No. 2,
Millat Chowk, Faisalabad
Tel: (92-41) 8784346-7

Kotwali Road Branch
P-63 Kotwali Road, Faisalabad
Tel: (92-41) 2602587

Peoples Colony Branch
1/A-II, Peoples Colony-1, Faisalabad
Tel: (92-41) 8555002-4

Samanabad Branch
Plot No. P-178/1 A, Main Road, Samanabad,
Faisalabad
Tel: (92-41) 2663840-2

Sargodha Road Branch
Plot No. 654-656, Near Hafeez Plaza,
Ali Town Sargodha Road, Faisalabad
Tel: (92-41) 8785151-3

Satyana Road Branch
P 719 Batala Colony, Main Satyana Road,
Faisalabad
Tel: (92-41) 8500715-20

Serena Hotel Branch
Serena Hotel, Club Road, Faisalabad
Tel: (92-41) 2602595-7

Tata Market Branch
Chak No 212-RB Main Road, Factory Area,
Opposite Madina Centre, Tata Market, Faisalabad
Tel: (92-41) 2417555-7

Gojra
Gojra Branch
Ex Al Khalid Shopping Centre, Opposite Suriya Hospital, Tahsil Office Road, Gojra
Tel: (92-46) 3516272-3

Gujranwala
Dal Bazar Branch
Property # BII-19S-31, Near Chowk Chashma,
Dal Bazar, Gujranwala
Tel: (92-55) 4227592-6

Kashmir Plaza Branch
Kashmir Plaza, Near Ghalla Mandi G.T Road,
Gujranwala
Tel: (92-55) 3847205-8

Satellite Town Gujranwala Branch
Plot No.40-A, Nursery Chowk, Satellite Town,
Gujranwala
Tel: (92-55) 3847191-3

Wapda Town Gujranwala Branch
Block No.13, Wapda Town, Gujranwala
Tel: (92-55) 4283902-5

Gujrat
Chowk Pakistan Branch
Property No. B-II 849-850, Chowk Pakistan,
Circular Road, Gujrat
Tel: (92-53) 3522352-4

Gujrat Branch
Amin Fan Building, G.T Road, Gujrat
Tel: (92-53) 3538104-7

Hafizabad
Hafizabad Branch
Sagar Road Branch, Hafizabad
Tel: (92-54) 7540811-2

Haronnabad
Haronnabad Branch
14-C, Grain Market, Haroonnabad
Tel: (92-63) 2251751-2

Hasilpur
Hasilpur Branch
68/B, Baldia Road, Hasilpur
Tel: (92-62) 2443300-1

Jampur
Jampur Branch
Indus Highway, Dera Road,
Opposite Nadra Office, Jampur
Tel: (92-604) 569446-8

Jhang
Rail Bazar Chowk Branch
P-864, Block-9, Circular Road,
Rail Bazar Chowk, Jhang
Tel: (92-47) 7652203-4

Yousaf Shah Road Branch
P- 5, Yousaf Shah Road,
Near Church Chowk, Jhang
Tel: (92-47) 7652101-3

Kabirwala
Kabirwala Branch
Property No. 162, Khanewal Road,
Opposite PSO petrol Pump, Kabirwala
Tel: (92-65) 2400721-3

Kamoki
G.T Road Kamoki Branch
Main G.T Road, Kamoki
Tel: (92-55) 6810351-3

Kasur
Kasur Branch
216-9R-IV, Railway Road, Kasur
Tel: (92-492) 2764999

Khanewal
Khanewal Branch
Plot No. 624-625, Block # 8,
Sir Syed Road, Khanewal
Tel: (92-65) 2556625-7

Khanpur
Khanpur Branch
Kutchery Road, Khanpur
Tel: (92-68) 5577127-8

Kharian
G.T Road Kharian Branch
Ground Floor, Barakat Plaza,
Main G.T Road, Kharian
Tel: (92-537) 533497-8

Khushab
Katha Chowk Khushab Branch
P-4106-27-1, Sargodha Road,
Katha Chowk, Khushab
Tel: (92-454) 711683-4

Branch Network

Lahore

Al-Saeed Chowk Branch
Al-Saeed Chowk, near Phool Mandi,
Saggian By pass, Jaranwala Road,
Tehsil Ferozwala, District Sheikhpura,
Lahore
Tel: (92-42) 37163873-5

Akbar Chowk Branch
885-D, Akbar Chowk, Faisal Town, Lahore
Tel: (92-42) 35201425-6

Akbari Mandi Branch
Outside Akbari Mandi, Circular Road, Lahore
Tel: (92-42) 37660969-70

Allama Iqbal Town Branch
8, Hunza Block, Allama Iqbal Town, Lahore
Tel: (92-42) 35296701-5

Azam Cloth Market Branch
19-Bismillah Block, Azam Cloth Market, Lahore
Tel: (92-42) 37642011-3

Bedian Road Branch
Khasra # 3799, Mauza Lidhar,
Main Bedian Road, Lahore
Tel: (92-42) 35749607-10

Brandrath Road Branch
46 Brandrath Road, Lahore
Tel: (92-42) 37676388-92

Bund Road Branch
Property # SW XI 1-S-1/B/6,
Main Bund, Road, Lahore
Tel: (92-42) 37482671-3

Canal Bank Road Branch
Mughalpura Lahore Branch Plot# 125, St# 33,
Naya Pul, Punj Pir Road, Canal Bank Road,
Mughalpura, Lahore
Tel: (92-42) 365543-44

Cavalry Ground Branch
72-Commercial Area, Cavalry Ground,
Lahore Cantt.
Tel: (92-42) 36619780-3

Circular Road Branch
141- Circular Road,
Outside ShahAlam Gate, Lahore
Tel: (92-42) 37642001-4

Civic Centre Johar Town Branch
Property # 20 Civic Centre, Johar Town, Lahore
Tel: (92-42) 35189531-3

College Road Branch
6-2/C-1, College Road Township,
Lahore
Tel: (92-42) 35157184-6

Cloth Market Branch
73-B, Kashmir Block,
Azam Cloth Market, Lahore
Tel: (92-42) 37380461-5

G.T Road Daroghawala Branch
Plot # 329-F, Main G.T Road,
Daroghawala, Lahore
Tel: (92-42) 36550501-3

DHA Phase I Branch
167- G, DHA Phase I, Lahore
Tel: (92-42) 35742891-2

DHA Phase III Branch
Plot # 97-Y, DHA Phase III Commercial, Opposite
Sheba Park, Lahore
Tel: (92-42) 35742582-3

DHA Phase IV Branch
Plot # 85-CCA, Phase IV (Comm.),
D.H.A, Lahore
Tel: (92-42) 35747761-2

EME Housing Society Branch
Plot # 1 & 37, Block-D Commercial,
EME Sector, DHA, Lahore
Tel: (92-42) 37498956-8

Ghalib Market Branch
64 A-II, Gulberg III, Ghalib Market, Lahore
Tel: (92-42) 35772147-9

Gulberg Branch
60-Main Boulevard Gulberg, Lahore
Tel: (92-42) 35879870-2

Gulshan-e-Ravi Branch
Plot # 9, Block F, Gulshan-e-Ravi, Lahore
Tel: (92-42) 37404822-5

Hall Road Branch
S-50-R-19, Hall Road, Lahore
Tel: (92-42) 37211806-8

Ichra Branch
156-Main Ferozepur Road, Ichra, Lahore
Tel: (92-42) 37522989-1

Islampura Branch
Property # 61 Main Bazar, Islampura, Lahore
Tel: (92-42) 37117463-4

Johar Town Branch
63/R-1, M.A Johar Town Branch, Lahore
Tel: (92-42) 35314631-4

Karim Block Branch
Baig Plaza, 21 Commercial Zone, Karim Block,
Allama Iqbal Town, Lahore
Tel: (92-42) 35296701-5

Main Boulevard Branch
Shop # 5 & 6, Ground Floor, Usman Arcade,
Main Boulevard, DHA, Lahore
Tel: (92-42) 36621482-4

McLeod Road Branch
SE-10-R-2/12, Nihal Chand Building,
McLeod Road, Lahore
Tel: (92-42) 36284501-4

Model Town C-Block Lahore Branch
Shop # 24 & 25, Central Commercial Market,
Model Town, Lahore
Tel: (92-42) 35844202-4

Model Town Link Road Branch
Plot # 13, Model Town Link Road, Lahore
Tel: (92-42) 35942355-8

Moon Market Allama Iqbal Town Branch
Plot # 9, Al-Faisal Plaza, Moon Market,
Allama Iqbal Town, Lahore
Tel: (92-42) 35427936-40

Mustafa Abad Branch
Property # SE-6-R-148, Allama Iqbal Road,
Mustafa Abad, Lahore
Tel: (92-42) 36886051-3

New Garden Town Branch
Ground Floor, Ibrahim Centre, 1-Aibak Block,
New Garden Town, Lahore
Tel: (92-42) 35941474-7

Peco Road Badami Bagh Branch,
35-Peco Road, Badami Bagh, Lahore
Tel: (92-42) 37369610-3

Punjab Cooperative Housing Society Branch
66-F, Phase I, Punjab Co-operative Housing
Society, Ghazi Road, Lahore Cantt.
Tel: (92-42) 35924683-4

Q-Block DHA Phase II Branch
295-Q Commercial Area,
Phase II DHA, Lahore
Tel: (92-42) 35708324-7

Qartaba Chowk Branch
Qartaba Chowk, Temple Road,
Rehman Chamber, Lahore
Tel: (92-42) 37112406-10

Quaid-e-Azam Industrial Estate Branch
169 - S, Quaid-e-Azam Industrial Estate,
Kot Lakhpat, Lahore
Tel: (92-42) 35215765

Ravi Road Branch
33, Main Ravi Road,
Opposite Bilal Masjid, Lahore
Tel: (92-42) 37706835-7

Sabzazar Branch
Plot # 325, Block B,
Main Boulevard Sabzazar, Lahore
Tel: (92-42) 35962280-2

Saddar Bazar Branch
Property # 1184 Dubai Chowk,
Main Tufail Road, Saddar Bazar, Lahore
Tel: (92-42) 36622824-6

Samanabad Branch
Plot # 210, Main Poonch Road,
Samanabad, Lahore
Tel: (92-42) 37587213-5

Shad Bagh Branch
13-A, Tajpura Chowk, Near PTCL exchange,
Shad Bagh, Lahore
Tel: (92-42) 37600667-9

Shadman Colony Branch
91 Shadman Colony - 1, Shadman, Lahore
Tel: (92-42) 37522976-9

Shahdra Branch
113 G.T. Road, Lahore
Tel: (92-42) 37921266-7



Branch Network

Shahalam Market Branch
D-2050, Fawara Chowk,
Inside Shahalam Market, Lahore
Tel: (92-42) 37377340-3

Shalimar Garden Branch
Chowk Shalimar Bagh, G.T Road,
Baghban Pura, Lahore
Tel: (92-42) 36846584-8

Thokar Niaz Baig Branch
Ahmed Centre,
1.5 KM Raiwand Road, Lahore
Tel: (92 42) 37516128-30

Urdu Bazar Branch
4-Kabeer Street, Urdu Bazar, Lahore
Tel: (92-42) 37116684-7

Walton Road Branch
E-29/21-A, Bank Stop,
Walton Road, Lahore
Tel: (92-42) 36626602-5

WAPDA Town Chowk Branch
Plot # 429, Block-E, Main Boulevard, PIA
Employees Co-operative Housing Society,
Wapda Town Chowk, Lahore
Tel: (92-42) 35211591-4

Zarrar Shaheed Road Branch
Khasra # 3939/3296, Block-B, Al-Faisal Town,
Zarrar Shaheed Road, Lahore Cantt.
Tel: (92-42) 36674862

Lalamusa
Lalamusa Branch
Col. Plaza, Plot # 9, Camping Ground,
G.T. Road, Lalamusa
Tel: (92-53) 513022, 7513032

Lodhran
Lodhran Branch
Plot # 493-A, A-1, A-2/5H, Ghosia Chowk, Multan
Bahawalpur Road, Lodhran
Tel: (92-608) 364797-8

Layyah
Layyah Branch
Property # B-II-174, 175, 176, Chobara Road,
Layyah
Tel: (92-606) 412975-7

Mandi Bahauddin
Mandi Bahauddin Branch
Plot # 5/181 ward No. 5,
Outside Ghallah Mandi, Near Tawakli Masjid,
Mandi Bahauddin
Tel: (92-546) 520931-3

Mian Channu
Mian Channu Branch
17-B, Ghazi More, G.T. Road,
Mian Channu
Tel: (92-65) 2662001-3

Mianwali
Mianwali Branch
Property # D-3-4/A, Ballo Khel Road, Mianwali
Tel: (92-459) 233305-9

Multan
Bosan Road Branch
Chungi # 9, Lawyers Colony,
Bosan Road, Multan
Tel: (92-61) 6210090-2

Chowk Shaheedan Branch
Property # 3493, Chowk Shaheedan, Multan
Tel: (92-61) 4502906-9

Chungi #14 Branch
Ground Floor, Al Makkah Centre Chungi No.14,
Multan
Tel: (92-61) 4577572-4

Gulgasht Branch
437/C Gulgasht Colony, Multan
Tel: (92-61) 6511931-2

Hussain Agahi Branch
Property # 2560,
Ward # 10, Hussain Agahi Road, Multan
Tel: (92-61) 4512206-7

Old Bahawalpur Road Branch
Mehar Fatima Tower,
Opp. Multan High Court,
Old Bahawalpur Road, Multan
Tel: (92-61) 4785604-7

Shah Rukn-e-Alam Branch
Shop # 26-27, Block F,
Main Market, T-Chowk,
Shah Rukn-e-Alam Colony, Multan
Tel: (92-61) 6784324-5

Sher Shah Road Branch
Property # 50/A, Opposite Garden Town,
Sher Shah Road, Multan
Tel: (92-61) 6536752-5

Vehari Road Branch
Rehman Commercial Centre, Near Grain Market,
Vehari Road, Multan
Tel: (92-61) 6244153-5

Muzaffargarh
Muzaffar Garh Branch
Property # 470, Block # IV, Hakeem Plaza, Multan
Road, Muzaffargarh
Tel: (92-662) 428708-10

Okara
Okara Branch
MA Jinnah Road, Okara
Tel: (92-44) 2521935-7

Pattoki
Pattoki Branch
Shop # 09-11, Abdullah Centre, Opposite Ghalla
Mandi, Shahrah-e-Quaid-e-Azam, Pattoki
Tel: (92-49) 4421025-8

Pir Mahal
Pir Mahal Branch
Plot # P-10-11, Kousar Abad,
Chak Abadi 779-GB, Qasba Pir Mahal
Tel: (92-46) 3367601-7

Rahim Yar Khan
Rahim Yar Khan Branch
17, 18 City Centre, Rahim Yar Khan
Tel: (92-68) 5887603-4

Raiwind
Raiwind Branch
Khasra # 5024 & 5031 Main Bazar,
Opposite Railway Phattak, Raiwind
Tel: (92-42) 35394620-2

Sadiqabad
Sadiqabad Branch
31-D Main Bazar, Sadiqabad
Tel: (92-68) 5701207-8

Sahiwal
Sahiwal Branch
276-B-I, Alpha Tower, High Street, Sahiwal
Tel: (92-40) 4465009, 4466592

G.T. Road Sahiwal Branch
Property # IV-343/334, 343/335 Ghalla Mandi
G.T Road, Sahiwal
Tel: (92-40) 4224911-2

Sargodha
Muslim Bazar Branch
12-Block Chowk, Muslim Bazar, Sargodha
Tel: (92 48) 3741609-13

Sargodha Branch
91 Civil Lines, University Road, Sargodha
Tel: (92-48) 3741608-10

Satellite Town Branch
Plot # 34 Block-C, Main Chowk,
Satellite Town, Sargodha
Tel: (92-48) 3223731-5

Sheikhupura
Sheikhupura Branch
Civic Center, Sargodha Road, Sheikhupura
Tel: (92-56) 3813360-2

Sialkot
Kashmir Road Branch
Kashmir Road, Sialkot
Tel: (92-52) 4295301-3

Sialkot Cantt. Branch
Property #1-4 & 5-8 Aziz Shaheed Road,
Sialkot Cantt.
Tel: (92-52) 4560143-5

Kutchery Road Branch
Kutchery Road, Sialkot
Tel: (92-52) 4263461

Toba Tek Singh
Toba Tek Singh Branch
P-103 Farooq Road, Toba Tek Singh
Tel: (92-46) 2513765-6

Branch Network

Vehari

Karkhana Bazar Vehari Road Branch
Plot # 23, Block-A,
Karkhana Bazar, Vehari
Tel: (92-67) 3366031-3

Wazirabad

Wazirabad Branch
Plot # I-14S-37, Sialkot Road, Wazirabad
Tel: (92-55) 6600313-4

Northern Region

Abbottabad

Abbottabad Branch
Plot # 843-846, Manshera Road, Abbottabad
Tel: (92-992) 344701-3

Main Bazar Branch

PMC Chowk, Main Bazar, Abbottabad
Tel: (92-992) 341990-2

Attock

Attock Branch
B-143, Fawwara Chowk, Civil Bazar, Attock
Tel: (92-572) 701003-5

Bannu

Bannu Branch
Property # 322-D, 322-D/A,
Outside Qasayban Gate Hospital Road, Bannu
Tel: (92-928) 620841-3

Charsadda

Main Tangi Road Charsadda Branch
Shop # 1-2 Gul Market,
Near Singer Pakistan Outlet, Main Tangi Road,
Charsadda
Tel: (92-91) 9220171-3

Chakwal

Chakwal Branch
B VI/4-A Bab-e-Chakwal, Talagang Road,
Chakwal
Tel: (92-543) 543381-4

Dadyal

Dadyal Branch
Plot # 313, Hussain Shopping Centre,
Main Bazar Dadyal, Mirpur Azad Kashmir
Tel: (92-5827) 465881-3

Dera Ismail Khan

Dera Ismail Khan Branch
East Circular Road, Dera Ismail Khan
Tel: (92-966) 717257-8

Dina

Dina Branch
Al-Bilal Shopping Centre, Main Chowk,
G.T. Road, Dina, Distt. Jehlum
Tel: (92-544) 636119-21

Gujar Khan

Gujar Khan Branch
B-III, 215-E, G.T. Road, Gujar Khan
Tel: (92-51) 3515679-83

Haripur

Haripur Branch
Rehana Plaza, G.T. Road, Haripur
Tel: (92-995) 627250-3

Main Bazar Branch

Main Bazar, Near Sheranwala Gate, Haripur
Tel: (92-995) 615103, 615322

Havelian

Havelian Branch
Near Old TMA Office, Main Bazar Havelian,
Distt. Abbottabad
Tel: (92-992) 811501-3

Islamabad

Aabpara Branch
Plot # Ramna 6/1-4, Aabpara Market,
Sector G-6, Islamabad
Tel: (92-51) 2603061-4

Barakahu Branch

Fazal ul Haq Plaza, Main Murree Road,
Baharakahu, Islamabad
Tel: (92-51) 2232881-2

DHA Phase II Branch

Plot # 7, Sector A, Near Gate No-3, Kalsum Plaza,
DHA Phase-II, Islamabad
Tel: (92-51) 5161562-4

F-6 Markaz Branch

Ground & First Floor, Sethi Plaza, Super Market,
F-6 Markaz, Islamabad
Tel: (92-51) 2601791-5

F-7 Jinnah Super Market Branch

Unit # 14, Plot No. 12-B, F-7 Markaz,
Jinnah Super Market, Islamabad
Tel: (92-51) 2655001-4

F-8 Branch

Panther Plaza, F-8 Markaz, Islamabad
Tel: (92-51) 2817403-5

F-10 Markaz Branch

Plot # 2-F, F-10 Markaz, Islamabad
Tel: (92-51) 2112762-3

F-11 Branch

Shops # 2, 3, 9, 10, 11 & 12, Ground Floor,
Sardar Arcade, F-11 Markaz, Islamabad
Tel: (92-51) 2228384-5, 2228388-9

G-9 Markaz Branch

21-B, G-9 Markaz, Islamabad
Tel: (92-51) 2285849-51

G-11 Branch

Plot #15, Penorama Arcade,
G-11 Markaz, Islamabad
Tel: (92-51) 2830513-6

I-8 Branch

Plot # 25, VIP Square,
I-8 Markaz, Islamabad
Tel: (92-51) 4861389-92

I-9 Branch

Plot # 2/A, Industrial Area, I-9, Islamabad
Tel: (92-51) 4859644-7

I-10 Branch

Shop # 7-10, Ground Floor, Ahmadal Plaza,
Plot # 3-I, Sector I-10 Markaz, Islamabad
Tel: (92-51) 4432711-3

I-11 Sabzi Mandi Branch

Plot #189/A, Sabzi Mandi, I-11, Islamabad
Tel: (92-51) 4100637-40

Jinnah Avenue Branch

Plot # 37-B, Tahir Plaza, Jinnah Avenue,
Blue Area, Islamabad
Tel: (92-51) 2276712-5, 2801112-5

Jhelum

Jhelum Branch
B-VI-24-S. II, Meher Plaza,
Civil Lines, Jhelum
Tel: (92-544) 611751-5

Kohat

Kohat Branch
1st Floor, Jinnah Municipal Plaza, TMA,
Near King Gate, Bannu Road, Kohat
Tel: (92-922) 523037-40

Mansehra

Lari Adda Branch
Near Madni Masjid, Lari Adda,
Karakoram Highway, Mansehra
Tel: (92-997) 307640-2

Mansehra Branch

Meezan Plaza, Near Markazi Jamia Masjid,
Abbottabad Road, Mansehra
Tel: (92-997) 308315-8

Mardan

Mardan Branch
Bank Road, Mardan
Tel: (92-937) 9230561-3

Par Hoti Branch

Malik Khalid Khan Market, Par Hoti, Mardan
Tel: (92-937) 560013-4

Mirpur Azad Kashmir

Mirpur Branch
Plot # 123, Sector F/1,
Sultan Plaza, Kotli Road, Mirpur Azad Kashmir
Tel: (92-5827) 438891-3

Muzaffarabad

Madina Market Muzaffarabad A.K. Branch
Mohallah Madina Market, Muzaffarabad
Tel: (92-5822) 920457-9, 920458-60

Muzaffarabad Branch (AJK)

Secretariat Road, Sathra Muzaffarabad,
Azad Jammu & Kashmir (AJK)
Tel: (92-5822) 920458-60

Nowshera

Nowshera Branch
Shobra Hotel, G.T. Road, Nowshera Cantt.
Tel: (92-3) 613174-6



Branch Network

Peshawar

Charsada Road Branch
Property # 190, Opposite Al Hajj Market,
Mirch Mandi, Charsada Road, Peshawar
Tel: (92-91) 5270543-5

Chowk Yadgar Branch
Mohmand Plaza, Naz Cinema Road,
Peshawar City, Peshawar
Tel: (92-91) 9213950-2

G.T. Road Branch
Al-Arif House, Near Al-Amin Hotel,
GT Road, Peshawar
Tel: (92-91) 9214001-4

Gulbahar Branch
Plot # 45, New Nanak Pura Gulbahar, Peshawar
Tel: (92-91) 2603091-3

Hayatabad Township Branch
Plot # 08, Bilal Market, Sector D-1,
Phase 1, Hayatabad, Peshawar
Tel: (92-91) 5816163-5

Karkhano Market Branch
Royal Shopping Plaza, Hayatabad, Peshawar
Tel: (92-91) 5893471-4

Khyber Bazar Branch
Plot # 78, Shoba Chowk, Khyber Bazar, Peshawar
Tel: (92-91) 2564019-21

Saddar Road Branch
6 Saddar Road, Peshawar Cantt. Peshawar
Tel: (92-91) 9213471-5

University Road Branch
Khattak Plaza, University Road, Peshawar
Tel: (92-91) 5703400-2

Rawalpindi

Adyala Road Branch
Ground Floor, Daulat Plaza,
Near Dhaman Morh,
Main Adyala Road, Rawalpindi
Tel: (92-51) 5574880-2

Bahria Town Branch
Bahria Heights, Bahria Town, Phase-1, Rawalpindi
Tel: (92-51) 5730171-3

Bank Road Branch
No. 47/62, Bank Road Saddar, Rawalpindi
Tel: (92-51) 9273404-6

Bohar Bazar Branch
D-327, Hakim Muhammad Amjal Khan Road,
Bohar Bazar, Rawalpindi
Tel: (92-51) 5778875, 5778834

Chaklala Scheme III Branch
Plot # 38, Bazar Area,
Chaklala Housing Scheme No. III, Rawalpindi Cantt.
Tel: (92-51) 5766435-8

Chandni Chowk Branch
Umer Farooq Plaza, Block C, Satellite Town,
Chandni Chowk, Murree Road, Rawalpindi
Tel: (92-51) 4851046-9

G.T Road Tarnol Branch
Khan Malook, Wazir Plaza, G.T. Road, Tarnol,
Rawalpindi
Tel: (92-51) 2226406

Jinnah Road Branch
Property # 167, Commercial Area,
Mohand Pura, Jinnah Road - City Saddar Road,
Rawalpindi City
Tel: (92-51) 5778511-2

Kalma Chowk Branch
Ground Floor, Rajco Plaza, Kalma Chowk,
Kamal Abad, Rawalpindi
Tel: (92-51) 5684491-2

Muslim Town Branch
B-IV, 628-629 Chirah road,
Muslim Town, Rawalpindi
Tel: (92-51) 4476013

Peshawar Road Branch
61-A, Chour Chowk, Rawalpindi
Tel: (92-51) 5469543-4

Saidpur Road Branch
Plot # CA-294/A Chistiabad, Shabbir Plaza,
Near Siddiqui Chowk, Saidpur Road Rawalpindi
Tel: (92-51) 4416215-17

Sawabi

Sawabi Branch
Amjad Mughalbaz Khan Plaza,
Near TMA Office Mardan Road, Sawabi
Tel: (92-938) 222704-6

Swat

Mingora Branch
Makanbagh Chowk, Mingora Swat
Tel: (92-946) 714316-8

Timergara

Timergara Branch
Al-Imran Hotel G.T Road
Timergara Bazar, Timergara
Tel: (92-945) 825271-3

Wah Cantt

Wah Cantt Branch
Ground Floor, Mall View Plaza, Mall Road,
Wah Cantt
Tel: (92-51) 4530584-6

Glossary

AAOIFI

Accounting and Auditing Organization for Islamic Financial Institutions

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and a designated payment date. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is an Islamic international autonomous non-for-profit corporate body that prepares accounting, auditing, governance, ethics and Shariah standards for Islamic financial institutions and the industry.

Bai al-salam

This term refers to advance payment for goods which are to be delivered later. Normally, no sale can be effected unless the goods are in existence at the time of the bargain, but this type of sale forms an exception to the general rule, provided the goods are defined and the date of delivery is fixed. One of the conditions of this type of contract is advance payment; the parties cannot reserve their option of rescinding it but the option of revoking it on account of a defect in the subject matter is allowed.

Basel II

Basel II is the second of the Basel Committee on Bank Supervision's recommendations, and unlike the first accord, Basel I, where focus was mainly on credit risk, the purpose of Basel II was to create standards and regulations on how much capital financial institutions must put aside. Banks need to put aside capital to reduce the risks associated with their investing and lending practices.

Bills For Collection

A bill of exchange drawn by the exporter usually at a term, on an importer overseas and brought by the exporter to this bank with a request to collect the proceeds.

Breakup Value per share

The total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

CAGR

An abbreviation for Compound Annual Growth Rate.

Capital Adequacy Ratio (CAR)

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 State Bank of Pakistan.

Closed-end funds

Mutual funds with a fixed number of shares (or units). Unlike open-end funds, new shares/units in a closed-end fund are not created by managers to meet demand from investors. Instead, the shares can only be purchased (and sold) in the secondary market.

Commitment to Extend Credit

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

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 an 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.

Diminishing Musharakah

In Diminishing Musharakah, the financier and the client participate either in joint ownership of a property or equipment whereby the share of the financier is divided into a number of units and the client undertakes to purchase these units one by one periodically until he is the sole owner of the property/equipment.

Dividend

A sum of money paid by a company to its shareholders out of its profits (or reserves).

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 shares in issue.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Equity

The amount of the funds on a company's Balance Sheet contributed by the owners (the stockholders) plus the retained earnings (or minus the losses).

Financings losses and provisions

Amount set aside against identified and possible losses on loans, advances and other credit facilities as a result of their becoming partly or wholly un-collectible.

Fiscal Year

A year as reckoned for taxing or accounting purposes.



Glossary

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.

Government Securities

Government Securities shall include such types of Pak. Rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities.

Gross Dividends

The portion of profits distributed to the shareholders including the tax withheld.

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.

Hibah

Gift

Historical Cost Convention

Recording transactions at the actual value received or paid.

IAS

International Accounting Standards

IFRIC

International Financial Reporting Interpretation Committee

IFRS

International Financial Reporting Standards

Ijara/Ijarah

Letting on lease. Technically, sale of a definite usufruct in exchange for a definite reward. Commonly used for wages. It also refers to a mode of financing adopted by Islamic banks. It is an arrangement under which an Islamic bank leases equipment, a building or other facility to a client against an agreed rental.

Impairment allowances

A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

Income in suspense

Income suspended on non-performing financings.

Income Spread

Represents the difference between the average rate of income earned and the average rate of cost paid on funds.

ISO 27001

ISO/IEC 27001 formally specifies a management system that is intended to bring information security under explicit management control. Being a formal specification means that it mandates specific requirements. Organizations that claim to have adopted ISO/IEC 27001 can therefore be formally audited and certified compliant with the standard.

Istijrar

A recurring or repeat sale for continuous purchase. A master agreement between a buyer and supplier which facilitates purchasing of goods on ongoing basis (such as monthly) without explicit offer and acceptance each time; the price is fixed either upfront or concluded after a predetermined period which is subject to certain conditions.

Istisna'a / Istisna

This is a kind of sale where a commodity is transacted before it comes into existence. It means: To order a manufacturer to manufacture a specific commodity for the purchaser. If the manufacturer under takes to manufacture the goods for him with material from the manufacturer, the transaction of Istisna'a comes into existence. But it is necessary for the validity of istisna'a that the price is fixed with the consent of the parties and that necessary specification of the commodity (intended to be manufactured) is fully settled between them.

Liquid Assets

The assets which are readily convertible into cash without recourse to a court of law.

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of shares as at the year end.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Microfinance

The provision of financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client categories.

Mudharabah

An agreement between two or more persons whereby one or more of them provide finance, while the others provide entrepreneurship and management to carry on any business venture whether trade, industry or service, with the objective of earning profits. They share the profit in an agreed proportion. The loss is borne only by the financier(s) in proportion to their share in total capital.

Mudharib

A working partner; the partner who provides entrepreneurship and management in a Mudharabah agreement.

Musawamah

A sale transaction where the cost incurred for the goods being sold by the seller is not disclosed to the buyer.

Musharakah

A partnership contract where all the partners invest funds as well as work for the partnership.

Net Assets Value Per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Dividends

Dividend net of withholding tax.

Glossary

Non Performing Loans (NPL)

A financing where the client is not repaying the financier as agreed.

Non Performing Loan-Substandard Category

Where markup/interest or principal is overdue by 90 days or more from the due date.

Nostro

An accounting term used to distinguish an account held for another entity from an account another entity holds.

NPLs to Gross Advances/Loans

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

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.

Open End Fund

A regulated investment company with a pool of assets that regularly sells and redeems its shares.

Pension Fund

A fund from which pensions are paid, accumulated from contributions from employers, employees, or both.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Qardh

A loan given for a good cause in the name of Allah (SWT), in hopes of reward in the Hereafter.

Rabb al-maal

A person who invests capital in a Mudarabah.

Return on Assets (ROA)

Indicator of profitability of the business relative to the value of its assets, calculated by dividing the net profit (profit after tax) to the average total assets for the period.

Return On Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve

Reserves set aside for future distribution and investment.

Riba

Riba literally means increase, addition, expansion or growth. It is, however, not every increase, or growth, which has been prohibited by Islam. In the Shariah, Riba technically refers to the premium that must be paid without any consideration. According to the jurists of Islam this definition covers the two types of Riba, namely Riba Al Fadhl and Riba Al Naseah.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Shariah-compliant

An act or activity that complies with the requirements of the Shariah, or Islamic law. The term is often used in the Islamic banking industry as a synonym for "Islamic"—for example, Shariah-compliant financing or Shariah-compliant investment.

Shirkat al-'aqd

A partnership created through contract as opposed to co-ownership that may be the result of a joint purchase or agreement or it may result from inheritance or from some other legal situation.

Shukuk / Sukook / Sukuk

Check, certificate of debt, certificates of investment; plural of Saqq.

Subsidiary Company

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Takaful

Islamic Insurance. A scheme of mutual support that provides insurance to individuals against hazards of falling into unexpected and dire need.

Tijarah

Sale & Agency based financing facility for customers who sell finished goods on credit basis. This facility enables customers to sell their finished goods stock, meet their working capital requirements and enjoy the benefits of cash sales.

VaR

Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day.

Wakalah

Agency.

Weighted Average Cost of Deposits

Percentage of the total cost expensed on average deposits of the bank for the period.

The Company Secretary
Meezan Bank Limited
Meezan House,
C-25, Estate Avenue S.I.T.E.,
Karachi.

I/We _____ of _____ being a member(s) of Meezan Bank Limited and holder of _____ ordinary shares as per Share Register Folio No. _____ and/or CDC Investor Account No. / CDC Participant ID No. _____ and Sub Account No. _____ do hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to vote and act for me/us on my/our behalf at the 17th Annual General Meeting of Meezan Bank Ltd. to be held on Thursday, March 28, 2013 at Meezan House, C-25, Estate Avenue S.I.T.E., Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2013.

Witness:

Signature: _____

Name: _____

Address: _____

CNIC or Passport No. _____

Please affix
Rupees five
revenue
stamp

Signature of Member(s)

NOTES:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the company.

Please affix
correct
postage

The Company Secretary
Meezan Bank Limited
Meezan House, C-25,
Estate Avenue, SITE,
Karachi, Pakistan.



Meezan Bank
The Premier Islamic Bank

Head Office: Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.
PABX: (92-21) 38103500 UAN: 111-331-331 & 111-331-332
www.meezanbank.com

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