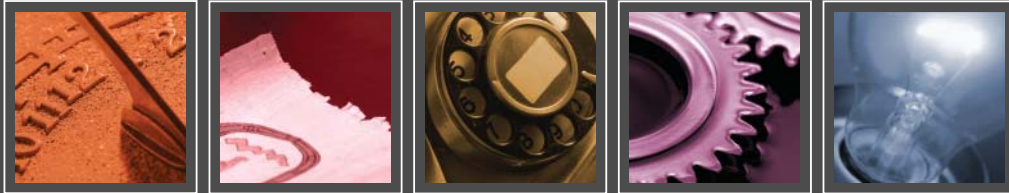


Celebrating Mankind's Achievements



Through the pages of history, man's accomplishments and inventions have changed the way we live our lives. This year, in our annual report, we have chosen to highlight five such accomplishments which have had a significant effect on our lives.

As you peruse our Annual Report, we invite you to take a quick journey through time and examine for yourself how these inventions and developments have shaped our present. It is our belief that our developments and accomplishments in Islamic Banking in Pakistan will shape the future of the Banking Industry in the same way.





Celebrating **100** Branches

Celebrating **100** Branches

The Premier Islamic Bank

Our Vision

“Establish Islamic banking as banking of first choice...”

Establish Islamic banking as banking of first choice to facilitate implementation of an equitable economic system, providing a strong foundation for establishing a fair and just society for mankind.

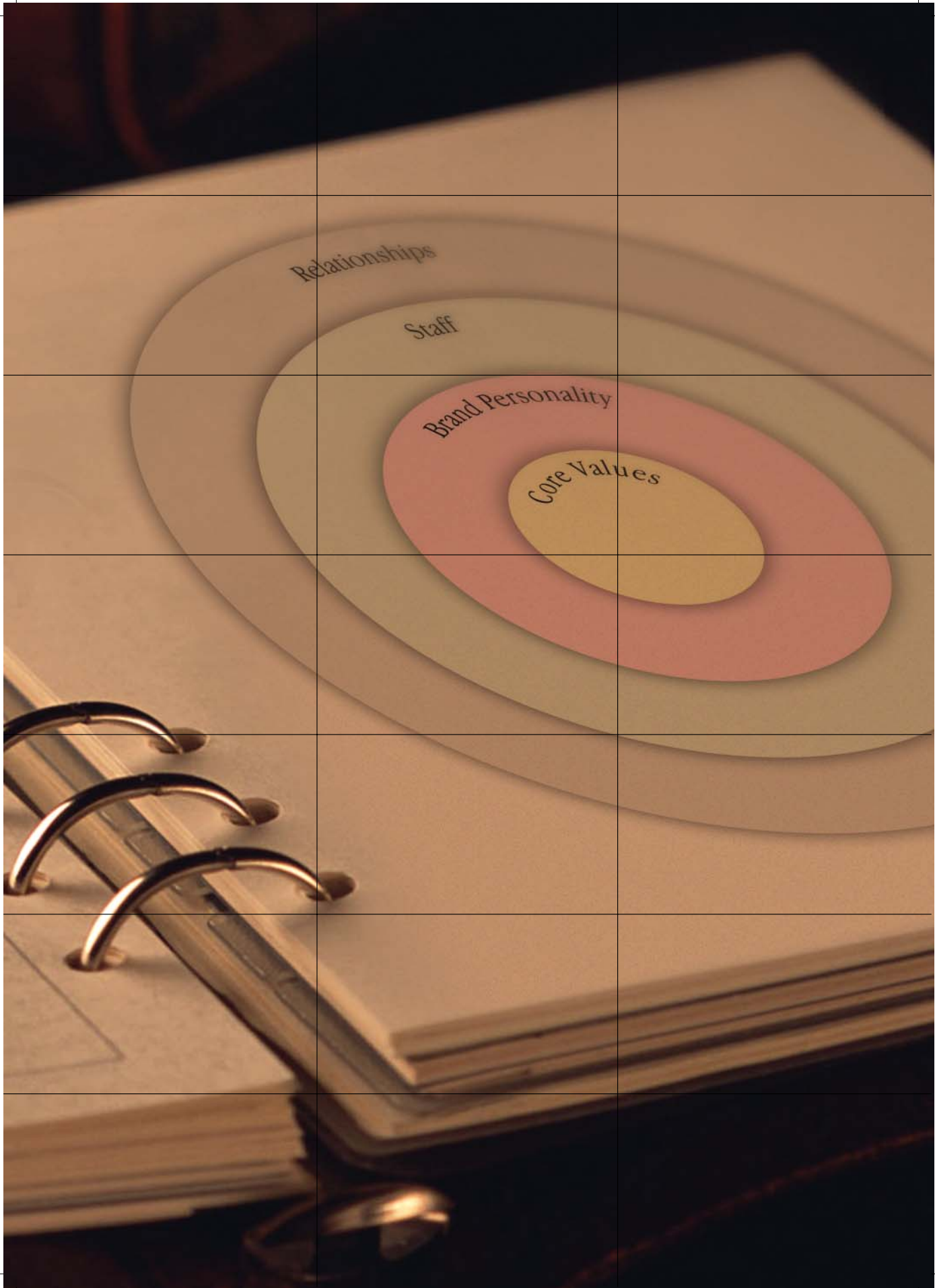
Our Mission

“To be a premier Islamic bank...”

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, while optimizing the stakeholders' value through an organizational culture based on learning, fairness, respect for individual enterprises and performances.

100 Branches in 5 Years

Alhamdulillah, we have now established 100 online branches across 31 cities nationwide. We would like to thank all our stakeholders and specially our customers in supporting our Vision to establish Islamic banking as banking of first choice in Pakistan.



Relationships

Staff

Brand Personality

Core Values

Key Corporate Values

Core Values

Shariah Compliance, Integrity, Professionalism, Service Excellence, Social Responsibility.

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.

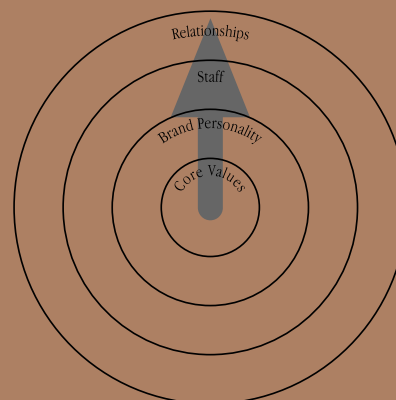
Staff

Committed, motivated, and professionally trained employees who are empathic to their customer's needs.

Relationships

Are long term with Meezan Bank. 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 endeavor to ensure that they receive efficient and timely service. The Meezan Bank experience is a unique one.

Like the movement of water in ripples, our key corporate values are concentrically interlinked. The Core Values define the brand personality, and together they define our staff. The combination of these three results in the relationships that we form.





Riba-free Banking Objectives

To provide Shariah-compliant products and services as a feasible and valuable alternative to conventional interest based finance.

To continue exploring, developing and delivering new products and services that fulfill all banking needs of our customers.

To achieve sustainable growth, maximum market share, and high profitability in all areas of banking and other affiliated Islamic financial services.

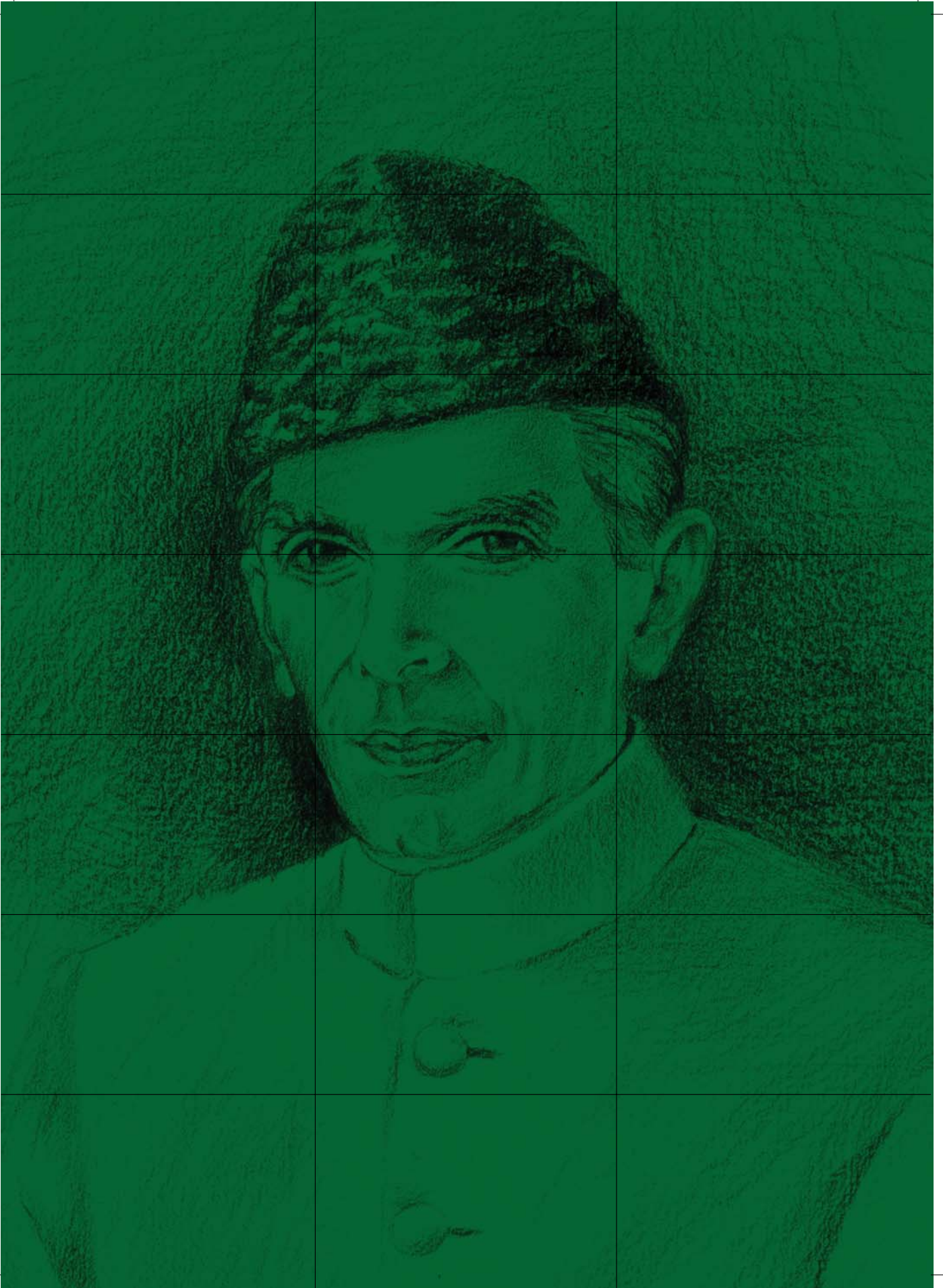
To maintain absolute world class service excellence, with a dedicated focus on value and recognition for our customers.

To build and sustain a high performance culture in accordance with Islamic values and Shariah principles.

To continuously foster an enabling and positive corporate environment, where all our employees have shared values, common goals and are motivated in maximizing their contribution towards the cause of Riba-free banking.

To effectively manage and mitigate all kinds of risks involved in the Islamic banking business.

To maximize use of state of the art technology to ensure cost effective operations, efficient management information systems, enhanced delivery capability and high service quality. To effectively manage Meezan Bank's portfolio of businesses to achieve strong and sustainable return to our depositors and shareholders.



Quaid's Concept of Islamic Banking

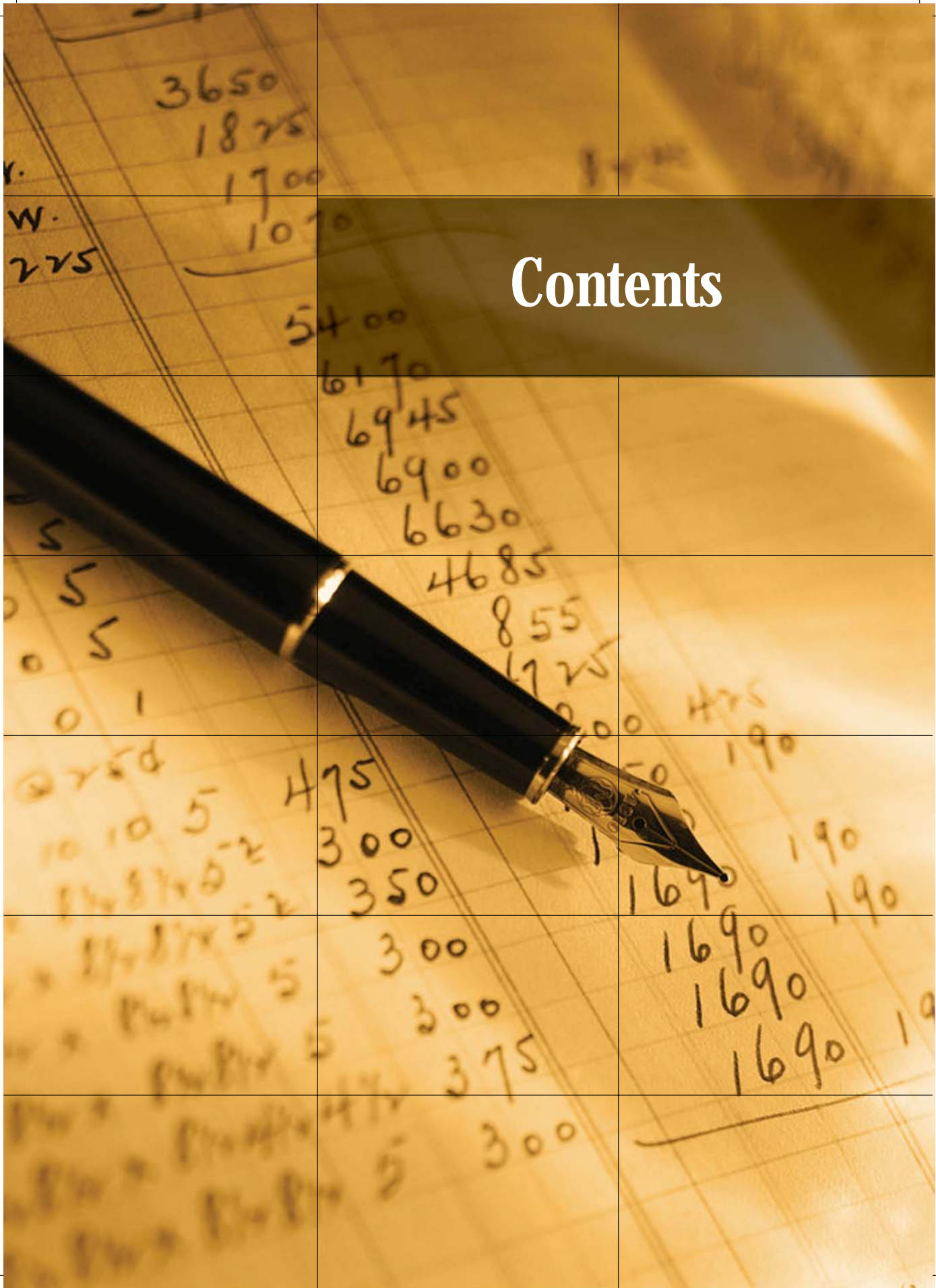
“We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice.”

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 men and 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.

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

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Key Figures at a Glance

	2007	2006	2005
Profit and Loss Account			
Total return on financings, investments and placements	4,574	2,704	1,459
Total return to depositors	2,452	1,464	690
Net Spread	2,122	1,240	769
Fee, Commission, Brokerage and Forex Income	714	418	253
Core Banking Income	2,836	1,658	1,022
Provisions against non-performing financings (net)	(436)	(123)	(39)
Other income	634	273	369
Operating expenditure	(1,765)	(1,028)	(719)
Profit before tax	1,269	780	633
Taxation	(306)	(176)	(214)
Profit after tax	963	604	419
Balance Sheet			
Total Financing Portfolio	34,576	27,031	19,741
Total Assets	67,179	46,439	30,676
Total Deposits	54,582	34,449	22,769
Share Capital	3,780	3,780	2,037
Total Shareholders Equity	5,720	4,763	3,025
Market Capitalization	14,572	7,465	4,736
Number of staff			
Number of staff	2,205	1,389	786
Number of branches	100	62	28
Ratio			
Break up Value (Rs.)	15.13	12.60	14.85
Market Value per Share (Rs.)	38.55	19.50	23.25
Cash dividend (%)	-	-	-
Stock dividend (%)	20.00	10.00	16.00
Right shares at par (%)	-	50.00	20.00
Price earning ratio	15.12	10.51	15.92
Earning per Share (Rs.)			
Earning per Share (Rs.)	2.55	1.88	1.46
Net Spread to gross return (%)	46.39	45.86	52.69
Net profit before tax to total income (%)	21.43	22.98	30.42
Net Profit after tax to total income (%)	16.27	17.80	20.15
Operating Expense to income (%)	71.21	73.40	67.71
Financing to deposit ratio-ADR (%)			
Financing to deposit ratio-ADR (%)	56.90	65.68	73.86
Capital Adequacy ratio	10.71	12.80	10.67
Return on average assets (%)	1.70	1.57	1.67
Return on average equity (%)	18.39	15.64	16.70

Rupees in millions

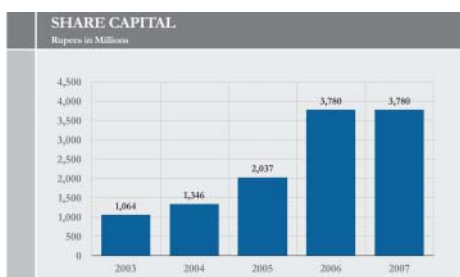
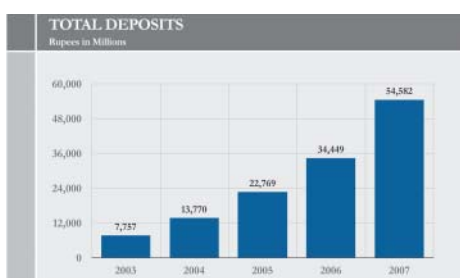
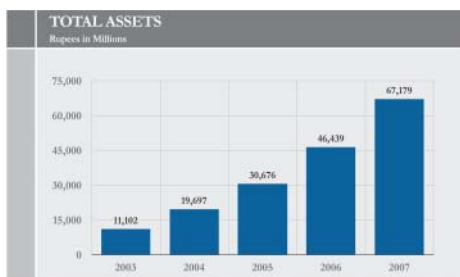
2004	2003	2002
534	376	311
250	182	192
284	193	120
128	59	78
412	252	197
(19)	16	60
238	228	210
(409)	(255)	(198)
221	241	270
3	(27)	(47)
224	214	223

12,340	7,397	3,532
19,697	11,102	6,971
13,770	7,757	5,079
1,346	1,064	1,001
2,098	1,748	1,586
2,247	1,649	1,151

511	238	159
16	10	6

15.59	16.43	15.84
16.70	15.50	11.50
-	5.00	5.00
15.00	10.00	10.00
30.00	-	-
10.02	7.71	5.16

1.67	2.01	2.23
53.15	51.45	38.41
24.56	36.33	45.15
24.94	32.26	37.24
73.36	66.05	64.98
69.97	82.61	69.22
10.00	15.62	22.99
1.46	2.37	4.95
12.16	13.74	16.66



Corporate Information

Board of Directors

H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa
Naser Abdul Mohsen Al-Marri
Irfan Siddiqui
Istaqbal Mehdi
Mohamed Abdul-Rehman Hussain
Ariful Islam
Rana Ahmed Humayun
Mohammed Azzarog Rajab
Ahmed Abdul Rahim Mohamed

Chairman
Vice Chairman
President & CEO

Shariah Supervisory Board

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

Chairman

Executive Committee

Naser Abdul Mohsen Al-Marri
Mohamed Abdul-Rehman Hussain
Irfan Siddiqui

Audit Committee

Istaqbal Mehdi
Rana Ahmed Humayun
Ahmed Abdul Rahim Mohamed

Risk Management Committee

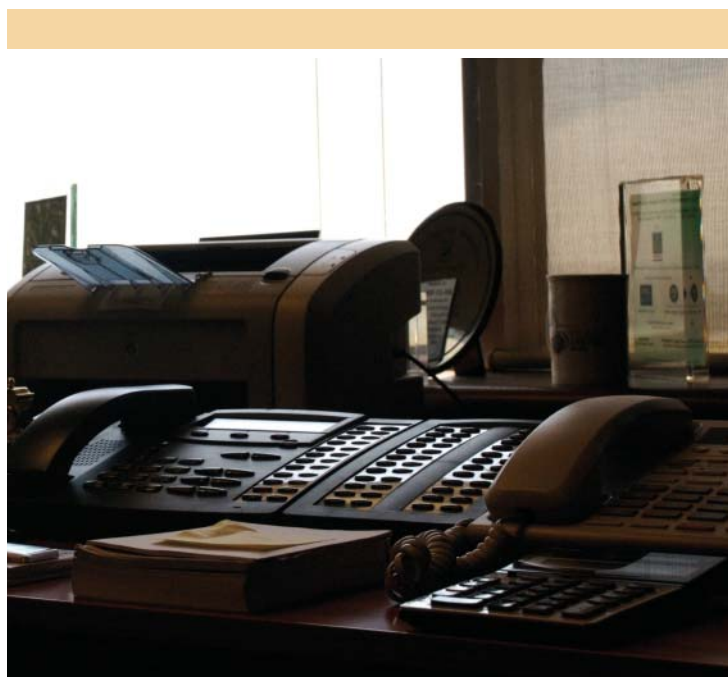
Mohamed Abdul-Rehman Hussain
Rana Ahmed Humayun
Ariful Islam

Human Resources Committee

Ahmed Abdul Rahim Mohamed
Naser Abdul Mohsen Al-Marri
Irfan Siddiqui

Company Secretary

Shabbir Hamza Khandwala



Management

Infan Siddiqui	President & CEO
Ariful Islam	Chief Operating Officer
Najmul Hassan	GM-Corporate & Business Development
Mohammad Shoaib Qureshi	GM-Commercial Banking
Shabbir Hamza Khandwala	Chief Financial Officer
Rizwan Ata	Regional Manager - Central
Abdul Ghaffar Memon	Regional Manager - South
Saleem Khan	Regional Manager – North
Arshad Majeed	Operations
Sohail Khan	Human Resources
Faiz-ur-Rehman	Information Technology
Munawar Rizvi	Branch Expansion & Administration
Zafar Ali Khan	Consumer Finance
Muhammad Abdullah Ahmed	Treasury & Financial Institutions
Saleem Wafai	Compliance
Zia-ul-Hasan	Internal Audit
Mohammad Raza	Liability Products & Service Quality
Ahmed Ali Siddiqui	Product Development & Shariah Compliance
Syed Amir Ali	Investment Banking
Omer Salimullah	Alternate Distribution Channels
Javed Ahmed Shaikh	Risk Management

Shariah Advisor

Dr. Muhammad Imran Usmani

Legal Advisor

Rizvi, Isa, Afridi & Angell

Auditors

KPMG Taseer Hadi & Co.

Registered Office

3rd Floor, PNSC Building, M.T.Khan Road, Karachi-74000, Pakistan
Ph : (9221)5610582, Fax: (9221)5610375
24/ 7 Call Centre 111-331-331, E-mail: info@meezanbank.com

Website

www.meezanbank.com

Shares Registrar

THK Associates (Pvt.) Ltd.
State Life Building –3, Dr. Ziauddin Ahmed Road
Karachi-75530, Pakistan. Ph: (9221)111-000-322, Fax: (9221)5655595

Meezan Team

Meezan Bank is managed by a team of professional bankers committed to the cause of Islamic Banking. This single unifying factor unleashes the tremendous power of a dedicated and motivated team committed to fulfilling the Vision and Mission of the Bank.

The business segments of the Bank are:

Corporate and Investment Banking

Commercial and SME

Consumer Finance

Treasury & Financial Institutions

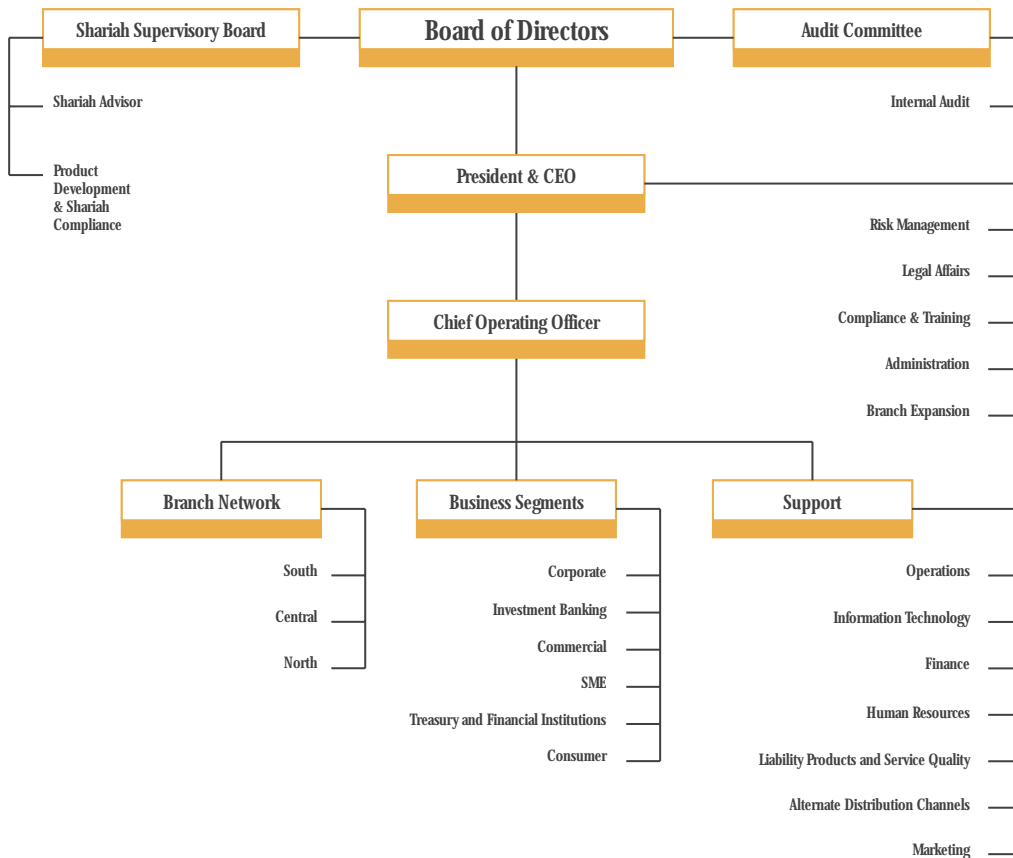
Asset Management

The Asset Management business is managed through a subsidiary Al Meezan Investment Management Limited.

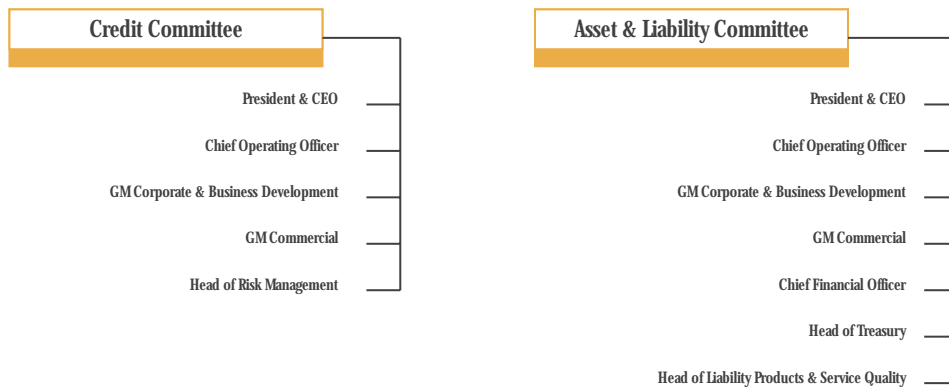
The Retail Bank is organized in three Regions across Pakistan, namely South Region which has 39 branches, Central Region with 40 branches and North Region with 21 branches.

An overview of the organization structure is shown on the next page.





Composition of Significant Management Committees



History of Riba-Free Banking in Pakistan

1947

The inception of Pakistan as the first Islamic Republic created in the name of Islam.

1980

CII presents report on the elimination of Interest genuinely considered to be the first major comprehensive work in the world undertaken on Islamic banking and finance.

1985

Commercial banks transformed their nomenclature stating all Rupee saving accounts as interest-free. However, foreign currency deposits in Pakistan and foreign loans continued as before.

1991

Procedure adopted by banks in 1985 was declared unIslamic by the Federal Shariat Court (FSC). The Government and some banks/DFIs made appeals to the Shariat Appellate Bench (SAB) of the Supreme Court of Pakistan.

1997

Al-Meezan Investment Bank is established with a mandate to pursue Islamic Banking . Mr.Irfan Siddiqui appointed as first and founding Chief Executive Officer.

1999

The Shariat Appellate Bench of the Supreme Court of Pakistan rejects the appeals and directs all laws on interest banking to cease. The government sets up a high level commission, task forces and committees to institute and promote Islamic banking on parallel basis with conventional system.

2001

The Shariah Supervisory Board is established at Al-Meezan Investment Bank led by Justice (Retd.) Muhammad Taqi Usmani as chairman. State Bank of Pakistan sets criteria for establishment of Islamic commercial banks in private sector and subsidiaries and stand-alone branches by existing commercial banks to conduct Islamic banking in the country.



2002

Meezan Bank acquires the Pakistan operations of Societe Generale and concurrently Al Meezan Investment Bank converts itself into a full fledged Islamic commercial bank. The first Islamic banking license is issued to the Bank and it is renamed Meezan Bank. President General Pervez Musharraf inaugurates the new Islamic commercial Bank at a formal ceremony in Karachi.

2003

Meezan Bank establishes itself as the pioneer of Islamic Banking in Pakistan and quickly establishes branches in all major cities of the country. A wide range of products are developed and launched consolidating the Bank's position as the premier Islamic Bank of the country.

Al Meezan Investment Management Limited (AMIM), the asset management arm of Meezan Bank, introduces Meezan Islamic Fund (MIF), the country's first open-end Islamic Mutual Fund.

2004

The State Bank establishes a dedicated Islamic Banking Department (IBD) by merging the Islamic Economics Division of the Research Department with the Islamic Banking Division of the Banking Policy Department. A Shariah Board has been appointed to regulate and approve guidelines for the emerging Islamic Banking industry.

The Government of Pakistan awards the mandate for debut of international Sukuk (Bond) offering for USD 500 million. The offering is a success and establishes a benchmark for Pakistan. Meezan Bank acts as the Shariah Structuring Advisor for this historic transaction.

2005

Meezan Bank becomes the first customer of Islamic Insurance (Takaful) by signing the first Memorandum of Understanding MoU with Pak-Kuwait Takaful Company Limited (PKTCL). The signing of this MoU has ushered Pakistan into a new era of Islamic Insurance (Takaful).

2006

A number of new dedicated Islamic Banks, namely Bank Islami and Dubai Islamic Bank, commence operations in Pakistan. Meezan continues its leadership position in the industry by more than doubling its branch network to a total of 62 branches in 21 cities, clearly establishing itself as the largest Islamic Bank of the country. Meezan Bank, becomes the first Islamic bank to introduce 8 am to 8 pm banking at select branches in Karachi.

2007

Meezan Bank creates a significant milestone in the history of Islamic Banking by opening its 100th branch in the city of Karachi. With 100 branches in 31 cities, the Bank is clearly positioned as the leading Islamic Bank in Pakistan. Two new dedicated Islamic Banks start operations in Pakistan, namely Emirates Islamic Bank and Dawood Islamic Bank.



Governor State Bank Dr. Shamshad Akhtar
with Mr. Irfan Siddiqui at the 100 branch celebration ceremony.



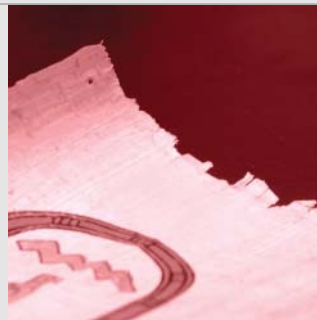
The light bulb arguably did more to change the face of the world than any other invention in history. It paved the way for other advancements that have followed ever since, including all kinds of displays such as LCDs. When we try to imagine life without a source of light other than the sun, it is immediately obvious why we have chosen the light bulb as the first of man's five achievements to which we are paying a tribute.

The invention of the wheel did more than just provide a transport related solution. Although the wheel's primary purpose is travel, one of the major subsequent uses is its industrial application, where the wheel is indispensable. Every day, machines around the world rely on cogs to keep production going. The millions of wheels across the globe, from aircraft tyres to tiny cogs are deserving of our tribute as they continue to keep the world moving.



The first word spoken on a telephone, "hello", more than tells the story of communication through time. As the word is echoed by millions of people on phones everyday, it is a standing ovation to the one piece of technology that has been the preface for a book whose chapters include the fax, cellular telephones, and the internet, to name a few. Like the bulb, the telephone was more than an independent innovation. It spawned a wave of technological advancement.

If it wasn't for the invention of papyrus, the earliest form of paper, you probably would not be holding this annual report in your hands. It is an invention that we often take for granted, but its applications are such that the world would be incomplete without it. From books to post-it notes and from tissue paper to money, many of the things we are surrounded by today owe their origin to papyrus.



As we look at our watches everyday, it is worth noting that time, like the mathematical system, has not existed forever. The origin of the concept of time is a subject of dispute, but there can be no dispute that the seconds, minutes and hours in which we measure our lives are absolutely indispensable. We often hear of the increasing value of time, and its immeasurability. It is also the concept of time which is so important, that it is hard to imagine life without it.

For us, these five achievements of man hold special significance, because we see links between them and the five foundations that form the core of Meezan Bank.

Shariah Strength

The light bulb, and the light that it spreads, is of significance when examined in view of the Islamic Shariah, and the light of knowledge and guidance it spreads.



Comprehensive Business Solutions

The wheel was a solution to many of mankind's needs. It was comprehensive in the same way that our business solutions are comprehensive in providing for our customer's needs.



Largest Branch Network

The telephone, essential to all communication, is just as indispensable for our branch network, which aims to provide seamless connectivity across Pakistan for our customers and their banking operations.



Financial Backing

Paper is one of the most important elements in the commercial world today. Without it, transactions, deeds, authorizations and business dealings are incomplete. The same way, our strong financial backing is the cornerstone of Meezan's Bank strength.



Service Quality

The concept of time is specially revered in the banking industry and timeliness of our operations determines our service quality levels. It is said that time is money - for banks, it is true in the literal sense as well.

The image features a glowing lightbulb as the central subject, set against a blue-tinted background. The lightbulb is illuminated from within, creating a bright, warm glow that contrasts with the cool blue tones. The background is overlaid with a dark grid pattern, which adds a sense of structure and design to the composition. The overall aesthetic is clean and modern, with a focus on light and illumination.

Let there be light

Shariah Strength

The members of the Shariah Board of Meezan Bank are internationally renowned scholars serving on the Boards of many Islamic banks operating in different countries.

The members of the Shariah Board are:

1. Justice (Retd.) Muhammad Taqi Usmani (Chairman)
2. Dr. Abdul Sattar Abu Ghuddah
3. Sheikh Essam M. Ishaq
4. Dr. Muhammad Imran Usmani

Justice (Retd.) Muhammad Taqi Usmani is a renowned figure in the field of Shariah, particularly Islamic Finance. He holds the position of Deputy Chairman at the Islamic Fiqh Academy, Jeddah and Chairman of the Accounting and Auditing Organization for Islamic Financial Institutions. He is the Deputy President of Jamia Darul-Uloom, Karachi. He is also a member of Shariah advisory boards of a number of financial institutions practicing Islamic Banking and Finance including Abu Dhabi Islamic Bank, Dubai Bank, European Islamic Investment Bank and Dow Jones Islamic Index. He has been teaching various subjects on Islam for 39 years. He also served as a Judge in the Shariat Appellate Bench, Supreme Court of Pakistan. Justice (Retd.) Muhammad Taqi Usmani holds an LLB from Karachi University. He completed his M.A. in Islamic Studies from Punjab University in 1970. Prior to that, he completed Alimiyyah & Takhassus course i.e. the specialization course of Islamic Fiqh and Fatwa (Islamic Jurisprudence) from Jamia Darul-Uloom, Karachi. He is also editor-in-chief of monthly Al-Balagh magazine and the author of more than 100 books in different subjects of Islam, particularly on Tafseer, Hadith, Fiqh and Islamic Finance.

Dr. Abdul Sattar Abu Ghuddah holds positions of Shariah Advisor and Director, Department of Financial Instruments at Al-Baraka Investment Co. of Saudi Arabia. He holds a Ph. D in Islamic Law from Al Azhar University Cairo, Egypt. He is an active member of Islamic Financial Institutions. Dr. Abdul Sattar teaches Fiqh, Islamic Studies and Arabic in Riyadh and has done a valuable task of researching and compiling information for the Fiqh Encyclopedia in the Ministry of Awqaf and Islamic Affairs in Kuwait. He was member of the Fatwa Board in the Ministry from 1982 to 1990.

Sheikh Essam M. Ishaq graduated in Political Science from McGill University, Montreal, Canada. Currently he is teaching Fiqh and Aqeeda courses in UAE and Bahrain at Umm Al-DarDa' Islamic Centre. He holds the position of Shariah Advisor at Discover Islam, Bahrain. He also serves as an advisor/ member of Shariah Boards in a number of Islamic banks and Islamic financial institutions.

Muhammad Imran Usmani son of Justice (Retd.) Muhammad Taqi Usmani, is a LLB, M. Phil, and Ph. D. in Islamic Finance and graduated as a scholar in Alimiyyah & Takhassus specialization courses in Islamic Fiqh and Fatwa from Jamia Darul-Uloom, Karachi. From the inception of Meezan Bank he is the in-house Shariah Advisor and Head of Product Development and Shariah Compliance department of the Bank, where he supervises training for different courses, Audit & Compliance, R&D Advisory Services for Shariah based banking. Dr. Usmani has been serving as lecturer/teacher of different subjects of Shariah and is administrator of several divisions of Jamia Darul-Uloom, Karachi since 1990. He has also been leading Friday Khudhbah and prayer in the Jamia Mosque for 18 years.

Dr. Usmani serves also as an advisor/ member of Shariah Boards of the State Bank of Pakistan, HSBC Amanah Finance, Guidance Financial Group USA, Lloyds TSB Bank UK, Japan Bank for International Cooperation (JABIC), Credit Suisse Switzerland, ABN Amro Global, Future Growth AlBarakah Equity Fund South Africa, Capitas Group USA, Bank of London and Middle East Kuwait, DCD group Dubai and other Mutual & Property Funds and international Sukuk. He is also an advisor of International Islamic Financial Markets (IIFM) Bahrain and International Center of Islamic Economics and Finance (INCIEF) Malaysia. Dr. Usmani is the author of many books related with Islamic Finance and other subject of Shariah. He has been presenting papers in many national and international seminars and has delivered lectures in various academic institutions such as Harvard, LSE, IBA, LUMS and others.



Moving the World

Comprehensive Business Solutions

Meezan Bank has one of the largest offering of Shariah driven products and services under one roof. The Bank has developed an extraordinary research and development capability by combining investment bankers, commercial bankers, Shariah scholars, legal experts and product users that has led to the introduction of many products which satisfy business needs and meets world-class service standards. Some of the products and services are:

Corporate and Commercial Banking

Murabaha
Musharakah
Diminishing Musharakah
Ijarah
Mudarabah
Istijrar
Istisna

Import & Export Facilities
Guarantees
Bill Discounting by using Dollar Salam or Murabaha
Islamic Export Refinance

Investment Banking & Shariah Advisory Services

Syndication Structuring
Privatization Mandates
Mergers & Acquisitions

Sukuk Bond Structuring
Conventional Bank Conversion Advisory Service
Islamic Banking Training

Retail Banking

Rupee Saving Account
Current Account
Dollar Saving Account
Karobari Muunafa Account
Meezan Islamic Institution Deposit Account

Certificate of Islamic Investment
Monthly Mudarabah Certificate
Dollar Mudarabah Certificate
Meezan Aamdan Certificate
Meezan Providence Certificate

Consumer Financing

Car Ijarah – Islamic Auto Finance

EasyHome – Islamic Housing Finance

24/7 Banking

ATM/Debit Card
ATM Outlets

Internet Banking
Call Center

Special Banking

Ladies Banking

8am to 8pm Banking

Meezan Bank continues to educate the market by offering various business value propositions in a transparent and open manner, in addition to addressing commonly asked questions about Islamic Banking and how it differs from the conventional system.



“Hello.”

Largest Branch Network



Alhamdulillah, Meezan Bank has established 100 branches in 31 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 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 neighborhood.

The Bank is currently segmented into three Regions of Pakistan. The cities in which the Bank presently operates are as follows:

Southern Region

Hyderabad
Karachi
Nawabshah
Quetta
Sukkur
Tando-Allah-Yar

Central Region

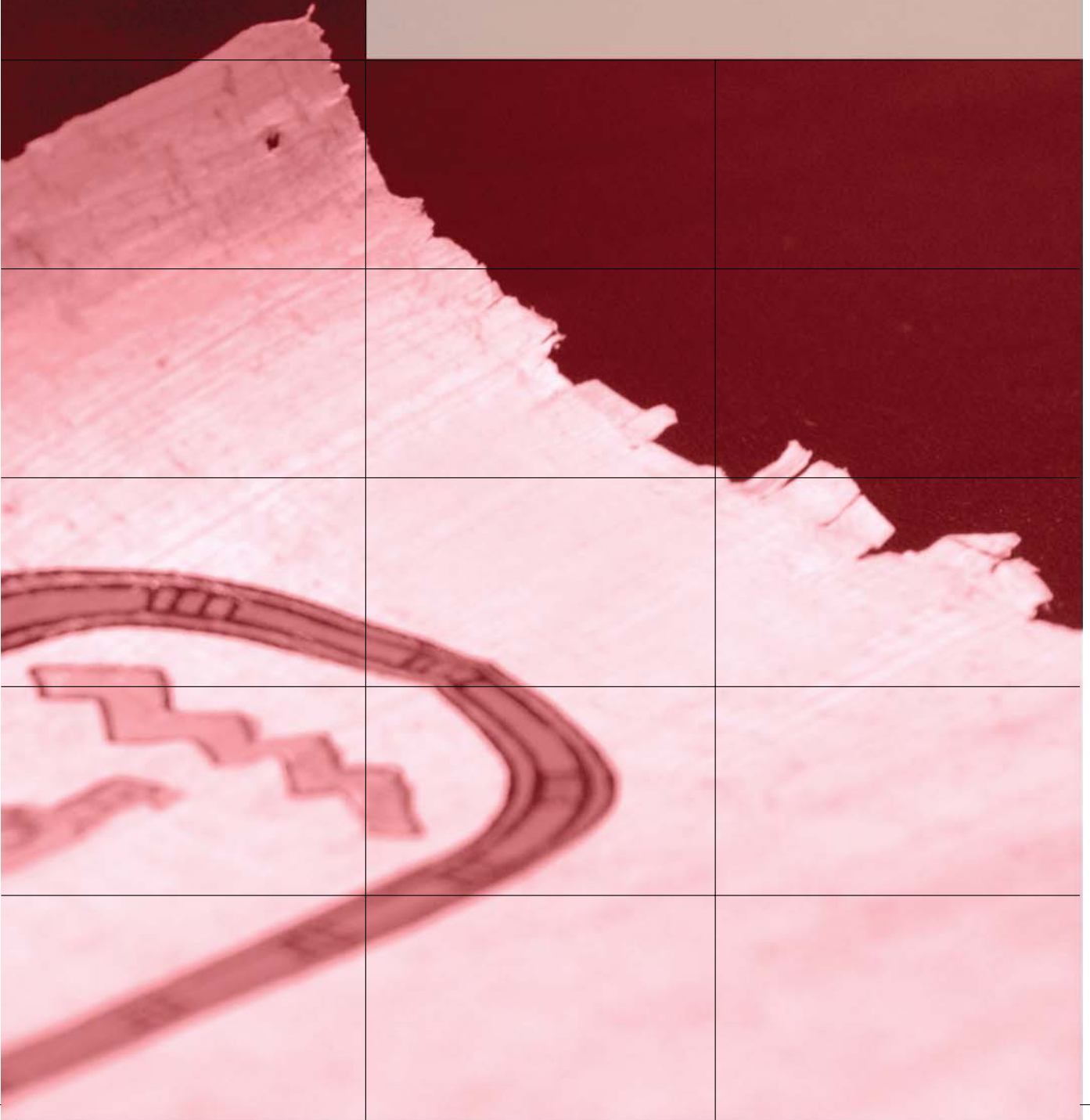
Bahawalpur
Dera Ghazi Khan
Faisalabad
Gujranwala
Kasur
Lahore
Mandi Bahauddin
Multan
Okara
Rahim Yar Khan
Sadiqabad
Sahiwal
Sargodha
Sheikhupura
Sialkot

Northern Region

Abbottabad
Dera Ismail Khan
Gujar Khan
Islamabad
Kohat
Mansehra
Mardan
Peshawar
Rawalpindi
Swat

For 2008 Meezan Bank has planned to open an additional 40 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 service. It remains the Bank's endeavor to establish solid foundations of Islamic Banking in Pakistan.

On papyrus we wrote



Financial Backing

Shareholding Structure	%	Rs. in millions
Pakistan Kuwait Investment Company (Pvt.) Limited	30	1,134
Noor Financial Investment Company	35	1,312
Shamil Bank of Bahrain B.S.C.	7	261
Islamic Development Bank	9	352
Others	19	721
Paid up Capital	<u>100</u>	<u>3,780</u>

Pakistan Kuwait Investment Company (Private) Limited (PKIC), a joint venture between the Governments of Pakistan and Kuwait, is one of the most profitable and respected financial institutions in Pakistan. It is commonly referred to as a leading example of a successful sovereign joint venture. PKIC has nurtured a diversified experience in foreign currency transactions, project finance and syndications in over 25 years of its operations in Pakistan. It is the first financial institution in Pakistan that has been rated AAA (Triple A) for medium to long term by JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Company.

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, which include advisory services, underwriting, guarantee or counter guarantee services, term financing and syndications. The company actively invests in local capital markets and also diversifies its investments through international capital markets.

Shamil Bank is a leading Islamic commercial and investment bank incorporated in the Kingdom of Bahrain. The Bank has grown steadily since 1982 to become a leading Islamic financial Institution. The bank provides a diverse range of products and services that cater to the financing and investment needs of individuals and institutions.

Shamil Bank operates a network of local branches and maintains a presence in overseas market through its subsidiary, associated and affiliated companies. The Bank is listed on the Bahrain Stock Exchange.

Islamic Development Bank (IDB) is located in Jeddah and is an international financial institution established in 1975 in pursuance of a declaration of the conference of Finance Ministers of Muslim countries to foster economic development and social progress in member (Islamic) countries. IDB has a capital base of approximately USD 5 billion and enjoys a presence in 53 member countries. The Bank participates in equity capital and grants loans for productive projects and enterprises besides providing financial assistances in other forms for economic and social development.





Valuing Time

Service Quality

Meezan Bank is committed to delivering its products and services within the highest service quality parameters. The Bank prides itself for the relentless pursuit of excellence in all spheres of its activities.

The defining values that Islam itself inculcates, are in essence the source of what service quality itself means. Honesty, complete transparency, effective delivery, fair pricing, respect and recognition for the consumer are all clear aspects of our faith and belief. As an Islamic institution, Meezan Bank considers it a prime duty to adhere to these Shariah guidelines.

The aim is to be recognized for consistently providing superior service quality to the customers.

The service mission of the Bank itself clearly defines the parameters of this goal:

“To develop committed service culture which ensures the consistent delivery of our products and services, within the highest quality service parameters, promoting Islamic values and ensuring recognition and a quality banking experience to our customers.”

Service excellence requires a special way of thinking, feeling and behaving towards customers. It is a state of mind, an attitude and a way of seeing the world that motivates our team members to give their best. It is in essence a service mindset, exemplified in every member of the Meezan Bank family.

To achieve and maintain this mindset, the Bank has a dedicated Service Quality department that is responsible to promote and implement our service mission at all levels. A Service Quality structure has been implemented throughout the Bank with dedicated staff assigned to each branch. Special attention is also being given to the training of staff and regular 'service huddles' are organized on a monthly basis to discuss service issues. Mystery Shopping is being carried out nationwide to analyze employee performance, transaction turn around time and overall perception of the Meezan Bank experience.

A centralized complaint resolution department (Customer Care Unit) deals with all customer complaints and queries.

Chairman's Review



“The 100-branch milestone represents not only the success story of Meezan Bank but also the continuing success story of Islamic Banking in Pakistan.”

Alhamdulillah,

It gives me great pleasure to present the Annual Report of Meezan Bank for the year ended December 31, 2007. This was a watershed year for Meezan Bank as it reached the coveted milestone of 100 branches and firmly established the Bank as the leading Islamic Bank in the country.

The 100-branch milestone represents not only the success story of Meezan Bank but also the continuing success story of Islamic Banking in Pakistan. Pakistan now has 6 dedicated Islamic Banks and 14 Islamic windows of conventional banks operating in the country. The sector is experiencing high double digit growth due to the strong demand for Islamic banking products and services in Pakistan.

Alhamdulillah, Meezan is well capitalized with a Tier I Capital Adequacy Ratio of 10.7% and the Board has reiterated its commitment to meet the additional capital requirements of the Bank as and when required. The total asset base increased by 45% during the year reflecting a consistent growth over the last five years. The quality of assets also remained good with one of the lowest NPL ratio in the banking industry.

The Bank is managed by a team of well-qualified and experienced professionals. I believe that this team is well positioned to achieve the Strategic Plan 2007 – 2011 that was approved by the Board in the 3rd Quarter of 2007. Meezan Bank has once again received the “Best Provider of Islamic Financial Services” award for Pakistan in 2007 by the Islamic Finance News. Meezan Bank has been the recipient of this award for the last three years and reflects the Bank’s commitment to excellence in all spheres of its business.

The earnings of the Bank has shown a healthy increase of 63% with profit before tax increasing from Rs. 780 million to Rs. 1,269 million. Accordingly EPS also increased from Rs. 1.88 to Rs. 2.55 and the market price of the Bank’s shares more than doubled, reflecting strong investor confidence in the Bank’s future.

The liquidity of the Bank remained healthy with an ADR of 57%. The Bank has gradually reduced its ADR from 66% at the start of the year to this level and maintained a cautious approach to increasing its financing portfolio.

Meezan Bank has also been awarded second prize for the best corporate report in the financial sector. This prestigious award is jointly organized by the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) and is awarded on the basis of the quality and transparency of disclosures and information provided to investors. This is a coveted award and reflects the high degree of professionalism that exists in Meezan Bank. It is a testimony to Meezan Bank’s commitment to strict adherence to the Code of Corporate Governance and transparency in all its policies. This is the first time that an Islamic Bank has been awarded this prize.

Meezan Bank strives to ensure that it keeps up-to-date with the latest advances in technology and is investing heavily to achieve this objective. In addition to its focus on technology, Meezan Bank is dedicated to providing quality service to its customers. As a result particular attention is being given to maintaining and improving the level of ‘service quality’ within the Bank. A dedicated Service Quality department now works closely with all front-line units to ensure that this remains a high priority for the Bank.

As always we would like to express gratitude to the State Bank of Pakistan, Ministry of Finance and the Government of Pakistan for their continuous commitment to establish a viable Islamic financial system in the country. I would also like to thank our shareholders, fellow Board Members, members of the Shariah Supervisory Board and the Bank’s staff for their unrelenting mission in making Meezan Bank the premier and fastest growing Islamic Bank of Pakistan.

May Allah grant us success in our endeavors.



Ebrahim Bin Khalifa Al-Khalifa
Chairman

February 22, 2008.

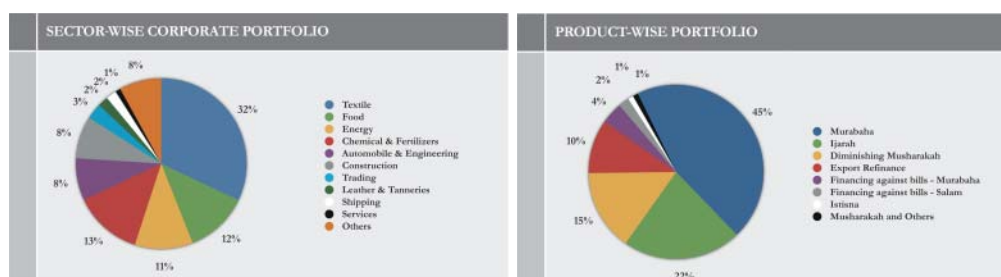
Business and Operations Review

Business Review

Alhamdulillah, Meezan Bank has demonstrated excellent performance in each one of its business segments during the year 2007. This review focuses on performance of the Bank's main business segments namely, Corporate and Investment Banking, Commercial Banking and SME, Consumer Finance, Treasury and Financial Institutions and Asset Management.

Corporate and Investment Banking (CIB)

The CIB department of Meezan Bank has demonstrated strong growth without compromising on credit quality. Total financing portfolio of the corporate business increased by over 50 % to Rs 27.9 billion with the addition of good quality names and deepening of existing relationships. The break-up of the portfolio by sector and by product is shown below:





The success has been a result of increased and strengthened relationships with a broad range of corporate clients by providing them a wide spectrum of Shariah compliant financial solutions to meet diverse financing needs.


During the year the department introduced Istisna financing for the very first time in the history of Islamic banking to cater the working capital needs of customers thus making Meezan Bank the first again in introducing innovative Shariah compliant products.

Investment Banking (IB) has recently been segregated and is now operating as an independent unit. During the year, IB has been involved as lead, joint or co-lead manager in major Islamic investment banking transactions totaling to Rs. 53 billion and has booked assets (mainly Sukuks) amounting to Rs 6.4 billion during the year.

A few of the notable transactions of the bank during the year are as follows:

- Lead, managed and structured the biggest Islamic Financing transaction worth Rs 11.966 billion (Sukuk Issue) for Liberty Power Tech. Limited to finance its power project.
- Lead, managed and structured a Shariah compliant financing facility of Rs 9.185 billion for Dawood Hercules Chemicals Limited to facilitate the conversion of its conventional debt to Islamic financing.
- Co-Arranged and Structured Rs 8.58 billion Syndicate financing facility for Attock Gen Limited to finance its power plant.
- Structured Rs 8 billion Sukuk Issue for Maple Leaf Cement Factory Limited.
- Co-Arranged Rs 8 billion Reserve eligible Sukuk Issue for Water and Power Development Authority.
- Lead managed Rs 3 billion Sukuk Issue for Engro Chemicals Pakistan Limited.
- Lead managed Rs 2 billion Sukuk Issue for Sui Southern Gas Limited.

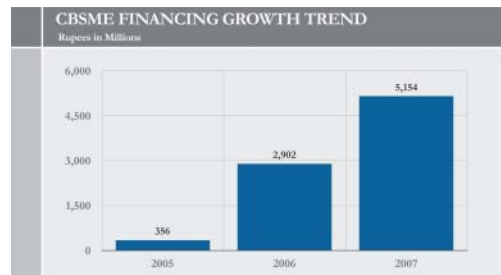
September 2007
Dawood Hercules Chemicals Limited

 Privately Placed Sukuk Issue
 PKR 9,185 million
 Lead Advisor & Arranger
 Shariah Structuring Advisor


December 2007
Liberty Power Tech Limited
 Rated, Privately Placed
 Sukuk Issue
 PKR 11,966 million
 Co-Arranger
 Shariah Structuring Advisor


IB's focus for next year will be to strengthen its profile in the industry by continuing to lead and arrange big ticket transactions and provide financial advisory services to customers.

Commercial Banking and SME (CBSME)

The CBSME department targets the 'middle-market' segment of the business community and represents a fast growing and lucrative market for Meezan Bank. The total financing portfolio grew by 78% in 2007 to Rs.5.154 billion and has targets to cross Rs.8.0 billion in 2008, Inshallah.



The portfolio has been organized into two distinct segments i.e. Commercial Banking and Small & Medium Enterprises.

Commercial Banking Department (CBD)

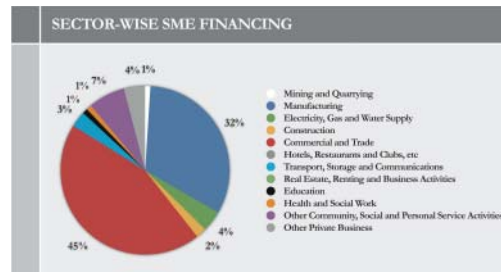
CBD came into existence in the last quarter of 2005. The CBD is responsible for business generation focused primarily on middle market customers, which include a diverse group of industries, traders, importers, exporters, distributors, etc. CBD deals with customers with a sales turnover of less than Rs. 600 million but more than Rs. 300 million and total exposure of upto Rs. 100 million.

Small & Medium Enterprises Department (SMED)

SMED caters to a very important segment of the market and works under the aegis of CBSME to facilitate the development of the economy at the grass roots level. Customers have access to a wide range of financing solutions through the extensive branch network of the Bank, currently present in 31 cities. This is in keeping with Meezan Bank's vision of promoting a just and equitable economic system as the premier Islamic Bank of the country.

The unit targets customers with sales turnover upto Rs. 300 million with financing requirement upto Rs. 75 million. The SME Financing portfolio grew by 46% in 2007 to Rs. 3.840 billion.

SMED Financing portfolio is consists of diverse group of industries, traders, importers, exporters, distributors, etc. out of which a major share of 45% is extended to traders and small businesses and 32% to manufacturing concerns.



Consumer Finance (CF)

Meezan Bank's CF business contributed positively towards the overall growth of the Bank. With pioneering and prime mover initiatives in both Auto and Housing Finance, the division has now established sound business infrastructures, penetrated key market segments, and built recognizable brand identities in not only the Islamic but overall banking arena. With the proliferation of the market as a whole through new entrants, the aggressive growth of Islamic banking and the burgeoning demand for consumer solutions, Meezan Bank is now focused on maintaining its market share, product innovation and above all profitable growth.

The division consolidated its position in the industry with impressive growth in the consumer asset financing segments in which it operates, namely Car Ijarah (Auto leasing) and Easy Home (Islamic Housing Finance). In the short span of a few years, Meezan Bank's consumer business has achieved approximately 3% market share in Auto finance and almost 4% in Housing finance with high quality portfolios evidencing excellent risk parameters and low incidence of over-dues.

Market Share

	Car Ijarah	Easy Home
Total Finance Market (Conventional and Islamic)	Rs. 139 billion	Rs. 85 billion
No. of Market Players (Conventional and Islamic)	35	22
Meezan Bank Portfolio	Rs. 4.1 billion	Rs. 3.2 billion
Meezan Bank Share	2.9%	3.8%
Islamic Finance Market	Rs. 16 billion	Rs. 11 billion
Meezan Bank Share	26%	29%

Meezan Car Ijarah

Your Dream Car should be a Riba Free Car

The First Islamic Car Finance in Pakistan

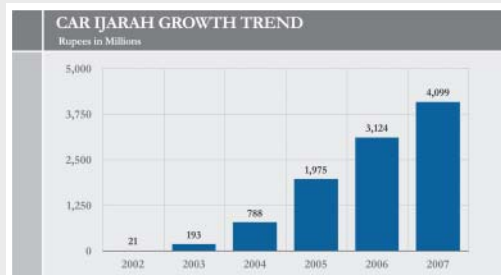
- Low monthly rental
- Rental paid after delivery, not in advance
- Fastest processing and delivery
- Trucker option available
- Security deposit as low as 5%
- All new, used, local, imported and leased vehicles can be financed

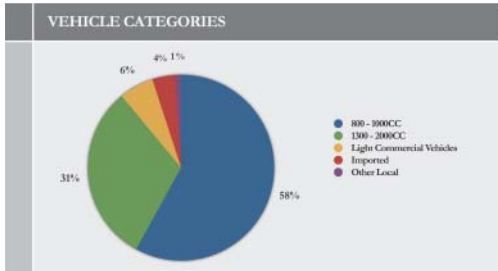
Meezan Bank
The Pioneer House Bank

www.meezanbank.com 24/7 Call Centre: 111-331-331

Car Ijarah

The Bank's Car Ijarah or leasing product is now more than four years old and stands at Rs. 4.1 billion and includes over 10,000 active vehicle contracts, inclusive of new and used cars. Growth has been steady during this period, within dynamic and often uncertain economic conditions.



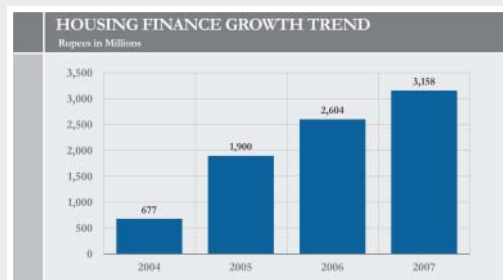


Healthy portfolio management and risk diversification is evident across the portfolio, with 55% of the portfolio resting in the 3 year tenor, 18% in 4 years and 27% in 5 years. Furthermore, 58% of financing is in the 800 – 1000cc category, the majority of stable middle market consumer credit, with light commercial vehicles and imported units at 6% and 4% respectively. About 35% of acquisition comes from Karachi, with the remainder spread over numerous urban centers across the country. The business also maintains an auto dealership network presently sized at almost 250 across Pakistan. Stringent underwriting criteria is evidenced through the low percentage of non-performing contracts that currently stand at 1.3% of the total portfolio.

Easy Home

As the nation's first Islamic Housing Finance facility, Meezan Bank's EasyHome completed its 4th year in December 2007. The product is based on the concept of Diminishing Musharakah and currently offers a number of variations to suit different customer needs with options for buying, building or renovating a home, as well as replacing an existing mortgage. Customers may also choose from a number of payment variations to suit individual budgets.

Portfolio ENR (ending net receivable) increased by 21% during the year and currently stands at Rs. 3,158 million representing 1,236 customers across Pakistan.



The portfolio is well diversified between the key targeted segments of salaried, business and self-employed professionals, while also evidencing critical risk parameter health through a strong bank vs. client investment ratio (BIR) of 59% as well as a very desirous debt burden ratio (DBR) of 38%.

Key Portfolio Statistics

Segment	%	No. of accounts	Avg. Size (Rs.)
Salaried	37%	730	1.6 million
Business	58%	453	4.0 million
SEP	5%	53	3.1 million
		1,236	

Category	%	No. of accounts
Buy	83%	1004
Build	14%	186
Renovate & Replace	3%	46
		1,236

Portfolio credit quality highlights very strong risk management foundations, with an overall NPL of 1.57%.

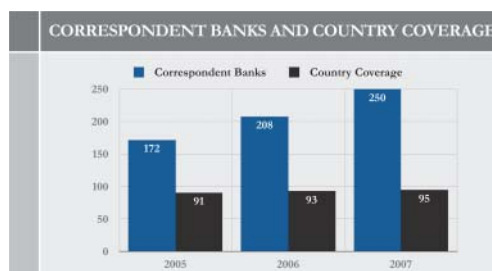
Treasury and Financial Institutions (TFI)

Alhamdulillah, the strong growth in deposits resulted in substantial surplus liquidity being available with the Treasury and despite the dearth of investment avenues currently available to Islamic Banks, the department managed to successfully deploy surplus funds both in domestic as well as in international markets through investments in local and offshore sovereign Sukuks e.g. Wapda Sukuk, Dubai Sukuk, Qatar Sukuk etc.

Going forward, we look forward to the launch of a short-term Shariah-compliant Islamic instrument (the Islamic equivalent to Government Treasury Bills), which will go a long way in bringing Islamic banks at par with their conventional counterparts, and therefore enable Islamic Banks to manage their Statutory Liquidity Requirements. Short-term Islamic instruments also help Islamic institutions in managing liquidity, and work is being undertaken to develop a suitable Shariah-compliant alternative. We urge the Ministry of Finance, GOP to expedite this long outstanding requirement of Islamic Banks.

In the foreign exchange market, Meezan Bank continued to be a major player, progressing from being a price taker to a market maker. Average number of FX transactions per day increased from 125 to 250. Interbank deals comprised 10% of this, while the remaining was attributed to corporate treasury transactions. The corporate treasury desk also performed very well during the year and was able to capture trade finance and remittance business of over USD 300 million. Due to competitive pricing by treasury, trade finance business increased manifold; with outstanding sight and usance bill purchase increasing from Rs. 300 million to Rs. 1 billion. As part of the Bank's on-going knowledge building exercise, various treasury workshops and seminars were conducted for corporate customers during the year.

During the year 2007, Financial Institutions (FI) unit focused on improving the efficiency of trade business conducted with numerous counterparts worldwide. This was achieved through systematic routing of business by branches through designated correspondent accounts. Number of Letters of Credit routed through correspondents increased from an average of 250 per month to 400 per month. This resulted in increased revenues for the Bank. The number of correspondent banks increased by 23% over the previous year and several foreign banks extended confirmation lines to Meezan Bank. The extensive coverage of 250 plus correspondents allows Meezan Bank to provide a comprehensive network for customers to conduct trade finance business. Nostro accounts rationalization process was conducted successfully, resulting in dormant accounts paving the way for ones offering value-added services.





Al Meezan Investment Management Ltd.

Asset Management

With the regular entrance of new Asset Management Companies, the Mutual Fund Industry is growing rapidly in Pakistan and the total size of assets under management has increased from Rs. 171 billion in December 2006 to over Rs. 350 billion in December 2007 depicting 105% annual growth.

The asset management business of Meezan Bank is managed by its subsidiary, Al Meezan Investment Management Limited (Al Meezan Investments). The company has been in operation since 1995 and has one of the longest track records of managing mutual funds in the private sector in Pakistan. It is also the only asset management company with a sole mandate of providing Shariah compliant investment solutions in the country. It is professionally managed by a team headed by Mr. Mohammad Shoaib, CFA, who is also the President of CFA Association of Pakistan, a member society of CFA Institute, USA. Al Meezan Investments is the first asset management firm in Pakistan that has voluntarily adopted the CFA Institute's "Asset Manager Code of Professional Conduct", which outlines the ethical and professional responsibilities of firms that manage client funds. The total size of the funds under management of Al Meezan Investments as at December 31, 2007 was over Rs. 16.7 billion as compared to Rs. 8.3 billion at the corresponding date last year depicting 101% annual growth.

Al Meezan Investments is presently managing five funds i.e. Al Meezan Mutual Fund Limited (AMMF), a closed end equity fund; Meezan Islamic Fund (MIF), an open-end equity fund; Meezan Balanced Fund (MBF), a closed end balanced fund; Meezan Islamic Income Fund (MIIF), Pakistan's first Shariah compliant open end income fund and Meezan Tahaffuz Pension Fund (MTPF), a voluntary pension fund. In continuation with our endeavor to provide Shariah compliant investment solutions, very soon Al Meezan Investments is launching yet another specialized product Meezan Capital Protected Fund-1 (MCPF-1). MCPF-1 would provide an investment opportunity to investors who desire protection of their capital and are willing to invest for relatively longer periods and want to get benefit of any gain from investment made by the fund in the stock market. In addition, the company also manages segregated private portfolios for some corporate clients.

The Product Development and Shariah Compliance team of Meezan Bank also monitors the operations of Al Meezan Investments and ensures the compliance of funds according to Shariah guidelines. The growth of total funds under management of Al Meezan Investments along with the composition as at December 2007 is shown in the following:



Credit Ratings

All funds of Al Meezan Investments with a minimum one year track record have 5-Star rating which is the highest possible rating and denotes superior performance relative to its peers. Al Meezan Investments has been awarded management quality rating of AM-2 by JCR-VIS which is again one of the highest ratings in the asset management industry in Pakistan.



Al Meezan Mutual Fund (AMMF) was the first fund launched by Al Meezan Investments (in 1996) and is one of the oldest mutual funds in the private sector. It is a closed end equity fund investing in Shariah compliant listed equity instruments. It has an impressive dividend payment track record and has paid over Rs. 1,118 million in dividends to its investors since inception. The fund's average annual return since inception has been 27.55% p.a.



Meezan Balanced Fund (MBF) is Pakistan's only Shariah compliant balanced fund that invests between 50% and 60% of its net assets in Shariah compliant listed equities while the remaining assets are deployed in Shariah compliant income instruments. MBF is a closed end fund that was launched in December 2004 and since then it has distributed Rs. 552 million as cash dividend amongst its investors.



Meezan Islamic Fund (MIF) is the flagship open end equity fund of Al Meezan Investments. It primarily invests in Shariah compliant listed equity instruments. The fund was launched in August 2003 and since then has grown to a size of over Rs. 4.6 billion. MIF is not only the largest Shariah compliant fund in Pakistan but as at December 31, 2007, it was also the largest open-end equity fund in the private sector.



Meezan Islamic Income Fund (MIIF) was launched in December 2006 and has received tremendous response from investors. The fund's net assets have crossed Rs 6.8 billion. MIIF is an open-end fund that invests in Shariah compliant income instruments including Sukuks, Musharakah Certificates, Modaraba Placements and other Shariah compliant income instruments. The fund's annualized return since inception on completion of one year has been 9.4%.

Meezan Tahaffuz Pension Fund (MTPF) was launched in June 2007 as Pakistan's first Shariah compliant pension fund. In this fund individuals make contributions during their working life which are invested in various Shariah compliant instruments belonging to different asset-classes. This fund provides the individuals a steady stream of income after retirement.

Operations Review



We wish to reiterate the commitment to all key stakeholders that Meezan Bank is committed to the cause of Islamic Banking and all transactions undertaken by the Bank are in accordance with the directives of its Shariah Advisor and the Shariah Supervisory Board. It is the job of all support units to ensure Shariah Compliance. These comprise of the following:

Product Development and Shariah Compliance (PDSC)

The PDSC department, as the name implies, supports the activities of the Bank in product development and Shariah compliance. PDSC works directly under the supervision of the Bank's Shariah Advisor – Dr. Muhammad Imran Usmani to ensure strict Shariah Compliance in all the operations of Meezan Bank.

The role of the department includes inter-alia; refining existing products and procedures, providing Islamic Banking training to new and existing staff, conducting regular Shariah Audit and reviews of branches and departments, coordinating with Bank's Shariah Board and providing Islamic Banking Advisory Services to both local and foreign financial institutions.

Product Development and Research: In the area of Product Development, several new initiatives were taken to develop new and innovative value-added solutions fulfilling the needs of the customers in a Shariah compliant manner. New initiatives included an Istisna based financing product tailor-made to fulfill the working capital needs of manufacturing concerns. In addition, a new concept was also developed to fulfill the working capital requirements of traders, exporters and manufacturing concerns by the name of Meezan Tjariah. In the area of structured financing, the product development efforts were increased in the area of Islamic Capital Markets with the development of various new Shariah compliant Sukuk structures for companies including Dawood Hercules, Attock Gen Limited and Maple Leaf Cement Factory Limited. At present the PDSC research wing is focusing on the development of Islamic Microfinance products, Islamic Education financing for consumers as well as on finalization of Running Musharakah - a Shariah compliant alternative for running finance and Islamic agriculture finance products.

Training: The exponential growth in the branch network during the year required a rigorous Islamic Banking training program for new employees. To fulfill this need the PDSC's Islamic Banking training plan focused on specialized training sessions related to specific Shariah compliant products and Islamic modes of financing. A total of approximately 33 Islamic Banking training sessions were held during the year in which around 1250 employees participated. The 2nd Batch of Islamic Banker Certification (IBC) programs were successfully completed under a 4-month certification program. Moreover, the Bank has also supported other institutes in Pakistan and abroad including NIBAF, IBP and Islamic Advisory Group UAE in conducting Islamic banking training sessions.

Shariah Compliance and Audit: To ensure strict Shariah compliance in implementation of Islamic banking products, PDSC was involved in active monitoring of various bank activities throughout the year including the review of financing cases and development of various industry specific progress flows for Murabaha, Ijarah, Diminishing Musharakah and Istisna transactions. PDSC also conducted Shariah audits on a random basis at various branches.

Product Development and Shariah Technical Advisory: The PDSC department has also taken the lead in providing Product Development Advisory services to different financial institutions interested in offering Islamic Banking products and services around the world. The main objective of Meezan Bank's Advisory function is to help financial institutions develop Islamic Banking products and services by sharing our experience, research and success stories. In the area of product advisory, PDSC successfully advised and structured a Shariah compliant commercial real estate financing solutions offered in the United States, being the first of its kind. During the year, PDSC also advised Al-Meezan Investment Management Limited for the launch of Meezan Tahaffuz Pension Fund and Meezan Capital Protected Fund.

In an effort to grow the Islamic Banking industry and support entities offering Shariah compliant products and Meezan Bank has decided to share its knowledge base. Accordingly, the Bank also entered into 'Shariah Technical Services and Support' agreements with various Financial Institutions including National Fullerton Asset Management Company (NAFA) and KASB Funds for launch of Islamic mutual funds in the country. Several advisory projects are also in the pipeline.

Operations and Trade Finance

The Operations department is responsible for complete back office processing of transactions of the Bank. The primary objective of the Operations department is to ensure that all transactions are accurately processed in line with the SLAs (Service Level Agreement) agreed with respective departments.

With the growth of a large branch network, the Bank focused on capacity building to ensure that systems, procedures and policies are put into place to allow secure transaction processing and service delivery. Particular attention is also being given to improve controls and the department is continually mapping all processes with a view to implementing processes that increasing efficiency and reduce gaps in internal controls.

The Business Continuity Planning unit was put to test in 2007 with two major fire incidents at the PNSC building where the Head Office of the Bank is located. Alhamdulillah, no disruptions occurred in banking operations at any level during this unfortunate emergency. We are also happy to report that there was no loss of life or any injuries resulting from this fire.

One of the initiatives taken was to introduce for the first time in Pakistan the concept of 'Ladies Banking' that offers dedicated Banking section for ladies at select branches.

The Trade Finance unit also experienced a significant increase in the volume of import and export business handled from Rs. 50 billion to Rs. 70 billion. The department also manages the unique Islamic Export Refinance facility offered by the SBP for exporters for certain stipulated types of export goods.

Information Technology (IT)

The IT department's key objective is to ensure that Meezan Bank remains abreast of latest developments in technology and has a clear IT road-map aimed at empowering our business groups to introduce new products and services, enforce stringent operational controls and enable IT to be more ergonomically customer-focused and customer-friendly. One of the major initiatives taken during the year was the decision to implement a new state-of-the-art core banking application. After an exhaustive selection process the Bank selected T-24 the software developed by a world class provider of core banking applications, Temenos. Temenos, is a Swiss company with operations around the world and serving more that 400 financial institutions around the globe.

As the Bank's branch network is expanding at a fast pace it is critical for IT to ensure that the technology back-bone of the Bank remains strong and cost effective so as to cope up with the changing business environment.

In addition to the implementation of the new core banking system a few initiatives undertaken by the Bank include:

Connectivity

Since all branches provide real-time on-line banking services to customers, the Wide Area Network of the Bank provides a critical role in ensuring quality of service. The Bank is currently using a combination of many solutions for its branch connectivity and plans are underway to further improve by introducing high-speed and reliable data transfer technologies like Metro fiber and WiMax. A dark fiber based dedicated link is also planned between the bank's primary site and disaster recovery site so as to ensure the continuity of operations in case of any calamity. We have also put in place a system which proactively monitors all links and networking devices.

I.T Security

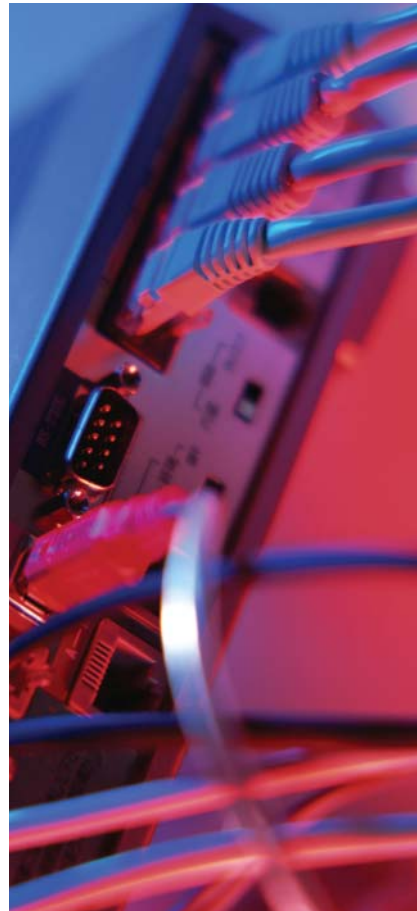
In order to safeguard the Bank's and its customers' financial details, the highest level of IT security has been deployed in numerous forms. Software and Hardware Firewalls are used and annual network penetration testing is conducted to restrain any unwanted and harmful elements from entering the Bank's network and to further strengthen the security. We are also exploring automated tools to protect the Bank assets and keep an eye on implemented IT policies.

Quality Assurance

Establishing standards and procedures for software development is critical, since these provide the framework from which the software evolves. Standards are the established criteria to which the software products are compared. Procedures are the established criteria to which the development and control processes are compared. To ensure their existence and adequacy this year we plan to empower our team by setting up a separate Quality Assurance unit within the IT division.

Hot Disaster Recovery (DR) Site

In order to ensure that the Bank is able to continue servicing its customers in the face of any contingency, work has begun on putting into a place a 'hot' DR site. A 'hot' DR site provides complete redundancy for all systems so as to ensure that the operations of the Bank can continue uninterrupted in the event of any disaster at the Bank primary data centre.



Alternate Distribution Channels (ADC)

The ADC department provides our customers the tools with which they can monitor their accounts 24 hours a day, 7 days a week. Through extensive ATM network, our convenient debit card, the always-accessible call center and our secure Internet banking facility, customers stay connected to their accounts at all time.

Meezan Bank offers a wide network of ATMs located at its branches as well as prominent off-site locations. From 29 ATMs in 2006 to 72 ATMs in 2007, our ATM network has grown exponentially. Meezan Bank Limited is also part of the 1-Link and M-Net network and this allows our customers to access more than 2000 ATMs countrywide.

Accepted at most prominent outlets across Pakistan, the Meezan Bank Debit Card offers safety, convenience and control on spending 24 hours a day, seven days a week. And unlike credit cards, there are no monthly bills, no service charges and no late payment fees. We are also happy to report that Visa International has approved Meezan Bank's membership application to become a part of their worldwide network. Impelmentation of systems and processes are underway that will soon allow our customers to use their Meezan Bank ATM/ Visa Debit Card at 24 million outlets and 1 million ATMs worldwide. The Meezan Bank 24/7 Call Center offers personalized self-service and dedicated phone bankers catering to all customer banking needs 24 hours a day, all year round, even on Sundays and holidays. By simply dialing 111-331-331 our customers get access to a wide range of Tele-banking solutions and personalized banking services including answers to questions on Islamic Banking. Meezan Internet Banking is the smarter way to bank, providing our customers global access to their account(s). With Meezan Internet Banking, customers can get secure and convenient access to view account statements, request a pay order or cheque book or change contact details.

The ADC department plays a critical role in ensuring customer convenience with the use of technology which in turn supports our key corporate values on service excellence.

Human Resources (HR)

Meezan Bank believes that its 2205 employees are its greatest strength and are the reason behind its growth and success. The changing customer needs and rapid advances in technology are continually re-defining the lines of innovation and competition, thereby providing us with new challenges and opportunities. To meet these challenges, we have relied extensively on our human capital. Building a professionally strong team with a commitment to Islamic Shariah has been the strategy that has developed the strong human resource base and has carried Meezan Bank to its leadership position in the Islamic Banking industry in Pakistan.

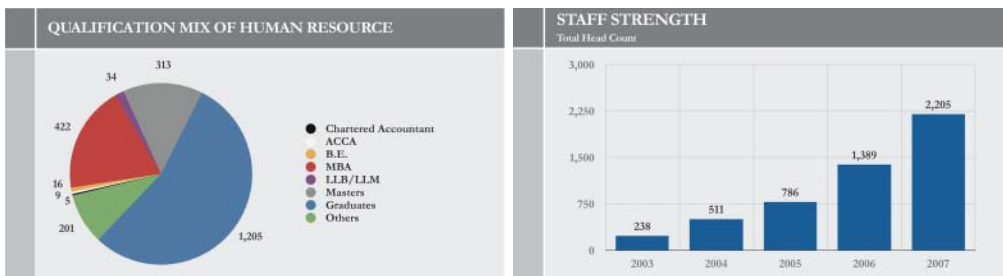
The growing Meezan Bank team necessitated focus on retention and grooming of staff. At the same time, building the requisite team, both at the branches and at the Head Office, to support and sustain the exponential growth in our branch network has been a key challenge. By the grace of Allah, HR has been successful in building the requisite team base with the right professional background, experience and commitment to carry Islamic Banking to the next level in the country.



The Trainee Officers program launched in 2006 wherein the bank takes on board fresh Masters-level graduates through a rigorous selection process and provides them six months intensive classroom and on-job training, has continued this year with the induction of 98 Trainee Officers that were trained and placed in branches across the country. This initiative is making major contributions in creating a readily available pool of trained resources for the Bank.

The Bank has developed a comprehensive training structure to groom staff at a personal and professional level. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. Training programs are conducted for developing functional as well as managerial skills. Products and operations training is also conducted by senior team members to ensure that professional expertise is developed keeping in view the organization's culture and values.

Of our 2205 employees at year-end fiscal 2007, 925 are professionally qualified, holding degrees in business management, accountancy, engineering, law, computer science, economics or banking.



Directors' Report to the Members

The Directors of Meezan Bank Limited are pleased to present the eleventh Annual Report and audited financial statements, setting out the detailed financial results of the Bank together with the consolidated financial statements of the Group for the financial year ended December 31, 2007.

Economic Overview

The year 2007 was marked by the continuous growth in the economy of Pakistan, driven largely by healthy domestic demand. The economy grew by 7.0% during FY07 against the target of 6.6% backed by robust performance from all sectors of the economy. GDP growth has led to an increase in per capita income to USD 975 thereby fueling the demand for agricultural, manufacturing and service sector products. Along with the buoyant private sector spending, public sector expenditure also exceeded its planned budget, with major investment in the infrastructure development of the country.

While the economy continues to perform well, there is increasing concern on the fiscal deficit and increased levels of public sector borrowing that has led to inflationary pressures. The need to regulate rising inflation prompted the State Bank to tighten its monetary policy and raise the Discount Rate from 9% to 10% during 2007. Subsequently, rates have been increased again by 50 basis points in 2008, in a further effort to control money supply. The deficit for full fiscal year 2007 was recorded at USD 6.1 billion, however during the first half of the current fiscal year the deficit surged to USD 4 billion, as the Government of Pakistan continued to subsidise petroleum products heavily in an attempt to keep inflation in check. Moreover, exports remained depressed as a result of the disappointing performance of the textile industry.

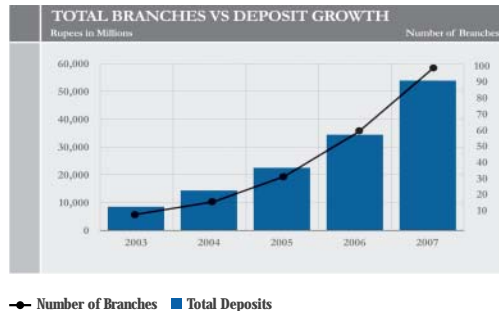
Foreign Direct Investment (FDI) continued to flow into the country, reaching record levels of USD 5 billion during FY07, with high concentration in the service sector of the country. However, during the first half of fiscal year 2008, this inflow has declined primarily due to the 'sub-prime' crisis that has plagued international financial markets and also due to political uncertainty in the country. With high levels of foreign exchange inflow, the Pak Rupee remained steady against the US dollar hovering in a narrow range of PKR 61-62 during most part of the year.

The Karachi Stock Exchange (KSE) performed well during the year. The KSE-100 Index rose 40% during 2007, making it one of the top performing markets in Asia.

Operating Results

By the Grace of Allah, it is a matter of great satisfaction that during the year your Bank has achieved the historic milestone of setting up 100 branches in 31 cities of Pakistan. We believe that this significant achievement of establishing such an extensive network within a short span of 5 years makes Meezan Bank one of the fastest growing bank in the history of the banking sector of Pakistan. All segments of the Bank have recorded strong growth during the year in a controlled manner with robust profitability.

	2007	2006	Growth in %
	Rs in millions		
Deposits	54,582	34,449	58
Financings	34,576	27,031	28
Trade Business	73,123	52,638	39
Profit Before Tax	1,269	780	63
Number of Branches	100	62	61



Total income, net of return on deposit, amounted to Rs 3.034 billion in 2007 as against Rs 1.808 billion earned last year, an increase of 68%.

Administrative expenses increased by 71% over last year mainly attributable to expansion in branch network from 62 branches to 100 branches resulting in higher human resource cost due to induction of more staff and overheads related to these new branches. The increase in expenses is an investment in the future with new branches contributing to the profitability of the Bank within 9 to 12 months.

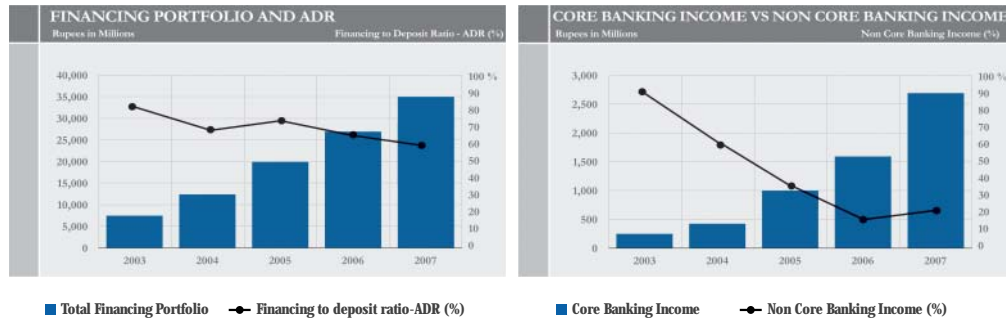
Despite the strain on profitability due to new loss making branches, the total profit of the Bank remains strong with profit before tax crossing the billion mark for the first time in its history. Profit before tax stands at Rs 1.269 billion in 2007 compared to Rs 780 million in the previous year.

Profit after tax for 2007 increased to Rs 963 million as against Rs 604 million earned last year, reflecting an increase of 59% and an EPS of Rs 2.55 per share.

The balance sheet footing of the Bank increased to Rs 67 billion funded by increase in deposits. Deposits grew by 58% over last year and reached a landmark figure of Rs 54.6 billion at the end of 2007. The aggressive branch expansion plan initiated in 2006 and an effective direct sale strategy has mainly contributed to this growth. The financing portfolio of the Bank grew by 28% over last year to Rs 34.6 billion and the investment portfolio registered growth of 266% over last year.

The Bank focused on its Investment Banking business during the year and has been syndicate leader in most of the Islamic structuring and financing transactions in 2007. As results many Sukuks transactions were consummated. The Bank has made Sukuk financing of Rs 3.6 billion as reflected in our investment portfolio. Despite the fast growth, the Bank has adopted cautious and prudent financing policies and as a result maintained non-performing accounts at 1.6% of the total financing portfolio which is amongst the lowest in the banking industry. This excellent asset quality is maintained in all business segments including the consumer financing. The Bank has complied with recent SBP's directive and provision against non-performing financing is based without taking into consideration the benefit of forced sale value of non-liquid collaterals.

The dependency on income from non-core banking activities continues to fall. Excluding the one time capital gain realized during the year from investments in associates (Meezan Islamic Fund), ratio of non-core to core banking income has declined favorably over past years, reducing the chances of profit volatility in future years.



The share price of Meezan Bank has also doubled during the year from Rs 19.5 per share as at December 31, 2006 to Rs 38.6 per share as at December 31, 2007. This depicts a growth of 98% compared to overall increase of 40% in Karachi Stock Exchange 100 index, which showed the confidence of investor in the capabilities of the Bank. The market capitalization of the Bank continues to increase relative to the net asset value of the entity. The Board, representing the shareholders of the Bank, reiterates its commitment to Pakistan in general and Meezan Bank in particular.

Financial Results

	Rs in millions	
	2007	2006
PROFIT AND LOSS ACCOUNT		
Total returns on financings, investments and placements	4,574	2,704
Total returns to depositors	(2,452)	(1,464)
Provision against non performing financings	(436)	(123)
Net spreads	1,686	1,117
Fee, Commission and Forex income	714	418
Core Banking Income	2,400	1,535
Capital gain, Dividend and other income	634	273
Total Income	3,034	1,808
Operating expenditure	(1,765)	(1,028)
Profit before tax	1,269	780
Taxation	(306)	(176)
Profit after tax	963	604

Earning Per Share

The Earning per share increased from Rs 1.88 to Rs 2.55 per share, reflecting an increase of 36%.

Dividend

The Board has recommended to issue 20% Bonus Share (2006: 10%) continuing its unbroken payout record since the date of listing on the stock exchange. The issue of bonus shares will enable the Bank to meet the enhanced minimum paid up capital requirement of Rs 4 billion as required by the SBP.

Award and recognition

During the year, the Annual Report of the Bank for the year 2006 won the 2nd prize for “the Best Annual Report” for financial sector, conducted jointly by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan.

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. Appropriate accounting policies have been consistently applied in preparation of financial statements. 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.
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 based on audited accounts as at June 30, 2006 amounted to Rs 40.953 million and based on un-audited accounts as at December 31, 2007 amounted to Rs 89.602 million. The value of investments of Gratuity Fund amounted to Rs 18.096 million based on un-audited accounts as at December 31, 2007.
10. The purchase and sale of shares of the Bank by the Directors, Chief Executive, Chief Financial Officer and Company Secretary, their pattern of shareholding and record of Board meetings during the year 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, 2007 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report. During the year a casual vacancy occurred in the Board which will be filled after obtaining prior approval from the State Bank of Pakistan as per its directives.

Risk Management Framework

Risk management is an integral part of the business activities of the Bank. The Bank manages the risks through a framework of risk management policies and procedures, organizational structure and risk measurement and monitoring mechanism that are closely aligned with overall operations of the Bank. Risk management activities broadly take place at different hierarchy levels. The Board of Directors provides overall risk management supervision. The management of the Bank actively ensures that the risks are adequately identified, measured and managed. An independent and dedicated risk management department guided by a prudent and a robust framework of risk management policies and guidelines is in place.

The Board has constituted following committees for effective management of risks comprising of the Board members:

1. Risk Management Committee
2. Audit Committee

The Risk Management Committee is responsible for reviewing and guiding on risk policies and procedures and control over risk management. The Audit Committee which comprises of three non executive directors monitors compliance with the best practices of the Code of Corporate Governance and determines appropriate measures to safeguard Bank's assets. The Board has delegated the authority to monitor and manage different risks to the specialized committees at management level. These committees comprise of senior management with relevant experience and expertise, who meet regularly to deliberate on the matters pertaining to various risk exposures under their respective supervision. Such committees include:

1. Credit Committee
2. Asset Liability Management Committee (ALCO)

The Credit Committee is responsible for approving, monitoring and ensuring that financial transactions are within the acceptable risk rating criteria. Well defined policies, procedures and manuals are in place and authorities have been appropriately delegated to ensure credit quality, proper risk-reward trade off, industry diversification, adequate credit documentation, and periodic credit reviews.

ALCO is responsible for reviewing and recommending all market risk and liquidity risk policies and ensuring that sound risk measurement systems are established and compliance with internal and regulatory requirements. The Bank applies Stress Testing and Value at Risk (VaR) techniques as market risk management tools. Contingency Funding Plan for managing liquidity crisis is in place. Liquidity management is done through cash flow matching, investment in equities and placements in foreign exchange. Treasury Middle office monitors and ensures that banks exposures are in line with the prescribed limits.

The Bank ensures that the key operational risks are measured and managed in a timely and effective manner through enhanced operational risk awareness, segregation of duties, dual checks and improving early warning signals. The Bank has developed effective manuals and procedures necessary for the mitigation of operational risk.

The Bank has an Internal Audit department that reports directly to the Audit Committee of the Board. The internal audit independently reviews various functional areas of the Bank to identify control weaknesses and implementation of internal and regulatory standards. The Compliance department ensures that all directives and guidelines issued by the State Bank of Pakistan are being complied with in order to manage compliance and operational risks.

Credit Rating

The JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Agency, Japan has graded the Bank's long-term entity rating at A+ with stable outlook, while the short-term rating has been graded at A1 based on the results for the year ended December 31, 2006.

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2007 is annexed with the report.

Directors

During the year, a director, Mr. Nawid Ahsan, resigned. The Board wishes to place on record its appreciation for the services rendered by Mr. Nawid Ahsan. The said casual vacancy will be filled after obtaining necessary approval from the State Bank of Pakistan as per its directives.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible offers themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee and the Board have recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Bank for the year ending December 31, 2008.

Future Outlook and Strategy

Having completed five years as a full fledged Islamic Bank, the Board reviewed and approved a new Strategic Plan for the period 2007 to 2011 during the year. The methodology adopted by Bank in developing this Plan was consultative in nature using a 'bottom-up' approach through a process that involved discussions and off-site meetings with senior staff. The highlights of this Strategic Plan are to:

- maintain growth without any compromise on Shariah compliance
- continue to build the branch network
- invest in technology
- focus on service quality
- improve staff training

With the Strategic Plan in place our task for 2008 will be very challenging in the current political situation and economic slow down witnessed in the last three months. However, the Bank has a positive outlook for the country and believes that the future government will continue with the growth policies. Therefore, the Bank will continue to build market share through an aggressive branch expansion plan supported by a strong technology backbone. Meezan Bank plans to expand its branch network to approximately 140 branches by the end of the year that will further increase its customer out-reach Inshallah.

The Bank will continue to diversify its financing portfolio with emphasis on Consumer, SME and Corporate customers while ensuring credit growth strictly on the basis of quality, risk and return to the Bank.

As technology assumes ever increasing importance in the banking services industry, the Bank has developed a comprehensive IT strategy to see it through the coming years. As a result it has decided to upgrade its core banking software and has signed a contract with TEMENOS a leading Software House to acquire rights to use its latest core banking product T-24. The deployment has already started and will Inshallah be completed in 2008.

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

Acknowledgement

The Board would like to express its sincere thanks and gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and our Shariah Supervisory Board for their continued guidance and support. We also take this opportunity to thank our valued customers for their patronage, the shareholders for their continued support and staff for their continuous efforts to make Meezan Bank a great success Alhamdulillah.

On behalf of the Board



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



Irfan Siddiqui
President & CEO

February 22, 2008.

Annexure to the Directors' Report

for the year ended December 31, 2007

The purchase and sale of shares of the Bank by the Directors, Chief Executive, Chief Financial Officer (CFO) and Company Secretary, their spouses and minor children during the year are given below:

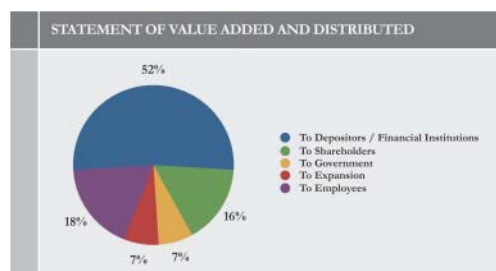
	Number of shares as of January 01, 2007	Number of shares purchased during the year	Number of shares sold during the year	Number of shares as at Dec.31, 2007
NAME OF DIRECTORS				
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	2,527,873	-	-	2,527,873
Mr. Naser Abdul Mohsen Al-Marri	2,527,873	-	-	2,527,873
Mr. Irfan Siddiqui	9,097,757	-	-	9,097,757
Mr. Istaqbal Mehdi	194,560	-	-	194,560
Mr. Mohamed Abdul-Rehman Hussain	41,760	-	41,760	-
Mr. Ariful Islam	3,560,275	-	-	3,560,275
Mr. Rana Ahmed Humayun	505,476	-	-	505,476
CFO AND COMPANY SECRETARY				
Mr. Shabbir Hamza Khandwala	322,007	-	-	322,007

During the year, four meetings of the Board were held and attended as follows:

NAME OF DIRECTORS	Meetings Attended
H.E. Sheikh Ebrahim Bin Khalifa Al Khalifa-Chairman	4
Mr. Naser Abdul Mohsen Al- Marri- Vice Chairman	3
Mr. Irfan Siddiqui- President & CEO	4
Mr. Istaqbal Mehdi	4
Mr. Mohamed Abdul-Rehman Hussain	3
Mr. Nawid Ahsan	-
Mr. Ariful Islam	4
Mr. Rana Ahmed Humayun	4
Mr. Mohammed Azzaroog Rajab	1
Mr. Ahmed Abdul Rahim Mohamed	3

Statement of Value Added and Distributed

	2007 Rupees in '000	%	2006 Rupees in '000	%
Value Added				
Profit/ return on financing, investments and placements-net of provision	4,137,856	88	2,581,402	93
Fee, commission and brokerage income	321,685	7	216,216	8
Dividend income	104,345	2	165,228	6
Income from dealing in foreign currencies	392,319	9	201,519	7
Gain on sale of securities and other income	529,544	11	107,598	4
	5,485,749		3,271,963	
Administrative and other expenses	(787,819)	(17)	(487,138)	(18)
	4,697,930	100	2,784,825	100
Value allocated as follows:				
to depositors/ financial institutions Return on deposits and other dues expensed	2,451,968	52	1,464,173	53
to employee Salaries, allowances & other benefits	838,072	18	432,071	16
to shareholders Bonus shares	755,979	16	236,244	8
to Government Income tax	305,687	7	175,772	6
to expansion Depreciation & amortisation	138,702	3	108,558	4
Retained in business	207,522	4	368,007	13
	346,224	7	476,565	17
	4,697,930	100	2,784,825	100



Shariah Advisor's Report

الحمد لله رب العالمين، والصلاة والسلام على خاتم الأنبياء والمرسلين،
محمد المصطفى الأمين، وعلى آله وأصحابه أجمعين، وبعد:

By the Grace of Allah, the year under review was the sixth 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 3 (three) meetings to review various products, concepts, transactions and processes and their Shariah compliance, referred to them by the Shariah Advisor.

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

1. **Deposit Products:** During the year a new deposit account namely Meezan Bachat Account (MBA) was introduced. The product is aimed at providing higher profits opportunity on savings to middle & lower middle class saving account holders.
2. **Investment Banking:** Alhamdulillah, the year 2007 was very good for Meezan Bank especially in the areas of Investment Banking & Capital Markets. During the year Meezan Bank was actively involved in various structured finance transactions such as Dawood Hercules Chemicals Limited Sukuk and Attock Gen Limited sukuk. The issuance of all such Shariah compliant instruments will Inshallah assist the development of Islamic Capital Market in Pakistan.
3. **Research & New Product Development:** During the year the product development & research wing of the bank has worked on the development of various Shariah compliant products including Meezan Tjarah, a financing product for meeting the working capital requirements of its corporate/commercial/SME customers and Islamic Microfinance solution to provide financing solutions to the less privileged class of the society.
4. **Training & Development:** During the year more than 33 training sessions & courses were organized which includes Orientations, Islamic Banking Certification course and specialized workshops that mainly aimed at enhancing the level of understanding of the Islamic Banking concepts and products. However due to continuous increasing number of branches and employees, this focus on training & development needs to be carried on a continuous basis.
5. **Shariah Advisory:** During the year bank entered into 'Shariah Technical Services and Support' agreement with various Financial Institutions including National Fullerton Asset Management Company (NAFA) and KASB Funds, for providing advisory services related to their Shariah Compliant Mutual Funds. This advisory arrangement of Meezan Bank with various other financial institutions will help other financial institutions in developing and offering Islamic financial products. The bank also provided the product structuring advisory for the development of Zayan Real Estate Financing products; the first ever Shariah Compliant Commercial Real Estate financing solutions offered in the United States, by the Capitas Group of United States of America. In addition to it a Shariah Compliant Table Funding Structure has been developed for Capitas to fund these transactions

Review of Assets

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

Murabaha transactions (including Islamic Export Refinance Scheme) constitute around 56% of the total financing portfolio while the percentage of Diminishing Musharakah & Ijarah have moved to around 15% & 22% respectively. These ratios suggest that the percentage of Murabaha in the overall financing figure has decreased a bit resulting in the increased use of other mode of financing, which is a healthy sign. The Bank's total financing portfolio reached Rs. 34.576 billion as of December 31, 2007. During the review the Bank used Shariah Compliant standard agreements.

Review of Liabilities

On the liability side, the Bank offered different Shariah Compliant deposit products based on the mode of Mudarabah. The total deposits of the Bank reached Rs. 54.582 billion as at December 31, 2007. During the year, the Bank also accepted deposits on the modes of Musharakah for short-term liquidity management from inter-bank market and corporates.

Shariah Audit

During the year 2007, Shariah Audit was carried out on random basis, at various branches, to check the overall Shariah compliance of the bank's operation and their alignment with the guidelines given by Shariah Advisor and SSB. In the audit process following areas have been checked:

- Standard Agreements for Murabaha, Ijarah, Diminishing Musharakah and Bai Salam
- Declarations, description of Assets, relevant purchases Invoices, sequence and order of the documents and time difference between purchases and declaration in Murabaha.
- Murabaha Monitoring Sheets
- 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 and purification of dividend received.
- Import Finance transactions and related documentation.
- Other related documents and procedures followed by different functional areas.

Based on the Shariah review the Shariah Advisor has directed the Bank's management to provide for the charity, income amounting to Rs. 0.481 million earned on certain Murabaha transactions, as the sale of such Murabaha assets were made without any profit amount mentioned at the time of sale.

Charity

During the year an amount of Rs: 37.285 million was transferred to the Charity Account and an amount of Rs: 4.778 million was disbursed after the approval of the Shariah Advisor.

Recommendation:

Based on the review of various transactions we recommend that:

- The significant growth of the bank augments the importance of employees training related to the Islamic banking products and services offered by the bank. More focus should be shifted towards proper training of staff.
- The Bank should focus more on development and execution of customer awareness programs in the form of seminars and workshops regarding Islamic Banking and its products.
- The Corporate, Commercial and SME Banking Departments of the Bank should establish a system of proper following of the recommended process flow, physical checking and verification of the goods in Murabaha & Ijarah transactions and increase the share of direct payment to suppliers in overall Murabaha financing.
- The Bank should focus more on the development and offering of the financing products of social welfare such as education and micro finance. Islamic banks should come forward to serve the nation by providing the less privileged with the opportunity to meet their needs in the Shariah Compliant manner.

Conclusion

It is the responsibility of the Bank's management & employees to ensure application of Shariah principles and guidelines issued by the Shariah Supervisory Board and Shariah Advisor and to ensure Shariah compliance in all activities of the bank.

Based on the random cases reviewed and management representations, in our opinion the activities and transactions performed by the bank during the year in whole comply with the Principles and guidelines of Islamic Shariah, issued and directed by the Shariah Supervisory Board and Shariah Advisor of Meezan Bank Limited.

May Allah bless us with the best Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

Dr. Muhammad Imran Usmani
Member Shariah Supervisory Board & Shariah Advisor

Dated: January 31, 2008

Statement of Compliance with the Code of Corporate Governance

This Statement is being presented to comply with the Code of Corporate Governance contained in Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan 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 its Board of Directors. At present the Board has seven non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, a casual vacancy occurred in the Board which will be filled after obtaining prior approval from the State Bank of Pakistan as per its directives.
5. Statement of Ethics and Business Practices has been approved and signed by the directors of the Bank.
6. The Board has developed a vision and mission statement and an overall corporate strategy and significant policies of the Bank. A complete record of the 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 transaction, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter during the year. 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 management of the Bank has circulated a summary of provisions of various laws i.e. the Companies Ordinance, 1984, the Code of Corporate Governance, the Banking Companies Ordinance, 1962, the Prudential Regulations of the State Bank of Pakistan and the Listing Regulations of the Karachi Stock Exchange as required under clause (xiv) of the Code i.e. with respect to the 'Orientation Course' of directors to acquaint them of their duties and responsibilities and enable them to manage the affairs of the Bank on behalf of shareholders.
10. There was no new appointment of the CFO, Company Secretary or Head of Internal Audit during the year ended December 31, 2007.
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 shareholdings.

14. The Bank has complied with all the 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.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee have been formed, approved by the Board and advised to the Committee for compliance.
17. The Board has set-up an internal audit function, the members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan and 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



Irfan Siddiqui
President & CEO

February 22, 2008



KPMG Taseer Hadi & Co.
Chartered Accountants
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Sheikh Sultan Trust Building No. 2
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Karachi 75530 Pakistan

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Review Report to the Members on the Directors' 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 Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 37 of the Karachi Stock Exchange where the Bank is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2007.

Date: 22 FEB 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Internal Controls

The Statement is presented to comply with the requirement of State Bank of Pakistan's Circular No. BSD 7 dated May 27, 2004 "Guidelines on Internal Controls".

The management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by Board of Directors. The system of internal controls is based on what management considers to be appropriate to the Bank's activities, to the materiality of the financial and other risk inherent in those activities and to the relative costs and benefits of implementing specific controls. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provides reasonable, but not absolute, assurance against material mis-statement and loss.

In addition to discharging the above responsibility, the Board of directors has also formed an Audit Committee. The Audit Committee has direct oversight responsibility to ensure the independence of the internal audit function and the independence of the external auditors. Audit Committee meets at least once every quarter with internal auditors to discuss the scope and results of their work and the adequacy of internal accounting controls. The Committee also meets with external auditors prior to the commencement of annual audit and approval of half yearly and final results of the Bank.

Based on observations and weaknesses found and identified by the auditors both internal and external, improvements are brought about by the management with the approval of the Board of Directors in the internal controls to ensure non-recurrence of those exceptions and eliminations of such weaknesses to the maximum possible level.

In view of the above and based on its supervision, management believes that the internal controls are in place and operating effectively for the year under review and that it is an ongoing process for the identification, evaluation and management of significant risk faced by the Bank. The Board has endorsed this evaluation.

Moreover keeping in view the risk exposure, internal controls are being continually being reviewed and updated not only to conform to and to achieve full compliance with State Bank of Pakistan's guidelines on internal controls, but also to conform, where ever feasible and practicable, with international best practices and good corporate governance models.



Irfan Siddiqui
President and Chief Executive



Ariful Islam
Chief Operating Officer

Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of the Members of Meezan Bank Limited will be held Insha-Allah on Thursday, March 27, 2008 at 9:00 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on December 27, 2007.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank and consolidated accounts of the Bank for the year ended December 31, 2007 together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors of the Bank for the year ending December 31, 2008 and to fix their remuneration. The present auditors, KPMG Taseer Hadi & Co, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

Special Business

4. 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. 755,979,370 out of reserves of the Bank for the issue of bonus shares be capitalised and applied for the issue of 75,597,937 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 27, 2008 in the ratio of 20 ordinary shares for every 100 ordinary shares held (20%) 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 authorised to take any and all actions which may be deemed fit for the issuance, allotment, distribution, etc. of the said bonus shares.”
5. To approve the remuneration paid/payable to the Chairman and Non Executive Directors of the Bank for attending Board meetings and meetings of the Committees formed by the Board, for the year ended December 31, 2007 and to pass the following resolution as an Ordinary Resolution:

“Resolved that the remuneration paid/payable to the Chairman and Non-Executive Directors of the Bank 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 for the year ended December 31, 2007, be and is hereby approved.”

6. To consider and, if thought fit, to pass the following special resolutions with or without, modification(s) as required under 208 of the Companies Ordinance, 1984:

“Resolved that:

- a) The consent of the Bank be and is hereby accorded to subscribe 8,700 Right Shares of Rs. 100 each at par (i.e for an aggregate price of Rs. 870,000) of Blue Water (Private) Limited, an associated company.
 - b) The Chief Executive Officer and / or Company Secretary of the Bank be and are hereby authorized to take any and all actions, legal and corporate formalities which may be deemed fit for the investment in Right Shares of Blue Water (Private) Limited.
 - c) The Special Resolutions be and are hereby passed for the purpose of compliance with section 208 of the Companies Ordinance, 1984.”
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 businesses is enclosed.

Karachi
March 4, 2008

By Order of the Board


Shabbir Hamza Khandwala
Company Secretary

Notes:

- i) The Members' Register will remain closed from March 20, 2008 to March 27, 2008 (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 alongwith 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 purposes.

Statement Under Section 160 (1) (b) Of The Companies Ordinance, 1984

This statement sets out the material facts concerning the resolutions contained in item (4), (5) & (6) of the Notice pertaining to the special businesses to be transacted at the Annual General Meeting of the Bank to be held on March 27, 2008.

I) Issue of Bonus Shares

The Board of Directors are of the view that Bank's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 755,979,370 for the issue of bonus shares in the ratio of 20 bonus shares for every 100 ordinary shares held.

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

II) Directors' Remuneration

The remuneration paid/payable to the non-executive directors was approved by the Board of Directors in terms of Article 52 of the Articles of Association of the Bank. The remuneration requires approval (which is permissible on post facto basis) of the shareholders in Annual General Meeting in terms of requirements of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

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

III) Investment in the associated undertakings of the Bank

a) Investment in subscription of Right Shares of Blue Water (Private) Ltd.

The Bank has 30% shareholding in Blue Water (Private) Limited (BWPL), an associated company and it is classified as strategic investment. The principal activity of BWPL is development and sale of real estate housing projects. BWPL has offered 9.67% Right Shares at par to the existing shareholders. The Bank intends to subscribe the Right issue as the proposed Right issue will enable the BWPL to meet funds requirements for the completion of projects, which shall result in smooth operations and generate profits for the shareholders.

The information required under SRO No. 865 (I) 2005, dated December 12, 2005 is as under:

i) Name of Investee Company	Blue Water (Private) Limited
ii) Nature, amount and extent of investment:	Investment of an amount upto a maximum of Rs. 870,000 for subscription of 8,700 Right Shares of Rs. 100 each at par. It is further clarified that under no circumstances, the Bank's shareholding in BWPL shall exceed 30% of BWPL's paid-up capital.
iii) Break-up value of shares intended to be purchased on the basis of last audited financial statements:	Rs 110.69 (June 30, 2007)
iv) Price at which shares will be purchased:	Rs. 100 each.
v) Earning per share of investee company in last three years:	2007: Rs.6.22 2006: Rs. (0.36) Loss 2005: Not applicable
vi) Sources of fund:	Own source
vii) Period for which Investment will be made:	Long-term
viii) Purpose of investment:	The purpose of investment is to meet funding requirement for the development and completion of projects of BWPL.
ix) Benefits likely to accrue to the Bank and to the shareholders from the proposed investment:	Dividends to the Bank and enhancement in value of its shareholding on completion of real estate projects of BWPL.
x) Interest of Directors and their relatives in the investee company:	No Directors or Chief Executive and their relatives have any interest in the proposed investment, except in their capacities as Directors / Chief Executive and / or as shareholders, wherever applicable, of the Bank.

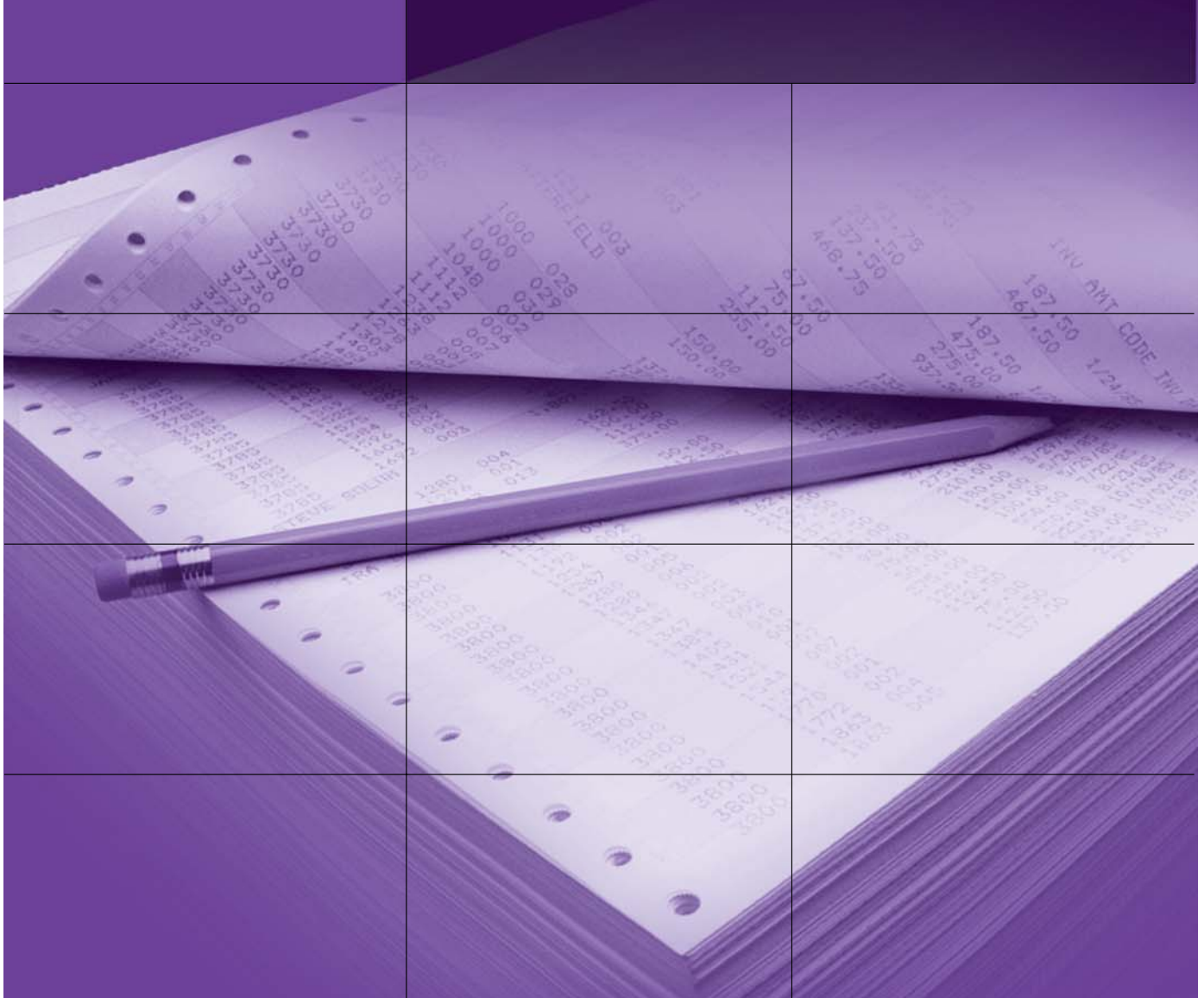
b) Status of approval of investment in associated companies:

As required under the S.R.O. No. 865 (I) 2000 dated December 6, 2000, the position of investment in associated companies against approval is given as under:

Against the approval accorded by the shareholders of the Bank in the Extraordinary General Meeting (EOGM) held on December 27, 2007 for investments of Rs. 500 million in the units of Meezan Islamic Fund, Rs. 1.2 billion in the units of Meezan Islamic Income Fund and Rs. 250 million in the seed capital of Al-Meezan Investment's Capital Protected Fund respectively, the Bank has so far invested Rs. 381 million in the units of Meezan Islamic Fund and Rs. 980 million in the units of Meezan Islamic Income Fund and the remaining amount will be invested on availability of units at reasonable price. Investments in the units of Al-Meezan Investment's Capital Protected Fund will be made at the time of launching of said open-end fund.

There is no major change in the financial position of the above investee companies since the date of passing the resolutions in the EOGM held on December 27, 2007.

Financial Statements





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Auditors' Report to the Members

We have audited the annexed balance sheet of Meezan Bank Limited ("the Bank") as at 31 December 2007 and the related profit and loss account, 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 ended 31 December 2007, in which are incorporated the unaudited certified returns from the branches except for 12 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting 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 case of financing covered more than 60% of the total financing of the Bank, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, 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 the 31 December 2007, and its true balance of profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended 31 December 2006 were audited by A.F. Ferguson & Co., Chartered Accountants who had expressed an unqualified opinion on those financial statements vide their report dated 5 March 2007.

Date: 22 FEB 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet

As at December 31, 2007



	Note	2007	2006
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	5,644,028	5,897,394
Balances with other banks	8	3,729,549	4,134,875
Due from financial institutions	9	8,850,000	3,700,000
Investments	10	10,535,186	2,877,554
Financings	11	34,576,339	27,031,016
Operating fixed assets	12	1,032,963	531,262
Other assets	13	2,810,494	2,266,522
		67,178,559	46,438,623
LIABILITIES			
Bills payable	14	1,192,160	563,228
Due to financial institutions	15	2,415,606	4,285,212
Deposits and other accounts	16	54,582,353	34,449,441
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities	17	430,377	398,304
Other liabilities	18	2,851,407	1,979,079
		61,471,903	41,675,264
NET ASSETS		5,706,656	4,763,359
REPRESENTED BY			
Share capital	19	3,779,897	3,779,897
Reserves	20	720,785	528,085
Unappropriated profit		1,219,228	448,427
		5,719,910	4,756,409
(Deficit) / surplus on revaluation of investments	21	(13,254)	6,950
		5,706,656	4,763,359
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 47 form an integral part of these financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director

Profit and Loss Account

For the year ended December 31, 2007



	Note	2007	2006
Rupees in '000			
Profit/return earned on financings, investments and placements	23	4,573,752	2,704,280
Return on deposits and other dues expensed	24	2,451,968	1,464,173
Net spread earned		2,121,784	1,240,107
Provision against non-performing financings (net)	11.7	435,018	121,581
Provision for diminution in value of investments	10.3	878	1,297
Bad debts written off directly		-	-
		435,896	122,878
Net spread after provisions		1,685,888	1,117,229
OTHER INCOME			
Fee, commission and brokerage income		321,685	216,216
Dividend income		104,345	165,228
Income from dealing in foreign currencies		392,319	201,519
Capital gain on sale of investments	25	533,093	116,993
Unrealized loss on held for trading investments	10.5	(31,453)	(32,455)
Other income	26	27,904	23,060
Total other income		1,347,893	690,561
		3,033,781	1,807,790
OTHER EXPENSES			
Administrative expenses	27	1,755,761	1,022,991
Other provisions / write offs	18.3	5,948	-
Other charges	28	2,884	4,776
Total other expenses		1,764,593	1,027,767
		1,269,188	780,023
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,269,188	780,023
Taxation - Current	29	271,452	8,314
- Prior years		-	(60,572)
- Deferred		34,235	228,030
		305,687	175,772
PROFIT AFTER TAXATION		963,501	604,251
Unappropriated profit brought forward		448,427	527,123
Profit before appropriations		1,411,928	1,131,374
Basic and diluted earnings per share (Rupees)	30	2.55	1.88

The annexed notes 1 to 47 form an integral part of these financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director

Cash Flow Statement

For the year ended December 31, 2007



	Note	2007	2006
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,269,188	780,023
Less: Dividend income		(104,345)	(165,228)
		1,164,843	614,795
Adjustments for non-cash charges			
Depreciation		124,420	103,024
Amortization		14,282	5,534
Provision against non-performing financings (net)		435,018	121,581
Provision for diminution in the value of investments		878	1,297
Gain on sale of fixed assets		(6,173)	(1,823)
Unrealized loss on held for trading investments		31,453	32,455
		599,878	262,068
		1,764,721	876,863
(Increase) / decrease in operating assets			
Due from financial institutions		(5,150,000)	(3,700,000)
Held for trading securities		(121,122)	(72,264)
Financings		(7,980,341)	(7,411,711)
Other assets		(761,301)	13,827
		(14,012,764)	(11,170,148)
Increase / (decrease) in operating liabilities			
Bills payable		628,932	302,496
Due to financial institutions		(1,869,606)	1,303,498
Deposits and other accounts		20,132,912	11,680,179
Other liabilities		843,944	509,821
		19,736,182	13,795,994
		7,488,139	3,502,709
Income tax paid		(23,139)	(17,478)
Net cashflow from operating activities		7,465,000	3,485,231
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		(300,652)	(1,141,406)
- available for sale securities		(6,313,829)	(66,376)
- listed associated undertakings		(973,726)	200,038
- unlisted associated undertakings		(3,000)	(271,500)
Dividends received		101,745	164,715
Investments in operating fixed assets		(643,739)	(337,248)
Sale proceeds of property and equipment disposed off		9,509	4,836
Net cashflow from investing activities		(8,123,692)	(1,446,941)
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received against issue of right shares		-	1,181,218
Net cash flow from financing activities		-	1,181,218
Net (decrease) / increase in cash and cash equivalents		(658,692)	3,219,508
Cash and cash equivalents as at January 1	31	10,032,269	6,812,761
Cash and cash equivalents as at December 31	31	9,373,577	10,032,269

The annexed notes 1 to 47 form an integral part of these financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director

Statement of Changes in Equity

For the year ended December 31, 2007



	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, 2006	2,036,582	340,469	-	66,766	527,123	2,970,940
Transfer to reserve for issue of bonus shares	-	-	325,853	-	(325,853)	-
Issue of bonus shares	325,853	-	(325,853)	-	-	-
Issue of right shares	1,181,218	-	-	-	-	1,181,218
Issue of bonus shares	236,244	-	-	-	(236,244)	-
Profit after taxation for the year	-	-	-	-	604,251	604,251
Transfer to statutory reserve	-	120,850	-	-	(120,850)	-
Balance as at December 31, 2006	3,779,897	461,319	-	66,766	448,427	4,756,409
Profit after taxation for the year	-	-	-	-	963,501	963,501
Transfer to statutory reserve	-	192,700	-	-	(192,700)	-
Balance as at December 31, 2007	3,779,897	654,019	-	66,766	1,219,228	5,719,910

The annexed notes 1 to 47 form an integral part of these financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



1. LEGAL STATUS AND NATURE OF BUSINESS

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.

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.

The Bank was operating through one hundred branches as at December 31, 2007 (2006: sixty two). Its registered office is at 3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi.

2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of Meezan Bank Limited. The consolidated financial statements of the group are being issued separately. The Bank provides financing mainly through Murabaha, Ijarah, Musharakah, Diminishing Musharakah, Istisna and Export Refinance under Islamic Export Refinance Scheme. Under Murabaha the goods are purchased and are then sold to the customers on credit. 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 recognized 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 Executive Committee of the Shariah Supervisory Board.

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

Following amendment to an existing standard and IFRS applicable to the Bank have been published that are mandatory for the Bank's accounting periods beginning on or after January 1, 2008 or later periods.

- i. IAS 2 - Ijarah
- ii. IFRS 8 - Operating segments (effective for the periods beginning on or after January 1, 2009).
- iii. Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009).
- iv. Revised IAS 23 - Borrowing costs (effective from January 1, 2009).
- v. IFRIC 11 - IFRS 2-Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007).
- vi. IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008).
- vii. IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008).
- viii. IFRIC 14 - IAS 19 - The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction.

Adoption of IAS 2 will result in following changes:

- Assets underlying ijarah financing will be recorded as operating fixed assets separately from the assets in Bank's own use. These assets will be carried at cost less accumulated depreciation and impairment if any.
- Rentals receivable from ijarah financing during the year will be taken to profit and loss account.

IFRS 8 - Operating segments will supersede IAS 14 Segment Reporting. The adoption of IFRS 8 may only impact the extent of disclosures presented in the financial statements.

Adoption of Revised IAS 1 - Presentation of financial statements may only impact the presentation and extent of disclosures in financial statements

IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on Minimum Funding Requirements (MFR) for such asset. Adoption of IFRIC 14 may not have material impact on the Bank.

IAS 23 - revised and other interpretations are not relevant to the Bank's operations.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 3.1 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 6.4.1 and 10).
 - (b) Provision for diminution in value of investments (notes 6.4.6 and 10.3).
 - (c) Provision for non-performing financings (notes 3.2.3 and 11.7)
 - (d) Staff retirement benefits (notes 6.8, 6.9 and 33).
 - (e) Depreciation and amortization methods of operating fixed assets (note 3.2.1, 3.2.2 and 12)
 - (f) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.1.1, 6.7, 17, 22.8 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.

- 3.1.1 During the year, a new schedule has been introduced for taxation of banks in Pakistan. According to the provisions of the schedules, provision for doubtful financings falling under the category of "Doubtful" or "Loss" will be allowed as a deduction in the year in which the provision is made. The schedule is applicable for the financial year ending 31 December 2008. Currently, provisions for financings are allowed as a deduction when they are written off. The schedule does not contain transitory provisions with respect to provisions made before the applicability of new schedule. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on discussions to date the Bank's management is confident that such provisions will be made in the new schedule. Accordingly, the deferred tax calculations assumed that such transitory rules will be made and the bank would be able to get the benefit of the asset so recognized.

3.2 EFFECT OF CHANGE IN ACCOUNTING ESTIMATES

- 3.2.1 Effective January 1, 2007, the Bank has changed its estimate in respect of charging depreciation on additions to tangible fixed assets. The Bank now charges depreciation from the month of acquisition and upto the month preceding the disposal. Previously, full year's depreciation was charged on all additions to tangible fixed assets during the year while no depreciation was charged in the year in which the assets were disposed off. Had there been no such change, the depreciation for the year would have been higher by Rs. 38.717 million and tangible fixed assets would have been lower by Rs. 38.717 million.
- 3.2.2 Effective January 1, 2007, the Bank has changed its estimate in respect of charging amortization on additions to intangible assets. The Bank now charges amortization from the month of acquisition and upto the month preceding the disposal. Previously, full year's amortization was charged on all additions to intangible fixed assets during the year while no amortization was charged in the year in which the assets were disposed off. Had there been no such change, the amortization for the year would have been higher by Rs. 1.533 million and intangible assets would have been lower by Rs. 1.533 million.
- 3.2.3 During the year the Bank, in line with the requirements of BSD Circular No. 07 of 2007 issued by the SBP, changed its method of measuring provision against non-performing financings whereby the Forced Sale Value (FSV) of the collateral is not considered in determining the provision. Had there been no change the provision against non-performing financings would have been lower by Rs. 39.552 million and financing would have been higher by Rs. 39.552 million.

4. STATEMENT OF COMPLIANCE

- 4.1 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 Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP differ, the provisions of and the directives issued under the the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.
- 4.2 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 those IASs have not been considered in preparation of these financial statements.

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



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 Revenue recognition

- i) Profit on Murabaha is recognized on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the later date.
- ii) The Bank follows the finance method in recognizing income on ijarah contracts. 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 recognized as income on a receipt basis. Income on ijarah is recognized from the date of delivery of the respective assets to the mustajir.
- iii) Profits on diminishing musharakah financings are recognized on accrual basis. Profit on other financings (excluding musharakah financings) is recognized on time proportionate basis. Consistent with prior years, profit required to be suspended in compliance with the prudential regulations issued by the SBP is recorded on receipt basis.
- iv) Profit on musharakah financings is recognized on declaration of profit by musharakah partners.
- v) Commission on letters of credit, acceptances and guarantees is recognized on receipt basis, except for commission on guarantees in excess of Rs. 50,000 which is recognized over the period of the guarantee.
- vi) Dividend income is recognized when the Bank's right to receive dividend is established.
- vii) Purchase and sale of investments are recorded on the dates of contract. Gains and losses on sale of investments are also recorded on those dates.

6.3 Financings

- 6.3.1 Financings are stated net of specific and general provisions against non-performing financings which are charged to the profit and loss account.

Funds disbursed, under murabaha arrangements for purchase of goods are recorded as 'Advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the balance sheet date are recorded as inventories.

- 6.3.2 Provision against non-performing financings The Bank determines provisions against financings on a prudent basis in accordance with the prudential regulations issued by SBP.

Financings are written off when it is considered that there is no realistic prospect of recovery.

6.4 Investments

- 6.4.1 The Bank classifies its investments as follows:

- Held for trading
These are investments acquired principally for the purpose of generating profit from short-term fluctuations in price.
- Held to maturity
These are investments with fixed or determinable payments and fixed maturity and the Bank has positive intent and ability to hold to maturity.
- Available for sale
These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' or 'held to maturity' categories.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



- 6.4.2 The Bank values its investments as follows:
- Quoted securities, excluding investments categorized as 'held to maturity' securities and investments in subsidiaries and associates, are stated at revalued amounts.
 - Investments in quoted associates are stated at cost.
 - Unquoted securities including investments in associates and subsidiaries are stated at cost less provision for impairment, if any.
 - Investments in securities categorized as 'held to maturity' are carried at amortized cost.
- 6.4.3 Any surplus / deficit arising as a result of revaluation of quoted securities categorized as 'available for sale' is presented below the shareholders' equity in the balance sheet while any surplus / deficit arising as a result of revaluation of 'held for trading' securities is credited / charged to the profit and loss account.
- 6.4.4 Consistent with prior year all purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.
- 6.4.5 Cost of investment is determined on moving average basis. The cost of acquisition of 'dealing securities' (i.e. quoted securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other quoted securities (i.e. quoted securities sold after the date of purchase).
- 6.4.6 Impairment loss is recognized whenever the carrying amount of an investment exceeds its expected recoverable amount. An impairment loss is recognized in income currently.
- 6.5 Operating fixed assets
- 6.5.1 Tangible assets
- Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment. Depreciation is charged to the profit and loss account applying the straight line method whereby the depreciable value of an asset is written off over its estimated service life. The Bank charges depreciation from the month of acquisition and upto the month preceding the disposal.
- Useful lives and residual values are reviewed at each balance sheet date, and adjusted if impact on depreciation is significant.
- Maintenance and normal repairs are charged to income as and when incurred.
- Items of fixed assets costing Rs. 10,000 or less are not capitalized and are charged off in the year of purchase. Profit or loss on disposals of fixed assets is included in income currently.
- 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 exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in income.
- 6.5.2 Intangible assets
- Intangible assets comprise of computer software. Accounting for such assets is on the same basis as for tangible fixed assets owned by the Bank.
- 6.5.3 Capital work-in-progress
- Consistent with prior years capital work-in-progress is stated at cost.
- 6.6 Inventories
- The Bank values its inventories at the lower of cost and net realizable value. Cost of inventories represents the actual purchase made by the customer as an agent on behalf of the Bank from the funds disbursed for the purposes of culmination of murabaha.
- The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



6.7 Taxation

Current

The charge for 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

The Bank accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits will be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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 scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2007. The Projected Unit Credit method was used for actuarial valuation.

Actuarial gains or losses are recognized over the expected average remaining working lives of employees.

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.

6.9 Compensated absences

The Bank recognizes liability in respect of employees compensated absences in the period in which these are earned upto the balance sheet date. The provision has been recognized on the basis of actuarial valuation conducted as at December 31, 2007 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 Balance Sheet date are recognized as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholder as appropriate.

6.11 Foreign currency transactions

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 contract 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 contract. 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 income currently.

6.12 Provisions and contingent assets and liabilities

Provisions are recognized 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 balance sheet date and are adjusted to reflect the current best estimate.

Contingent assets are not recognized, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized, and are disclosed unless the probability of an outflow of resources embodying economic benefits is 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



6.14 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.

6.14.1 Business segment

Corporate Finance

Corporate finance 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.

6.14.2 Geographical segments

The Bank operates only in Pakistan.

6.15 Impairment

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

2007 2006
Rupees in '000

7. CASH AND BALANCES WITH TREASURY BANKS

In hand		
- local currency	1,108,762	411,016
- foreign currencies	291,322	176,276
With the State Bank of Pakistan in		
- local currency current accounts - note 7.1	3,727,428	4,927,430
- foreign currency current accounts - note 7.1	325,499	256,140
With National Bank of Pakistan in		
- local currency current accounts	191,017	126,532
	<u>5,644,028</u>	<u>5,897,394</u>

7.1 These represent local and foreign currency amounts required to be maintained by the Bank with SBP as stipulated by SBP.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



8. BALANCES WITH OTHER BANKS

	2007	2006
	Rupees in '000	
In Pakistan		
- on current accounts	100,483	105,526
Outside Pakistan		
- on current accounts	344,033	389,334
- on deposit accounts - note 8.1	3,285,033	3,640,015
	<u>3,729,549</u>	<u>4,134,875</u>

8.1 The return on these balances ranges from 4.3% to 5.32% (2006: 5.06% to 5.35%) per annum.

9. DUE FROM FINANCIAL INSTITUTIONS

Commodity Murabaha	8,850,000	3,700,000
9.1 The return on these commodity murabaha ranges from 9.25% to 10.15% (2006: 9.6% to 12.75%) per annum.		
9.2 Particulars of due from financial institutions		
In local currency	8,850,000	3,700,000
In foreign currencies	-	-
	<u>8,850,000</u>	<u>3,700,000</u>

10. INVESTMENTS

	2007			2006		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
	Rupees in '000					
10.1 Investments by types						
Held for trading securities - note 10.4	517,172	-	517,172	428,505	-	428,505
Available for sale securities - note 10.7	6,547,187	-	6,547,187	233,358	-	233,358
Held to maturity securities - note 10.6	1,621,200	-	1,621,200	1,320,548	-	1,320,548
	<u>8,685,559</u>	-	<u>8,685,559</u>	<u>1,982,411</u>	-	<u>1,982,411</u>
In related parties						
Subsidiary (unlisted) - note 10.8	63,050	-	63,050	63,050	-	63,050
Associates (listed) - note 10.9	1,568,794	-	1,568,794	595,068	-	595,068
Associates (unlisted) - note 10.10	274,280	-	274,280	271,280	-	271,280
Investment at cost / carrying value	<u>10,591,683</u>	-	<u>10,591,683</u>	<u>2,911,809</u>	-	<u>2,911,809</u>
Less: Provision for diminution in value of investments - note 10.3	9,628	-	9,628	8,750	-	8,750
Investments (net of provision)	<u>10,582,055</u>	-	<u>10,582,055</u>	<u>2,903,059</u>	-	<u>2,903,059</u>
Deficit on revaluation of						
held for trading securities - note 10.5	(31,453)	-	(31,453)	(32,455)	-	(32,455)
(Deficit) / surplus on revaluation of available for sale securities - note 21	(15,416)	-	(15,416)	6,950	-	6,950
Total investments at market value	<u>10,535,186</u>	-	<u>10,535,186</u>	<u>2,877,554</u>	-	<u>2,877,554</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



	2007	2006
	Rupees in '000	
10.2 Investments by segments		
Fully paid up ordinary shares		
- Listed companies	627,962	564,285
- Unlisted companies	191,050	191,050
Musharakah term finance certificates	-	10,404
Preference shares	146,280	143,280
Global Sukuk Bonds	781,200	170,548
WAPDA First Sukuk Certificates	1,150,000	1,250,000
WAPDA Second Sukuk Certificates	1,550,000	-
Sukuk Certificates	3,598,000	-
Units of open end funds	2,335,492	395,000
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)	897	897
Certificates of a closed-end fund	208,302	161,345
Advance against issue of units of United Composite Islamic Fund	-	25,000
Advance against units of Inter Security Islamic Fund	2,500	-
Total investment at cost / carrying value	10,591,683	2,911,809
Less: Provision for diminution in value of investments - note 10.3	9,628	8,750
Investments (net of provision)	10,582,055	2,903,059
Deficit on revaluation of held for trading securities - note 10.5	(31,453)	(32,455)
(Deficit) / surplus on revaluation of available for sale securities - note 21	(15,416)	6,950
Total investments at market value	10,535,186	2,877,554

10.3 Particulars of provision for diminution in value of investments

	2007			2006		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	8,750	-	8,750	7,453	-	7,453
Charge for the year	878	-	878	1,297	-	1,297
Closing balance	9,628	-	9,628	8,750	-	8,750

10.3.1 Particulars of provision in respect of type and segment

	2007	2006
	Rupees in '000	
Associates - unlisted Fully paid up-ordinary shares	9,628	8,750

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



10.4 Held for trading securities

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

Name of the investee company	2007	2006	2007	2006
	Number of Shares		Cost / carrying amount Rupees in '000	
Textile composite				
Nishat Mills Limited	181,830	335,830	20,835	35,887
Cement				
Attock Cement Pakistan Limited	120,000	-	13,033	-
D.G. Khan Cement Company Limited	-	113,850	-	7,972
Fauji Cement Company Limited	-	100,000	-	1,773
Refinery				
National Refinery Limited	-	72,000	-	26,045
Power generation and distribution				
The Hub Power Company Limited	1,642,000	84,000	51,228	2,273
Oil and gas marketing				
Pakistan State Oil Company Limited	40,000	80,600	17,124	24,642
Shell Pakistan Limited	-	16,750	-	6,714
Oil and gas exploration				
Oil and Gas Development Company Limited	350,000	325,100	43,059	38,541
Pakistan Oilfields Limited	22,550	104,550	8,098	36,070
Pakistan Petroleum Limited	230,350	187,500	59,309	44,730
Automobile assembler				
Indus Motor Company Limited	40,000	50,000	14,523	9,667
Pak Suzuki Motor Company Limited	45,200	-	17,542	-
Automobile parts and accessories				
Agriauto Industries Limited - note 10.4.1	150,000	180,000	16,660	11,881
Technology and communication				
Pakistan Telecommunication Company Limited (A)	502,900	1,398,500	26,525	70,870
TRG Pakistan Limited	210,000	-	2,686	-
Fertilizer				
Engro Chemicals Pakistan Limited	225,000	246,500	62,212	41,203
Fauji Fertilizer Company Limited	445,273	223,375	54,799	27,990
Fauji Fertilizer Bin Qasim Limited	1,392,500	470,500	63,490	17,985
Chemicals				
ICI Pakistan Limited	30,000	-	6,364	-
Paper and board				
Packages Limited	102,721	120,116	39,685	24,262
Total			517,172	428,505

10.4.1 The nominal value of these shares is Rs. 5 each.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



10.5 Unrealized loss on revaluation of investments classified as held for trading

	2007	2006
	Rupees in '000	
Fully paid up ordinary shares		
Listed Shares	(31,453)	(32,455)

10.6 Held to maturity securities

Name of the investee entity	2007	2006	2007	2006
	Number of bonds / certificates		Cost Rupees in '000	
Sukuk bonds / certificates				
Qatar Global Sukuk Bonds (Sukuk - Qatar) - note 10.6.1	1,000,000	1,000,000	37,200	48,728
Dubai Sukuk Bonds (Sukuk - Dubai) - note 10.6.2	7,000,000	2,000,000	434,000	121,820
WAPDA First Sukuk Certificates (Sukuk - WAPDA) - note 10.6.3	230,000	230,000	1,150,000	1,150,000
			1,621,200	1,320,548

10.6.1 The paid up value of Sukuk - Qatar is US \$ 0.6 (2006: US \$ 0.8) per bond. The return on Sukuk - Qatar is on the basis of London inter-bank offered rate plus a fixed credit spread of forty basis points. These bonds will mature between 2008 to 2010.

10.6.2 The paid up value of Sukuk - Dubai is US \$ 1 (2006: US \$ 1) per bond. The return on Sukuk - Dubai is on the basis of London inter-bank offered rate plus a fixed credit spread of forty five basis points. These bonds will mature in 2009.

10.6.3 The paid up value of Sukuk - WAPDA is Rs. 5,000 per certificate. The return on Sukuk - WAPDA is on a six monthly Karachi inter-bank offered rate plus a fixed credit spread of thirty five basis points. These bonds will mature in 2012. These sukuk certificates are backed by Government of Pakistan sovereign guarantee.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



10.7 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	2007	2006	2007	2006	2007		2006	
	Number of shares / units / certificates		Cost Rupees in '000		Market value Rupees in '000	Rating entity long term / short term	Market value Rupees in '000	Rating entity long term / short term
Ordinary shares								
Automobile parts and accessories Agriauto Industries Limited - note 10.4.1	120,000	120,000	13,872	8,762	12,989	-	9,120	-
Automobile assembler Pak Suzuki Motor Company Limited	-	10,000	-	3,781	-	-	4,200	-
Power generation and distribution The Hub Power Company Limited	1,225,000	1,225,000	40,016	40,016	37,362	-	33,075	-
Oil and gas marketing Pakistan State Oil Company Limited	7,880	27,780	3,314	7,591	3,204	AAA / A1+	8,167	AAA / A1+
Shell Pakistan Limited	825	8,625	179	1,877	335	-	3,433	-
Fertilizer Fauji Fertilizer Company Limited	288,586	288,586	35,518	31,297	34,269	-	30,461	-
Paper and board Packages Limited	46,305	44,100	17,891	3,733	16,846	AA / A1+	9,261	AA / A1+
MTFCs Sitara Chemical Industries Limited	-	6,120	-	10,404	-	-	11,861	AA -
Sukuk Certificates								
WAPDA First Sukuk Certificates	-	20,000	-	100,000	-	-	104,833	-
WAPDA Second Sukuk Certificates - notes 10.7.1 and 10.7.3	310,000	-	1,550,000	-	1,550,000	-	-	-
Dawood Hercules Chemicals Limited - notes 10.7.2 and 10.7.4	20,000	-	1,000,000	-	1,000,000	-	-	-
Century Paper and Board Mills Limited - notes 10.7.3 and 10.7.5	140,000	-	700,000	-	700,000	-	-	-
Sui Southern Gas Company Limited - notes 10.7.3 and 10.7.6	200,000	-	1,000,000	-	1,000,000	-	-	-
Engro Chemicals Pakistan Limited - notes 10.7.3 and 10.7.7	150,000	-	750,000	-	750,000	-	-	-
Sitara Chemical Industries Limited - notes 10.7.3 and 10.7.8	29,600	-	148,000	-	148,000	-	-	-
Units of open-end funds								
United Composite Islamic Fund	232,558	-	25,000	25,000	25,000	-	25,000	-
United Islamic Income Fund	4,937,004	-	500,000	-	501,797	-	-	-
NAFA Islamic Income Fund	24,503,318	-	250,000	-	248,218	-	-	-
Atlas Islamic Fund	368,609	-	200,000	-	192,834	-	-	-
Sukuk Bonds								
Abu Dhabi Sukuk Bonds - note 10.7.9	5,000,000	-	310,000	-	307,520	-	-	-
Others								
S.W.L.F.T. SCRL	5	5	897	897	897	-	897	-
Advance against issue of units of Inter Security Islamic Fund	-	-	2,500	-	2,500	-	-	-
			<u>6,547,187</u>	<u>233,358</u>	<u>6,531,771</u>		<u>240,308</u>	

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



- 10.7.1 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 offered rate minus twenty five basis points. These certificates will mature in 2017.
- 10.7.2 The paid up value of these sukuks is Rs. 50,000 per certificate.
- 10.7.3 The paid up value of these sukuks is Rs. 5,000 per certificate.
- 10.7.4 The tenure of these certificates is 5 years, with principal receivable in 2011-2012. The profit is calculated on the basis of six months Karachi inter-bank offered rate plus 120 basis points. Certificates will be issued to the Bank shortly.
- 10.7.5 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 offered rate plus 135 basis points. Certificates will be issued to the Bank shortly.
- 10.7.6 The tenure of the certificates is 5 years, with principal receivable in 2009-2012. The profit is calculated on the basis of three months Karachi inter-bank offered rate plus 80 basis points. Certificates will be issued to the Bank shortly.
- 10.7.7 The tenure of these certificates is 8 years, with principal receivable in 2015. The profit is calculated on the basis of six months Karachi inter-bank offered rate plus 150 basis points. Certificates will be issued to the Bank shortly.
- 10.7.8 The tenure of these certificates is 5 years, with principal receivable in 2008-2011. The profit is calculated on the basis of three months Karachi inter-bank offered rate plus 170 basis points.
- 10.7.9 The paid up value of these bonds is US\$ 1. These bonds will mature in 2011. The profit is calculated on the basis of London inter-bank offered rate plus 40 basis points.

10.8 Subsidiary (unlisted)

Particulars	2007	2006	2007	2006	Percentage of equity holding	Break up value per share	Latest available financial statements	Name of the chief executive
	Number of Shares		Rupees in '000		%	Rupees		
Al Meezan Investment Management Limited (ordinary shares) - note 10.8.1	2,762,500	1,625,000	63,050	63,050	65	253.92	June 30, 2007	Mr. Muhammad Shoaib
			63,050	63,050				

- 10.8.1 The nominal value of these shares is Rs. 100 each. These shares are placed in custody account with Central Depository Company of Pakistan Limited. These shares cannot not be sold without the prior approval of SECP in accordance with SECP's circular No. 9 of 2006 dated June 15, 2006 in addition to mandatory holding period of 5 years from the last date of purchase of such shares.

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10.9 Associates (listed)

The Bank holds investments in ordinary shares / units / certificates of Rs. 10 each, unless stated otherwise and preference shares of 100 each, in the following listed investee entities:

Name of the investee entity	2007		2006	
	Number of shares / certificates / units	Percentage of direct equity holding %	2007 Cost Rupees in '000	2006 Cost Rupees in '000
Ordinary Shares Closed end mutual fund Al-Meezan Mutual Fund Limited	5,561,607	4.04	46,957	38,723
Certificate of closed end fund Meezan Balanced Fund	16,134,468	13.44	161,345	161,345
Units of open end funds: Meezan Islamic Fund - note 10.9.1	6,036,340	Open end fund	380,525	125,000
Meezan Islamic Income Fund - note 10.9.4	19,510,827	Open end fund	979,967	270,000
			<u>1,568,794</u>	<u>595,068</u>

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

10.9.2 The above associates are incorporated in Pakistan.

10.9.3 Investments in listed associates have a market value of Rs. 1,605 million (2006: Rs. 753 million).

10.9.4 Meezan Islamic Income Fund was listed on Karachi Stock Exchange during the year.

10.10 Associates (unlisted)

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

Particulars	2007		2006		Percentage of equity holding %	Break up value per share Rupees	Latest available audited financial statements	Name of the chief executive
	Number of shares	Rupees in '000	Number of shares	Rupees in '000				
Plexus (Private) Limited	1,499,980	15,000	1,499,980	15,000	50	7.38	June 30, 2007	Mr. Ariful Islam
Faysal Management Services (Private) - note 10.10.1	540,000	54,000	540,000	54,000	30	104.63	Dec. 31, 2007	Mr. Khalid S. Timizey
Blue Water (Private) Limited- note 10.10.2	90,000	9,000	90,000	9,000	30	110.69	June 30, 2007	Mr. Shuja-ul-Mulk
Falcon Greenwood (Private) Limited								
Ordinary Shares - note 10.10.2	250,000	25,000	250,000	25,000	25	96.49	June 30, 2007	Mr. Abbas Khan
Preference shares - note 10.10.3	1,432,800	143,280	1,432,800	143,280	N/A	N/A	-	
Advance against issue of Preference Shares	-	3,000	-	-	N/A	N/A	-	
Pak Kuwait Takaful Co. Ltd	2,500,000	25,000	2,500,000	25,000	10	8.98	Dec. 31, 2006	Mr. Istaqbal Mehdi
Total		<u>274,280</u>		<u>271,280</u>				

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- 10.10.1 The nominal value of these shares is Rs. 100 each. These shares are in custody of SECP and cannot be sold without the prior approval of SECP in accordance with circular No. 9 of 2006 dated June 15, 2006 in addition to mandatory holding period of 5 years from the last date of purchase of these shares.
- 10.10.2 The nominal value of these shares is Rs. 100 each.
- 10.10.3 The nominal value of these preference shares is Rs. 100 each. The preference shares have no voting rights. These preference shares are redeemable at the option of the investee company.
- 10.10.4 The above associates are incorporated in Pakistan.
- 10.11 Investments in subsidiary and associates except Meezan Islamic Income Fund form part of strategic investment of the Bank and cannot be sold for five years from the last date of purchase of such securities.

	2007	2006
	Rupees in '000	
11. FINANCINGS		
In Pakistan		
- Murabaha financings - note 11.1	15,968,791	11,430,720
- Net investment in ijarah - note 11.2	7,758,464	6,379,808
- Export refinance under Islamic scheme - note 11.3	3,516,317	4,403,667
- Diminishing Musharakah financings - housing	3,158,134	2,604,096
- Diminishing Musharakah financings - others	2,102,247	1,209,466
- Musharakah financings	80,531	130,500
- Istisna financings	238,275	-
- Financings against bills - salam	658,750	364,755
- Financings against bills - murabaha	1,345,692	573,961
- Loans and running finances- note 11.4	422,411	172,298
Total financing - notes 11.5 and 11.8	35,249,612	27,269,271
Less: Provision against non-performing financings - note 11.7	(673,273)	(238,255)
Financings net of provision	34,576,339	27,031,016
11.1 Murabaha receivable- gross - note 11.1.1	16,526,020	11,871,350
Less: Deferred murabaha income	(276,865)	(222,466)
Profit receivable shown in other assets	(280,364)	(218,164)
Murabaha financings / receivables	15,968,791	11,430,720

11.1.1 This includes advance for murabaha aggregating Rs. 2,480 million (2006: Rs. 1,812 million).

11.2 Net investment in ijarah

	2007				2006			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	2,418,291	5,622,823	44,936	8,086,050	2,390,143	3,956,829	35,736	6,382,708
Residual value	434,140	1,183,792	33,489	1,651,421	198,050	1,114,608	54,261	1,366,919
Minimum ijarah payments	2,852,431	6,806,615	78,425	9,737,471	2,588,193	5,071,437	89,997	7,749,627
Less: Profits for future periods	515,712	1,455,644	7,651	1,979,007	558,457	804,764	6,598	1,369,819
Present value of minimum ijarah payments	2,336,719	5,350,971	70,774	7,758,464	2,029,736	4,266,673	83,399	6,379,808

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For the year ended December 31, 2007



	2007	2006
	Rupees in '000	
11.3 Murabaha receivable under Islamic export refinance scheme- gross - note 11.3.1	3,615,372	4,513,494
Less: Deferred murabaha income	(44,739)	(50,257)
Profit receivable shown in other assets	(54,316)	(59,570)
Export refinance under Islamic scheme / receivables	<u>3,516,317</u>	<u>4,403,667</u>

11.3.1 This includes advance for murabaha under Islamic export refinance scheme aggregating Rs. 620 million (2006: Rs. 846 million).

11.4 This includes Rs. 110.931 million (2006 : Rs. 109.051 million) representing mark up free loans to staff advanced under Bank's human resource policies.

	2007	2006
	Rupees in '000	
11.5 Particulars of financings		
11.5.1 In		
- local currency	32,542,035	25,772,701
- foreign currencies	2,034,304	1,258,315
	<u>34,576,339</u>	<u>27,031,016</u>
11.5.2 Short-term (for upto one year)	22,431,851	17,620,575
Long-term (for over one year)	12,144,488	9,410,441
	<u>34,576,339</u>	<u>27,031,016</u>

11.6 Financings include Rs. 553.339 million (2006: Rs. 408.442 million) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
Substandard	123,336	-	123,336	24,855	24,855
Doubtful	122,729	-	122,729	57,952	57,952
Loss	307,274	-	307,274	296,690	296,690
	<u>553,339</u>	-	<u>553,339</u>	<u>379,497</u>	<u>379,497</u>

11.7 Particulars of provision against non-performing financings:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	163,712	74,543	238,255	66,953	49,721	116,674
Charge for the year	238,997	219,233	458,230	98,296	24,822	123,118
Less: Reversals	(23,212)	-	(23,212)	(1,537)	-	(1,537)
	215,785	219,233	435,018	96,759	24,822	121,581
Closing balance	<u>379,497</u>	<u>293,776</u>	<u>673,273</u>	<u>163,712</u>	<u>74,543</u>	<u>238,255</u>

11.7.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the prudential regulations for consumer financing issued by the SBP and for potential losses on financing.

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11.7.2 Particulars of provision against non-performing financings:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	364,233	293,776	658,009	154,346	74,543	228,889
In foreign currencies	15,264	-	15,264	9,366	-	9,366
	<u>379,497</u>	<u>293,776</u>	<u>673,273</u>	<u>163,712</u>	<u>74,543</u>	<u>238,255</u>

11.8 Particulars of loans and 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.

	2007	2006
	Rupees in '000	
Balance at the beginning of the year	169,116	121,902
Financing granted during the year	129,942	105,534
Repayments	(36,566)	(58,320)
Balance at the end of the year - note 11.8.1	<u>262,492</u>	<u>169,116</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.

	2007	2006
	Rupees in '000	
Balance at the beginning of the year	395,903	311,912
Financing granted during the year	297,825	497,798
Repayments	(348,414)	(413,807)
Balance at the end of the year - note 11.8.2	<u>345,314</u>	<u>395,903</u>

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

	2007	2006
	Balance at the beginning of the year	1,488
Financing granted during the year	-	-
Repayments	(819)	(699)
Balance at the end of the year - note 11.8.3	<u>669</u>	<u>1,488</u>

11.8.1 The maximum total amount of financings including temporary financings granted during the year were Rs. 262.492 million (2006: Rs. 169.116 million). The maximum amount has been calculated by reference to the month end balance.

11.8.2 This represents a musharakah facility outstanding from Blue Water (Private) Limited (an associated company) amounting to Rs. 70.531 million (2006: Rs. 120.5 million), murabaha and ijarah facilities outstanding from The General Tyre and Rubber Company Limited (an associated company) (GTR) amounting to Rs. 204.534 million (2006: Rs. 182.089 million) and Rs. 67.449 million (2006: Rs. 89.239 million) respectively and ijarah facility outstanding from Pak-Kuwait Takaful Company Limited (an associated company) amounting to Rs. 2.801 million (2006: Rs. 4.075 million). The musharakah facility is secured against equitable mortgage over property whereas the ijarah facilities are secured against hypothecation charge over present and future stocks, book debts and the rented assets of GTR and Pak-Kuwait Takaful Company Limited respectively. The maximum total amount of financings, including temporary financings granted during the year were Rs. 482.177 million (2006: Rs. 431.977 million). The maximum amount has been calculated by reference to the month end balance.

11.8.3 This represents an ijarah facility outstanding from Al-Meezan Investment Management Limited (a subsidiary company). The ijarah facility is secured against the respective assets. The maximum total amounts of financings including temporary financings granted during the year were Rs. 1.488 million (2006: Rs. 2.187 million). The maximum amount has been calculated by reference to the month end balance.

Notes to and forming part of the Financial Statements

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11.8.4 Loans and financings to executives and a director

	Executives		Director	
	2007	2006	2007	2006
	Rupees in '000			
Opening balance	55,342	54,318	694	827
Loans disbursed during the year	98,287	25,957	-	-
Loans repaid during the year	(28,375)	(24,933)	(132)	(133)
Closing balance	125,254	55,342	562	694

12. OPERATING FIXED ASSETS

Tangible assets

Capital work-in-progress - note 12.1

Property and equipment - note 12.2

Intangible assets - note 12.5

12.1 Capital work-in-progress

- Advances to suppliers and contractors for building renovation
- Advances for computer hardware
- Advances for purchase of vehicles
- Advances for computer software
- Advances for other office machines
- Advances for furniture and fixtures

	2007	2006
	Rupees in '000	
Capital work-in-progress	59,654	66,795
Property and equipment	905,036	445,659
	964,690	512,454
Intangible assets	68,273	18,808
	1,032,963	531,262
Capital work-in-progress		
- Advances to suppliers and contractors for building renovation	20,863	39,630
- Advances for computer hardware	19,678	9,385
- Advances for purchase of vehicles	7,912	15,331
- Advances for computer software	600	2,449
- Advances for other office machines	10,466	-
- Advances for furniture and fixtures	135	-
	59,654	66,795

12.2 Property and equipment

	COST			DEPRECIATION			Net book value as at December 31, 2007	Rate of depreciation %
	As at January 1, 2007	Additions / (disposals)	As at December 31, 2007	As at January 1, 2007	Charge / (on disposal)	As at December 31, 2007		
	Rupees in '000							
Land and buildings - note 12.3.1	71,970	182,158	254,128	9,131	4,198	13,329	240,799	5
Leasehold improvements	220,699	161,110	381,809	43,280	28,077	71,357	310,452	10
Furniture and fixtures	48,525	30,982 (280)	79,227	10,099	6,203 (140)	16,162	63,065	10
Electrical, office and computer equipments	224,621	147,697 (1,182)	371,136	126,558	59,094 (1,171)	184,481	186,655	20 and 33
Vehicles	116,098	65,186 (13,130)	168,154	47,186	26,848 (9,945)	64,089	104,065	20
2007	681,913	587,133 (14,592)	1,254,454	236,254	124,420 (11,256)	349,418	905,036	
2006	404,913	286,329 (9,329)	681,913	139,546	103,024 (6,316)	236,254	445,659	

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



12.3 Property, equipment and others - movement of net book value

	Land and buildings	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
Rupees in '000						
At January 1, 2006						
Cost	55,329	118,092	26,293	126,911	78,288	404,913
Accumulated depreciation	(5,532)	(21,210)	(4,991)	(77,360)	(30,453)	(139,546)
Net book value	49,797	96,882	21,302	49,551	47,835	265,367
Year ended December 31, 2006						
Additions	16,641	102,607	22,232	97,710	47,139	286,329
Net book value of disposals	-	-	-	-	(3,013)	(3,013)
Depreciation charge	(3,599)	(22,070)	(5,108)	(49,198)	(23,049)	(103,024)
Net book value as at December 31, 2006	62,839	177,419	38,426	98,063	68,912	445,659
Year ended December 31, 2007						
Additions	182,158	161,110	30,982	147,697	65,186	587,133
Net book value of disposals	-	-	(140)	(11)	(3,185)	(3,336)
Depreciation charge	(4,198)	(28,077)	(6,203)	(59,094)	(26,848)	(124,420)
Net book value as at December 31, 2007	240,799	310,452	63,065	186,655	104,065	905,036

12.3.1 The break-up of cost of land and buildings between the two separate categories has not been disclosed as the subject purchase was made for an overall price.

12.3.2 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs. 62.603 million (2006: Rs. 55.026 million).

Notes to and forming part of the Financial Statements

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12.3.3 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					
Vehicles						
Santro Club	499	408	91	330	Negotiation	Wasim Mirza
Santro Club	519	320	199	325	Negotiation	Wasim Mirza
Suzuki Cultus	560	233	327	417	Negotiation	Wasim Mirza
Suzuki Cultus	555	555	-	340	Negotiation	Wasim Mirza
Suzuki Cultus	584	487	97	390	Negotiation	Mazhar Hussain
Santro Club	519	329	190	327	Negotiation	Rukhsana Majeed
Honda Civic	983	819	164	295	Negotiation	Muhammad Tariq
Suzuki Cultus	560	354	206	425	Negotiation	S. Abdur Rauf
Suzuki Cultus	560	354	206	435	Negotiation	Wasim Mirza
Suzuki Alto	469	313	156	367	Negotiation	Kauser Imam (Ex-employee)
Suzuki Alto	469	227	242	370	Negotiation	Shahina Memon
Suzuki Alto	469	235	234	350	Negotiation	Abdul Nasir
Suzuki Alto	469	469	-	47	Negotiation	Wasaf Ali Babar (Employee)
Suzuki Alto	469	258	211	360	Negotiation	Farhan Madni (Employee)
Suzuki Alto	498	473	25	275	Negotiation	Muhammad Fuqan (Employee)
Honda Citi	765	765	-	435	Negotiation	Muhammad Shahid Rasheed
Suzuki Alto	469	359	110	310	Negotiation	Abdur Rehman
Santro Club	519	398	121	208	Bank policy	Muhammed Faisal (Employee)
Suzuki Cultus	560	429	131	353	Negotiation	Nadeem Ahmed
Honda Civic	1,118	875	243	373	Bank policy	Ghaffar Memon (Employee)
Santro Club	499	491	8	141	Bank policy	Antaqeen Shaikh (Employee)
Santro Club	519	302	217	333	Negotiation	Malik Tajam ul Iltaf
Santro Club	499	491	8	317	Negotiation	Muhammad Arif
Honda Citi	-	-	-	590	Negotiation	Ghulam Farid Ahmed
Toyota Corolla	-	-	-	476	Negotiation	Farooq Zaman
Honda Civic	-	-	-	440	Negotiation	Humayun Saleem
Suzuki Baleno	-	-	-	350	Negotiation	Adnan Rafiq Qureshi
Electrical, office and computer equipments						
AC and Generator	279	279	-	28	Negotiation	M Yousuf Kalar
AC	190	190	-	12	Negotiation	Star Cooling Shop
Mobile Phone	10	4	6	6	Negotiation	M Yousuf Kalar
Miscellaneous equipment	703	698	5	28	Negotiation	M Yousuf Kalar
Furniture and Fixtures						
Miscellaneous furniture	280	141	139	56	Negotiation	Various
	14,592	11,256	3,336	9,509		

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12.4 Intangible assets

	COST			AMORTISATION			Net book value as at December 31, 2007	Rate of amortisation %
	Opening balance as at January 1, 2007	Additions	Closing balance as at December 31, 2007	Opening balance as at January 1, 2007	Amortisation	Closing balance as at December 31, 2007		
	Rupees in '000							
Computer software	29,461	63,747	93,208	10,653	14,282	24,935	68,273	20
2006	18,442	11,019	29,461	5,119	5,534	10,653	18,808	

12.5 Intangible assets-Movement of net book value

	Year ended December 31, 2006			Year ended December 31, 2007			
	Net book value as at January 1, 2006	Addition	Amortisation charge for the year	Net book value as at December 31, 2006	Addition	Amortisation charge for the year	Net book value as at December 31, 2007
	Rupees in '000						
Computer software	13,323	11,019	5,534	18,808	63,747	14,282	68,273

13. OTHER ASSETS

	2007	2006
	Rupees in '000	
Profit / return accrued in local currency	677,307	450,390
Profit / return accrued in foreign currency	113,115	12,572
Advances, deposits, advance rent and other prepayments - note 13.1	427,100	256,299
Advance taxation (payments less provisions)	-	219,929
Receivables on account of sale of securities	67,137	12,209
Dividends receivable	3,878	1,278
Stamps	6,824	3,997
Inventories - note 13.2	719,713	579,897
Advances against future ijarah	757,094	714,928
Security deposits	12,645	10,701
Unrealized gain on forward foreign exchange contracts	23,828	3,414
Prepaid exchange risk fee	124	121
Other - note 13.3	1,729	787
	2,810,494	2,266,522

13.1 This includes prepaid rent and prepaid insurance aggregating Rs. 164.438 million (2006: Rs. 121.205 million) and Rs. 95.987 million (2006 Rs. 78.187 million) respectively which are being amortized over a period of one year.

13.2 This represent goods purchased for murabaha but remaining unsold at the balance sheet date.

13.3 This represents amount recoverable from SBP upon encashment of various instruments on behalf of SBP by the Bank.

Notes to and forming part of the Financial Statements

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14. BILLS PAYABLE

	2007	2006
	Rupees in '000	
In Pakistan	1,192,160	563,228
Outside Pakistan	-	-
	<u>1,192,160</u>	<u>563,228</u>

15. DUE TO FINANCIAL INSTITUTIONS

In Pakistan	2,384,699	4,264,642
Outside Pakistan	30,907	20,570
	<u>2,415,606</u>	<u>4,285,212</u>

15.1 Particulars of due to financial institutions with respect to currencies

In local currency	2,384,699	4,252,460
In foreign currencies	30,907	32,752
	<u>2,415,606</u>	<u>4,285,212</u>

15.2 Details of due to financial institutions secured/unsecured

Secured:		
Borrowing from the State Bank of Pakistan under Islamic export refinance scheme - note 15.2.1	2,384,699	4,252,460
Unsecured:		
Overdrawn nostro accounts	30,907	20,570
Others	-	12,182
	<u>2,415,606</u>	<u>4,285,212</u>

15.2.1 These borrowings are on a profit and loss sharing basis maturing between January 24, 2008 to July 12, 2008 and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 3,714 million has been allocated to Bank by SBP under Islamic export refinance scheme for the financial year ending June 30, 2008.

15.3 Particulars of due to financial institutions

	2007	2006
	Rupees in '000	
Short - term	2,415,606	4,285,212
Long - term	-	-
	<u>2,415,606</u>	<u>4,285,212</u>

16. DEPOSIT AND OTHER ACCOUNTS

Customers		
- Fixed deposits	21,223,117	12,993,315
- Savings deposits	17,644,610	9,837,816
- Current accounts - non-remunerative	12,238,793	7,779,810
- Margin	386,674	342,301
	<u>51,493,194</u>	<u>30,953,242</u>
Financial institutions		
- Remunerative deposits	3,078,875	3,489,614
- Non-remunerative deposits	10,284	6,585
	<u>3,089,159</u>	<u>3,496,199</u>
	<u>54,582,353</u>	<u>34,449,441</u>

Notes to and forming part of the Financial Statements

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16.1 Particulars of deposits

	2007	2006
	Rupees in '000	
In		
- local currency	52,013,656	32,096,664
- foreign currencies	2,568,697	2,352,777
	<u>54,582,353</u>	<u>34,449,441</u>
17. DEFERRED TAX LIABILITIES		
Credit / (debit) balances arising on account of:		
Excess of accounting book values over tax written down values of owned assets	125,036	61,808
Other staff benefits	(64,752)	(40,702)
Excess of ijarah financings over tax written down values of ijarah assets	573,170	488,844
Carried forward assessed and unassessed tax losses	-	(60,122)
Excess of tax written down values over accounting net book values of investments	(3,370)	(3,063)
Provision against non-performing financings	(194,904)	(47,901)
Deficit on revaluation of available for sale investments	(2,162)	-
Others	(2,641)	(560)
	<u>430,377</u>	<u>398,304</u>
18. OTHER LIABILITIES		
Return on deposits and other dues		
- payable in local currency - note 18.1	531,953	305,264
- payable in foreign currency	10,050	6,429
Unearned commission	16,138	20,738
Accrued expenses - note 18.2	59,236	32,664
Advance payments	-	318
Current taxation (provision less payments)	28,384	-
Unclaimed dividends	855	855
Unrealized gain (net) on forward foreign exchange contracts	63,085	409
Payable to defined benefit plan - note 33.3	17,934	7,929
Provision against off-balance sheet obligations-note 18.3	7,548	1,600
Security deposits against ijarah	1,842,878	1,400,061
Other staff benefits	185,005	116,290
Charity payable - note 18.4	12,419	9,549
Others	75,922	76,973
	<u>2,851,407</u>	<u>1,979,079</u>

18.1 It includes Rs. 37.642 million (2006: Rs. 57.528 million) in respect of return accrued on borrowings from SBP under the Islamic export refinance scheme.

18.2 It includes Rs. 5.550 million (2006: Rs. 0.120 million) payable to a subsidiary company.

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18.3 Provision against off-balance sheet obligations

	2007	2006
	Rupees in '000	
Opening balance - note 18.3.1	1,600	1,600
Charge for the year - note 18.3.2	5,948	-
Reversals	-	-
Amount written off	-	-
Closing balance	7,548	1,600

18.3.1 This represents provision made against a bail bond issued on behalf of former employees of Societe Generale, The French and International Bank in a suit pending before a court.

18.3.2 This represents provision made against off-balance sheet (guarantee) exposure of a borrower.

18.4 Reconciliation of charity payable

	2007	2006
	Rupees in '000	
Balance as at January 1	9,549	6,740
Addition during the year	37,285	9,508
Less: Transferred to charity savings account (included in deposits and other accounts)	(29,637)	-
Payments made during the year - note 18.4.2	(4,778)	(6,699)
Balance as at December 31	12,419	9,549

18.4.1 Charity in excess of Rs. 100,000 was paid to the following individuals / organization:

	2007	2006
	Rupees in '000	
Rashid Memorial Welfare Organization	1,200	-
Alamgir Welfare Trust	1,110	-
Sindh Institute of Urology and Transplantation (SIUT)	1,000	-
Ms. (Late) Shagufta Ibrahim (Ex-Employee)	450	-
Al Shi'fa Trust	250	-
Idara Al Khair Welfare Society	200	200
The Citizen Foundation	-	6,000

18.4.2 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, issued, subscribed and paid-up capital

A summary of the movement on ordinary share capital is given below:

	Ordinary shares of Rs. 10 each	
	Number	Amount in Rupees in '000
Authorized capital		
As at January 1, 2007	800,000,000	8,000,000
Increase during the year	-	-
As at December 31, 2007	800,000,000	8,000,000
Issued, subscribed and paid-up capital		
As at January 1, 2006	203,658,237	2,036,582
Issue of bonus shares of Rs. 10 each	56,209,672	562,097
Right issue at Rs. 10 each	118,121,777	1,181,218
As at December 31, 2006	377,989,686	3,779,897
Increase during the year	-	-
As at December 31, 2007	377,989,686	3,779,897

Notes to and forming part of the Financial Statements

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- 19.2 The Bank intends to issue 9.9 million ordinary shares of Rs. 10 each having a face value of Rs. 99 million under an employee stock option plan subject to approval of the Securities and Exchange Commission of Pakistan.
- 19.3 According to BSD circular No.6 dated October 28, 2005 the Bank was required to raise its paid-up capital to Rs. 4 billion by December 31, 2007. However, SBP vide its letter No. BSD/SU-1/608/107/2008 dated January 16, 2008 has deferred the compliance of the "Minimum Capital Requirement" by the Bank till March 31, 2008.

20. RESERVES

	2007	2006
	Rupees in '000	
Statutory reserve - note 20.1	654,019	461,319
General reserve	66,766	66,766
	720,785	528,085

- 20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital.

21. (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS

	2007	2006
	Rupees in '000	
Quoted shares	(12,936)	660
Other securities - quoted MFFCs - certificates	(2,480)	4,833
	(15,416)	6,950
Add: Deferred tax asset	2,162	-
	(13,254)	6,950

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes		
Guarantees favoring - Government	277,849	201,279
22.2 Transaction related contingent liabilities		
Guarantees favoring - Government	1,327,983	1,805,745
- Banks	28,530	29,273
- Others	2,396,774	2,224,786
	3,753,287	4,059,804
22.3 Trade related contingent liabilities		
Import letters of credit	8,452,589	4,802,859
Acceptances	2,880,544	2,300,062
	11,333,133	7,102,921
22.4 Commitments in respect of forward exchange contracts		
Purchases	5,323,699	2,808,751
Sales	9,773,147	6,297,464
22.5 Commitments for the acquisition of operating fixed assets	21,700	-
22.6 Commitments in respect of financings	23,386,645	16,704,510

Notes to and forming part of the Financial Statements

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22.7 Other commitments

	2007	2006
	Rupees in '000	
Bills for collection (inland)	44,854	42,784
Bills for collection (foreign)	2,211,968	2,088,795
	<u>2,256,822</u>	<u>2,131,579</u>

22.8 The tax department has not accepted the Bank's contention on the matter of allocation of expenses on exempt capital gains and dividend income subject to reduced rate of tax. Order to this effect has already been framed for the tax year 2003. For the following years this matter has not yet emerged as there have been deemed assessments which are expected to be amended on this issue.

While finalising the assessment of the Bank for the tax year 2003 the assessing officer made certain disallowance of financial charges and administrative expenses on this account. After considering the effect of apparent rectifications the disallowances will aggregate to Rs. 106.635 million. If the assessing officer's basis of allocation is applied for the following years, the expected disallowances may amount to Rs. 1,045 million resulting in tax impact of Rs. 396 million in respect of tax year 2003 and the following years. The Bank had filed an appeal with CIT (A) on the subject matter. The CIT (A) in his order confirmed the assessment in respect of the principle of allocation of expenses, however, directions have been given for necessary rectification on certain facts and basis underlying that assessment. In the management view this could result in the maximum liability aggregating to Rs. 221 million in respect of tax year 2003 and following years which has been provided for.

The Bank has challenged the matter in an appeal on the issue with the Income Tax Appellate Tribunal (ITAT). In the case of another company, the issue of allocation of expenses has been set aside by the ITAT with certain positive assertions.

The management is confident that the ultimate outcome of the appeal would be in favor of the Bank interalia on facts of the case.

23. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS

	2007	2006
	Rupees in '000	
On financings to:		
- Customers	3,282,802	2,349,404
On investments in:		
- Available for sale securities	155,292	4,548
- Held to maturity securities	223,139	125,513
On deposits with financial institutions	912,519	224,815
	<u>4,573,752</u>	<u>2,704,280</u>
24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits and other accounts	2,214,220	1,227,139
Other short term borrowings note - 24.1	237,748	237,034
	<u>2,451,968</u>	<u>1,464,173</u>

24.1 It includes Rs. 231.125 million (2006: Rs. 229.491 million) paid / payable to SBP under Islamic export refinance scheme.

25. CAPITAL GAIN ON SALE OF INVESTMENTS

	2007	2006
	Rupees in '000	
Shares - listed	527,905	114,308
WAPDA First Sukuk certificates	5,188	2,344
Term finance certificates	-	341
	<u>533,093</u>	<u>116,993</u>

26. OTHER INCOME

Gain on termination of ijarah financings	5,508	10,297
Gain on termination of diminishing musharakah financings	12,887	10,069
Gain on sale of property, equipment and others	6,173	1,823
Others	3,336	871
	<u>27,904</u>	<u>23,060</u>

Notes to and forming part of the Financial Statements

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27. ADMINISTRATIVE EXPENSES

	2007	2006
	Rupees in '000	
Salaries, allowances, etc. - note 35	799,720	412,602
Charge for defined benefit plan - note 33.4	17,934	7,929
Contribution to defined contribution plan - note 34	20,418	11,540
Non-executive directors' fees - note 35	12,568	5,373
Rent, electricity, taxes, insurance, etc.	229,558	135,024
Insurance on consumer car Ijarah	152,036	101,040
Communication	68,266	38,325
Stationery and printing	38,936	26,431
Entertainment	5,177	3,385
Office supplies	13,158	6,592
Local transportation and car running	43,458	26,266
Fees, subscription and clearing charges	23,057	21,210
Security charges	25,240	12,332
Repairs and maintenance	24,668	12,056
Hardware and software maintenance	7,612	4,492
Advertisement and publicity	44,196	28,157
Depreciation - note 12.2	124,420	103,024
Amortization - note 12.5	14,282	5,534
Travelling	18,092	11,627
Service charges - note 27.1	15,896	12,022
Brokerage and commission	20,009	13,686
Legal and professional charges - note 27.2	10,954	7,315
Auditors' remuneration - note 27.3	6,450	6,303
Others	19,656	10,726
	<u>1,755,761</u>	<u>1,022,991</u>

27.1 This includes fee charged by the subsidiary in respect of the management of investment portfolio of the Bank.

27.2 It includes remuneration to Shariah Board amounting to Rs. 1.300 million (2006: Rs. 2.100 million).

27.3 Auditors' remuneration

	2007	2006
	Rupees in '000	
Audit fee to statutory auditor	1,200	1,100
Fee for audit of employee's funds	300	150
Special certifications and sundry advisory services	2,200	1,800
Tax services	2,300	2,750
Out of pocket expenses	450	503
	<u>6,450</u>	<u>6,303</u>
28. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	2,884	4,776
29. TAXATION		
Current		
- for the year	271,452	8,314
- for prior years	-	(60,572)
	<u>271,452</u>	<u>(52,258)</u>
Deferred	34,235	228,030
	<u>305,687</u>	<u>175,772</u>

Notes to and forming part of the Financial Statements

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29.1 Relationship between tax expense and accounting profit

	2007 Rupees in '000
Profit before taxation	1,269,188
Effects of:	
- Tax calculated at the applicable rate of 35%	444,215
- Tax effect of income that are not taxable in determining taxable profit	(114,358)
- Income chargeable to tax at reduced rate	(26,432)
- Permanent differences	2,262
Tax charge for the year	305,687

29.2 The provision for current taxation for the year ended December 31, 2006 was made on the basis of presumptive tax, therefore, a relationship between the tax expense and the accounting profit has not been disclosed.

30. BASIC AND DILUTED EARNINGS PER SHARE

	2007	2006
Profit for the year (Rupees in '000)	963,501	604,251
Weighted average number of ordinary shares	377,989,686	321,685,172
Basic earnings per share - note 30.1 (Rupees)	2.55	1.88

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2006 and 2007.

31. CASH AND CASH EQUIVALENTS

	2007	2006
	Rupees in '000	
Cash and balances with treasury banks - note 7	5,644,028	5,897,394
Balances with other banks - note 8	3,729,549	4,134,875
	9,373,577	10,032,269

32. STAFF STRENGTH

	2007	2006
	Number of Staff	
Permanent	1,276	779
Contractual basis	683	449
Bank's own staff strength at the end of the year	1,959	1,228
Outsourced	246	161
Total Staff Strength	2,205	1,389

33. DEFINED BENEFIT PLAN

The projected unit credit method, as allowed under the International Accounting Standard 19 'Employee Benefits' (revised 2006), was used for actuarial valuation based on the following significant assumptions:

	2007	2006
	Principal actuarial assumptions	
33.1 Discount rate	10% p.a	10% p.a
Expected rate of increase in salaries	10% p.a	10% p.a
Expected rate of return on investments	10% p.a	10% p.a
Normal retirement age	60 years	60 years

The disclosures made in notes 33.1 to 33.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2007.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



33.2 Reconciliation of amount payable to defined benefit plan

	2007	2006
	Rupees in '000	
Present value of defined benefit obligations - note 33.7	48,929	29,117
Fair value of plan assets - note 33.8	(19,808)	(11,531)
Net actuarial losses not recognized - note 33.11	(11,187)	(9,657)
	<u>17,934</u>	<u>7,929</u>
33.3 Movement in payable to defined benefit plan		
Opening balance	7,929	5,627
Charge for the year - note 33.4	17,934	7,929
Contribution made during the year	(7,929)	(5,627)
Closing balance	<u>17,934</u>	<u>7,929</u>
33.4 Charge for defined benefit plan		
Current service cost	15,501	6,539
Interest cost	2,912	1,764
Expected return on plan assets	(1,153)	(684)
Actuarial gains and losses	674	310
	<u>17,934</u>	<u>7,929</u>
33.5 Actual return on plan asset - note 33.6	<u>2,122</u>	<u>659</u>

33.6 It includes a balance of Rs. 0.820 million (2006: Rs. 1.086 million) kept in a savings account and Rs. 17.934 (2006: Rs. 10.445 million) placed in a Mahana Amdani Certificate with the Bank.

33.7 Reconciliation of present value of obligation

	2007	2006
	Rupees in '000	
Present value of obligation as at January 1	29,117	17,640
Current service cost	15,501	6,539
Interest cost	2,912	1,764
Benefits paid	(1,774)	(1,596)
Actuarial loss on obligation	3,173	4,770
Present value of obligation as at December 31	<u>48,929</u>	<u>29,117</u>
33.8 Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	11,531	6,841
Expected return	1,153	684
Contributions by the Bank	7,929	5,627
Benefits paid	(1,774)	(1,596)
Actuarial gain / (loss)	969	(25)
	<u>19,808</u>	<u>11,531</u>

33.9 The plan assets comprise as follows:	2007		2006	
	Rupees in '000	%	Rupees in '000	%
Meezan Aamdani Certificates	17,934	90.54	10,445	90.58
Meezan Islamic Income Fund	1,054	5.32	-	-
Savings account with Meezan Bank	820	4.14	1,086	9.42
	<u>19,808</u>	<u>100.00</u>	<u>11,531</u>	<u>100.00</u>

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33.10 Actuarial loss to be recognized

	2007	2006
	Rupees in '000	
Corridor Limit		
The limits of the corridor as at January 1		
10% of obligations	2,912	1,764
10% of plan assets	1,153	684
Which works out to	2,912	1,764
Unrecognized actuarial gain / (losses) as at January 1	(9,657)	(5,172)
Excess	(6,745)	(3,408)
Average expected remaining working lives in years	10	11
Actuarial loss to be recognized	(674)	(310)

33.11 Unrecognized actuarial losses

Unrecognized actuarial losses at January 1	(9,657)	(5,172)
Actuarial loss on obligations - note 33.7	(3,173)	(4,770)
Actuarial gain / (loss) on assets - note 33.8	969	(25)
Subtotal	(11,861)	(9,967)
Actuarial loss recognized - note 33.10	674	310
Unrecognized actuarial gain / (loss) as at December 31	(11,187)	(9,657)

33.12 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:

	2007	2006	2005	2004	2003
	Rupees in '000				
Present value of defined benefit obligation	48,929	29,117	17,640	10,972	7,332
Fair value of plan assets	(19,808)	(11,531)	(6,841)	(1,956)	(1,931)
Deficit	29,121	17,586	10,799	9,016	5,401
Actuarial loss on obligation	(3,174)	(4,770)	(2,246)	(449)	(389)
Actuarial gain / (loss) on assets	969	(25)	(556)	338	252

33.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2008 works out to Rs. 22.553 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.

	2007	2006
	Rupees in '000	
Contribution from the Bank	20,418	11,540
Contribution from the employees	20,418	11,540
	40,836	23,080

Notes to and forming part of the Financial Statements

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35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Director		Executives	
	2007	2006	2007	2006	2007	2006
	Rupees in '000					
Fees	-	285	12,568 *	5,691	-	-
Managerial remuneration	45,091	16,086	25,506	20,230	132,690	78,556
Charge for defined benefit plan	453	-	731	731	4,502	2,790
Contribution to defined contribution plan	543	-	878	878	5,116	3,097
House rent	2,445	-	3,510	270	27,431	9,948
Utilities	543	-	878	878	6,272	4,196
Medical	546	162	994	937	6,938	4,317
Conveyance	774	639	253	230	-	-
Others	76	171	20	63	-	-
	50,471	17,343	45,338	29,908	182,949	102,904
Number of persons	1	1	8	10	67	39

* This includes amounts charged in these financial statements as fees to seven (2006: nine) non-executive directors.

35.1 Certain executives are provided with free use of the Bank cars.

35.2 In addition to the above, service charges (note 27) include Rs. 10.059 million (2006: Rs. 15.946 million) in respect of reimbursement, to a related party, of salary and other benefits paid by that related party to the Chief Executive as he was on secondment from that related party till June 30, 2007. Since July 1, 2007 the Chief Executive is in the permanent employment of the Bank.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments in listed securities, except investments categorized as 'held to maturity securities' and 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 10.8 and 10.10.

The fair value of financings, other assets, other liabilities and 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 financings has been calculated in accordance with the Bank's accounting policy as stated in note 6.3.2. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits are frequently repriced.

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37. SEGMENT ANALYSIS

The segment analysis with respect to business activity is as follows:

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Agency services	Assets management	Retail brokerage	Others
	Rupees in '000								
2007									
Total income	252,166	2,081,907	704,294	2,865,272	12,318	5,688	-	-	-
Total expenses	(123,264)	(1,726,716)	(565,900)	(2,541,230)	(708)	(326)	-	-	-
Net income (loss)	128,902	355,191	138,394	324,042	11,610	5,362	-	-	-
Segment Assets (Gross)	5,148,000	27,454,218	5,150,287	29,426,054	-	-	-	-	-
Segment Non Performing Loans	-	-	95,675	457,664	-	-	-	-	-
Segment Provision Required	-	-	39,580	633,693	-	-	-	-	-
Segment Liabilities	-	132,381	54,582,354	6,757,168	-	-	-	-	-
Segment Return on Assets (ROA) (%)	2.50%	1.29%	2.69%	1.10%	-	-	-	-	-
Segment Cost of funds (%)	5.13%	5.13%	5.13%	5.13%	-	-	-	-	-
2006									
Total income	1,925	824,585	252,634	2,271,256	36,123	8,318	-	-	-
Total expenses	(1,877)	(708,772)	(184,732)	(1,882,774)	(11,969)	(466)	-	-	-
Net income (loss)	48	115,813	67,902	388,482	24,154	7,852	-	-	-
Segment Assets (Gross)	386,800	19,407,607	2,636,029	24,008,187	-	-	-	-	-
Segment Non Performing Loans	-	-	103,800	304,642	-	-	-	-	-
Segment Provision Required	-	-	20,416	217,839	-	-	-	-	-
Segment Liabilities	-	32,752	34,449,441	7,193,071	-	-	-	-	-
Segment Return on Assets (ROA) (%)	0.01%	0.60%	2.58%	1.59%	-	-	-	-	-
Segment Cost of funds (%)	4.93%	4.93%	4.93%	4.93%	-	-	-	-	-

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 a subsidiary company, associated companies with or without common directors, directors, and key management personnel.

38.2 A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates. The services charges relating to secondment of CEO are on actual basis.

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

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38.5 The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	Total		Subsidiary		Associates		Key Management Personnel		Other Related Parties	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Rupees in '000										
Financing										
At January 1,	398,085	314,926	1,488	2,187	395,903	311,912	694	827	-	-
Disbursed during the year	297,825	497,798	-	-	297,825	497,798	-	-	-	-
Repaid during the year	(349,365)	(414,639)	(819)	(699)	(348,414)	(413,807)	(132)	(133)	-	-
At December 31	346,545	398,085	669	1,488	345,314	395,903	562	694	-	-
Deposits										
At December 31	2,754,764	1,444,516	1,902	25,505	2,594,840	1,142,169	18,053	20,653	139,968	351,608
Balances										
Profit receivable on financing	11,237	10,881	25	267	11,212	10,614	-	-	-	-
Service charges payable by the Bank	5,550	120	5,550	120	-	-	-	-	-	-
Acceptances	10,662	62,176	-	-	10,662	62,176	-	-	-	-
Letters of credit (unfunded)	49,551	56,787	-	-	49,551	56,787	-	-	-	-
Prepaid Takaful	94,087	76,911	-	-	94,087	76,911	-	-	-	-
Transactions, income and expenses										
Profit earned on financing	43,805	23,656	208	355	43,597	23,301	-	-	-	-
Return on deposits expensed	109,865	99,399	518	1,064	98,044	86,672	619	2,772	10,684	8,891
Takaful insurance on consumer financings	161,370	110,388	-	-	161,370	110,388	-	-	-	-
Dividend income earned	53,752	118,827	-	-	50,189	118,827	-	-	3,563	-
Capital gain	265,307	-	-	-	265,307	-	-	-	-	-
Service charges incurred	15,896	12,022	5,709	(3,924)	128	-	-	-	10,059	15,946
Fees earned	13,509	8,317	5,688	7,996	7,152	-	-	-	669	321
Commission earned on letters of credit and acceptances	1,242	857	-	-	1,242	857	-	-	-	-

38.6 ASSOCIATES - KEY INFORMATION

Particulars	Mutual Funds	Others	Total
	Rupees in '000		
Assets	7,811,643	1,095,690	8,907,333
Liabilities	315,587	614,202	929,789
Operating revenue	2,027,930	177,360	2,205,290
Profit after tax	1,751,876	16,892	1,768,768

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



39. CAPITAL ADEQUACY

The SBP sets and monitors capital requirements for the banks. In implementing current capital requirements SBP requires banks to maintain a prescribed ratio of 8% of total capital to total risk-weighted assets. The Bank calculates requirements for market risk and credit risk based upon the instructions issued by SBP.

There has been no material changes in Bank's management of capital during the year.

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

	2007		2006	
	Rupees in '000			
Regulatory Capital Base				
Tier I Capital				
Shareholders Capital	3,779,897		3,779,897	
Reserves	720,785		528,085	
Unappropriated profit	1,219,228		448,427	
	5,719,910		4,756,409	
Less: Adjustment - note 39.2	(78,466)		(63,050)	
Total Tier I Capital	5,641,444		4,693,359	
Tier II Capital				
Subordinated debt (upto 50% of total Tier I Capital)	-		-	
General provisions subject to 1.25% of Total Risk Weighted Assets	293,776		74,543	
Revaluation reserve (upto 50%)	(5,821)		330	
Total Tier II Capital	287,955		74,873	
	5,929,399		4,768,232	
Eligible Tier III Capital	-		-	
Total Regulatory Capital	5,929,399		4,768,232	

	2007		2006	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	Rupees in '000			
Credit Risk				
Balance Sheet Items:				
Cash and other liquid assets	9,373,577	745,910	10,032,269	826,975
Due from financial institutions	8,850,000	4,050,000	3,700,000	2,500,000
Investments - note 39.3	10,049,467	6,783,213	2,481,504	1,156,030
Financing - note 39.4	31,948,160	29,864,715	24,503,688	22,824,839
Operating fixed assets	1,032,963	1,032,963	531,262	531,262
Other assets	2,810,493	2,614,220	2,266,522	2,046,593
	64,064,660	45,091,021	43,515,245	29,885,699
Off balance sheet items				
Loan repayment guarantees	3,158,393	3,158,393	2,501,341	2,501,341
Performance bonds etc - note 39.5	3,289,113	1,581,641	3,692,252	1,665,491
Stand by letters of credit - note 39.5	8,259,370	4,129,685	4,646,187	2,323,094
Outstanding foreign exchange contracts - note 39.6				
- Purchase	4,854,842	41,570	1,332,044	11,114
- Sale	9,552,803	111,507	4,913,416	33,106
	29,114,521	9,022,796	17,085,240	6,534,146
Credit risk-weighted exposures		54,113,817		36,419,845
Market Risk				
General market risk		485,719		396,050
Specific market Risk		485,719		396,050
Capital charge for foreign exchange risk		272,775		33,051
Market risk-weighted exposures		1,244,213		825,151
Total Risk-Weighted exposures		55,358,030		37,244,996
Capital Adequacy Ratio [(a) / (b) x 100]		10.71		12.80

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



- 39.1 Weightages as mentioned in BSD circular no. 12 dated August 25, 2004 have been applied to the respective 'book values' to arrive at 'risk adjusted values'.
- 39.2 The adjustment to Tier I capital represent net deductions for investment in the subsidiary company and deficit on revaluation of available for sale securities.
- 39.3 Investment exclude investment in held for trading portfolio amounting to Rs. 485.719 million (2006: Rs. 396.050 million) as allowed by SBP.
- 39.4 The amount of cash margins and deposits held against loans and financings aggregates to Rs. 2,921.956 million (2006: Rs. 2,601.871 million). Financing are gross of general provision amounting to Rs. 293.776 million (2006: Rs. 74.543 million). This provision has been added to supplementary capital.
- 39.5 The amount of cash margins and deposits held against performance bonds and standby letter of credit aggregates Rs. 657.393 million (2006: Rs. 524.224 million).
- 39.6 Forward exchange contracts with maturity of less than or equal to 14 days from the original maturity amounted to Rs. 468.857 million purchase (2006: Rs. 1,476.707 million) and Rs. 220.344 million sale (2006: Rs. 1,384.048 million) have been excluded from the above.

40. RISK MANAGEMENT

The wide variety of the Bank's business activities requires the Bank to identify, measure, aggregate and manage risks effectively which are constantly evolving as the business activities change in response to credit, market, product and other developments. The Bank manages the risk through a framework of risk management, policies and principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the business activities of the Bank.

Risk management principles

- The board of directors (the Board) provides overall risk management supervision. The executive and risk management committees regularly monitor 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 organizational structure of the Bank.
- The risk management function is independent of the Bank's operation.

Risk management organization

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, which is responsible for planning, management and control of the aforementioned risks of the Bank.

The Board has delegated some of its tasks of risk management to sub-committees which are as follows:

Name of the committee	Chaired by
Credit committee	President & CEO
Asset and liability management committee (ALCO)	President & CEO
Audit committee	Non-executive director

The credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the financing portfolio. For this purpose it has formulated credit 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 Board has constituted a full functional audit committee. The audit committee works to ensure that the best practices of the code of corporate governance are being complied by the Bank and that the policies and procedures are being complied with.

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 SBP are being complied with in order to mitigate the compliance and operational risks. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



40.1 Credit risk

Credit risk refers to the risk of financial loss arising from defaults by counter parties in meeting their obligations. Exposure to credit risks for the Bank arises primarily from lending activities.

The management of credit risk is governed by credit policies approved by the Board. The procedures spell out the relevant approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

The Bank has a well-defined credit structure duly approved by the Board under which delegated authorities at various levels are operating which critically scrutinize and sanction financings. The emphasis is to provide short to medium term trade related financings to reputable names, which are self-liquidating and Shariah compliant. The risk appraisal system of the Bank has enabled it to build a sound portfolio. The accounting policies and methods used by the Bank are in accordance with the requirements of the prudential regulations of the SBP and approved accounting standards as applicable in Pakistan.

Out of the total financial assets of Rs. 64,999 million (2006: Rs. 44,851 million), the financial assets which were subject to credit risk amounted to Rs. 53,368 million (2006: Rs. 38,954 million). The major credit risk in respect of financings is concentrated in sectors such as textile and individuals. To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. The Bank also applies control limits to restrict its exposure and obtains collaterals from the counterparties such as cash deposit, guarantees, hypothecation and charges over fixed assets and stocks and mortgage of properties.

The Bank has in-house assessment methodologies and procedures for evaluating the creditworthiness of counterparties. A reconciliation of provision against non performing advances has been disclosed in note 11.7 of these financial statements.

41. SEGMENT INFORMATION

41.1 Segment by class of business

	2007					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	4,520	0.01%	209,127	0.38%	387,794	0.69%
Textile	10,958,813	31.09%	1,262,079	2.31%	13,092,871	23.33%
Automobile and transportation equipment	1,408,016	3.99%	101,889	0.19%	1,131,745	2.02%
Financial institutions	-	0.00%	3,078,875	5.64%	9,778,895	17.42%
Insurance	-	0.00%	74,321	0.14%	1,180	0.00%
Electronics and electrical appliances	688,402	1.95%	257,464	0.47%	1,371,787	2.44%
Construction	1,069,195	3.03%	219,258	0.40%	780,910	1.39%
Power (electricity), gas and water	629,273	1.79%	69,765	0.13%	1,277,418	2.28%
Exports / imports	1,190,384	3.38%	355,755	0.65%	1,706,877	3.04%
Transport, storage and communication	215,484	0.61%	2,292,254	4.20%	588,114	1.05%
Chemical and pharmaceuticals	2,700,698	7.66%	618,656	1.13%	4,936,087	8.79%
Sugar	839,651	2.38%	25,967	0.05%	834,885	1.49%
Footwear and leather garments	1,054,479	2.99%	306,285	0.56%	1,918,292	3.42%
Wholesale and retail trade	2,385,883	6.77%	2,487,635	4.56%	1,382,505	2.46%
Cement	766,908	2.18%	16,477	0.03%	109,973	0.20%
Services	553,367	1.57%	1,867,472	3.42%	1,685,265	3.00%
Individuals	7,369,241	20.91%	32,572,498	59.68%	1,387,375	2.47%
Others	3,415,298	9.69%	8,766,576	16.06%	13,754,309	24.51%
	<u>35,249,612</u>	<u>100.00%</u>	<u>54,582,353</u>	<u>100.00%</u>	<u>56,126,282</u>	<u>100.00%</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



41.2 Segment by sector

	2007					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	-	-	-	-	-	-
Private	35,249,612	100%	54,582,353	100%	56,126,282	100%
	35,249,612	100%	54,582,353	100%	56,126,282	100%

41.2.1 Details of non-performing financing and specific provisions by class of business segment

	2007		2006	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	13,576	11,076	-	-
Textile	195,623	180,190	191,924	99,016
Chemical and pharmaceuticals	-	-	9,521	2,722
Cement	3,523	1,761	-	-
Sugar	-	-	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	47,307	19,455	59,474	17,252
Electronics and electrical appliances	-	-	5,250	1,313
Construction	-	-	-	-
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	105,057	40,021	9,938	3,909
Others	188,253	126,994	132,335	39,500
	553,339	379,497	408,442	163,712
41.2.2 Details of non - performing financings and specific provisions by sector:				
Public / Government	-	-	-	-
Private	553,339	379,497	408,442	163,712
	553,339	379,497	408,442	163,712

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



41.3 Geographical segment analysis

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	1,269,188	67,178,559	5,706,656	56,126,282

42. MARKET RISK

The Bank is exposed to market risk which is the risk that the value of on and off balance sheet exposures of the Bank will be adversely affected by movements in market rates or prices such as bench mark rates, profit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital. The profit rates and equity price risk consists of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer related causes.

The Bank applies Stress Testing and Value at risk (VaR) techniques as risk management tool; Stress testing enables the Bank to estimate changes in the value of the portfolio, if exposed to various risk factor. VaR quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

42.1 Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instruments will fluctuate due to the changes in foreign exchange rates.

The Bank does not take any currency exposure except to the extent of statutory net open position prescribed by SBP. Foreign exchange open and mismatch position are controlled through internal limits and are marked to market on a daily basis to contain forward exposures.

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupees	62,433,563	61,445,560	4,449,450	5,437,453
United States dollars	4,577,270	(45,335)	(4,523,827)	98,778
Great Britain pounds	38,220	48,260	104,006	93,966
Japanese yen	28,863	-	(32,437)	(3,574)
Euro	37,356	23,418	2,808	16,746
Singapore dollars	7,120	-	-	7,120
Australian dollars	19,617	-	-	19,617
Canadian dollars	8,451	-	-	8,451
United Arab Emirates Dirham	18,176	-	-	18,176
Swiss francs	9,923	-	-	9,923
	67,178,559	61,471,903	-	5,706,656

42.2 Equity position risk

Equity position risk is the risk arising from taking long positions, in the trading book, 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 adviser.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



43 MISMATCH OF YIELD RATE SENSITIVE ASSETS AND LIABILITIES

Effective yield rate	2007										
	Total	Exposed to yield risk								Non-yield bearing financial instruments	
		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		
	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	5,644,028	-	-	-	-	-	-	-	-	-	5,644,028
Balances with other banks	4.84	3,729,549	3,285,033	-	-	-	-	-	-	-	444,516
Due from financial institutions	9.98	8,850,000	2,450,000	4,860,000	1,540,000	-	-	-	-	-	-
Investments	10.45	10,535,186	-	-	-	434,000	37,200	4,855,520	1,750,000	-	3,458,406
Financings	11.25	34,576,339	6,075,364	8,110,204	6,618,139	1,755,038	2,076,559	3,568,609	2,646,992	971,848	2,642,655
Other assets	-	1,663,556	-	-	-	-	-	-	-	-	1,663,556
		64,986,658	11,810,397	12,970,204	8,158,139	1,755,038	2,510,559	3,605,809	7,502,512	2,721,848	2,642,655
		11,810,397	12,970,204	8,158,139	1,755,038	2,510,559	3,605,809	7,502,512	2,721,848	2,642,655	11,321,497
Liabilities											
Bills payable	-	1,192,160	-	-	-	-	-	-	-	-	1,192,160
Due to financial institutions	6.93	2,415,606	59,419	1,301,799	1,023,481	-	-	-	-	-	30,907
Deposits and other accounts	5.01	54,582,353	11,540,042	13,469,815	3,237,155	3,882,996	1,754,683	1,949,970	1,484,817	4,627,124	12,635,751
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	956,400	143,147	241,423	40,518	382,089	21,659	42,194	20,754	64,676	-
		59,146,579	11,742,608	15,013,037	4,301,154	4,265,085	1,776,342	1,992,164	1,505,571	4,691,800	13,858,818
		5,852,079	67,789	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655
											(2,537,321)
NON FINANCIAL ASSETS											
- Operating fixed assets		1,032,963									
- Other assets		1,146,938									
		2,179,901									
NON FINANCIAL LIABILITIES											
- Deferred taxation		(430,377)									
- Other liabilities		(1,894,947)									
		(2,325,324)									
TOTAL NET ASSETS		5,706,656									
Off-balance sheet financial instruments											
Forward lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap		67,789	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655	(2,537,321)
Cumulative yield / profit risk sensitivity gap		67,789	(1,975,044)	1,881,941	(628,106)	106,111	1,719,756	7,716,697	5,746,745	8,389,400	5,852,079

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 losses in the event that unexpected movements arise.

43.1 Liquidity risk

Liquidity risk is the risk that the Bank either does not have sufficient financial resources available to meet its obligations and commitments as they fall due or can fulfill them only at excessive cost that may affect the Bank's income and equity.

The Bank seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and to take advantage of any lending and investment opportunities as they arise.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2007



44. MATURITIES OF ASSETS AND LIABILITIES

	2007									
	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	5,644,028	5,644,028	-	-	-	-	-	-	-	-
Balances with other banks	3,729,549	3,729,549	-	-	-	-	-	-	-	-
Due from financial institutions	8,850,000	2,450,000	4,880,000	1,540,000	-	-	-	-	-	-
Investments	10,535,188	485,719	2,500	2,052,821	-	434,000	37,200	4,855,530	2,338,827	328,500
Financings	34,576,339	5,946,769	8,110,448	6,618,782	1,755,873	2,079,165	3,582,681	2,686,894	984,228	2,811,519
Other assets	2,810,494	982,354	1,389,601	158,126	40,140	47,530	81,901	74,070	22,500	54,272
Operating fixed assets	1,032,903	-	-	-	-	-	-	-	397,785	635,178
	67,178,559	19,218,419	14,342,549	10,389,709	1,796,013	2,560,685	3,701,782	8,014,289	3,345,555	3,829,568
Liabilities										
Bills payable	1,192,160	1,192,160	-	-	-	-	-	-	-	-
Due to financial institutions	2,415,606	90,326	1,301,799	1,023,481	-	-	-	-	-	-
Deposits and other accounts	54,382,353	14,682,138	15,689,850	5,426,590	6,074,358	3,211,094	3,406,382	1,484,817	4,627,124	-
Subordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance leases	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,851,407	155,589	305,603	98,704	521,293	454,902	728,127	508,001	79,188	-
Deferred tax liabilities	430,377	-	-	-	-	-	-	430,377	-	-
	61,471,903	16,120,213	17,277,252	6,548,775	6,596,651	3,666,996	4,134,509	2,423,195	4,706,312	-
Net assets	5,706,656	3,098,206	(2,934,703)	3,840,934	(4,799,638)	(1,105,301)	(432,727)	5,591,074	(1,360,757)	3,829,568
Share capital	3,779,897	-	-	-	-	-	-	-	-	-
Reserves	720,765	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,219,228	-	-	-	-	-	-	-	-	-
Deficit on revaluation of investments	(13,254)	-	-	-	-	-	-	-	-	-
	5,706,656	-	-	-	-	-	-	-	-	-

45. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of processes, systems, personnel and other risks having an operational impact such as unauthorized activities, fraud and business malpractice.

The Bank ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Bank has developed policies, guidelines and manuals necessary for the mitigation of operational risk.

The Bank is also supervised by the Shariah Supervisory Board which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are shariah compliant. The internal audit function of the Bank performs regular audits on various operations of the Bank and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risks associated with operational activities.

46. GENERAL AND NON - ADJUSTING EVENTS

46.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements,

46.2 The Board of Directors in its meeting held on February 22, 2008 has announced issue of bonus shares @ 20%. These financial statements for the year ended on December 31, 2007, do not include the effect of these appropriations which will be accounted for subsequent to the year-end.

47. DATE OF AUTHORIZATION

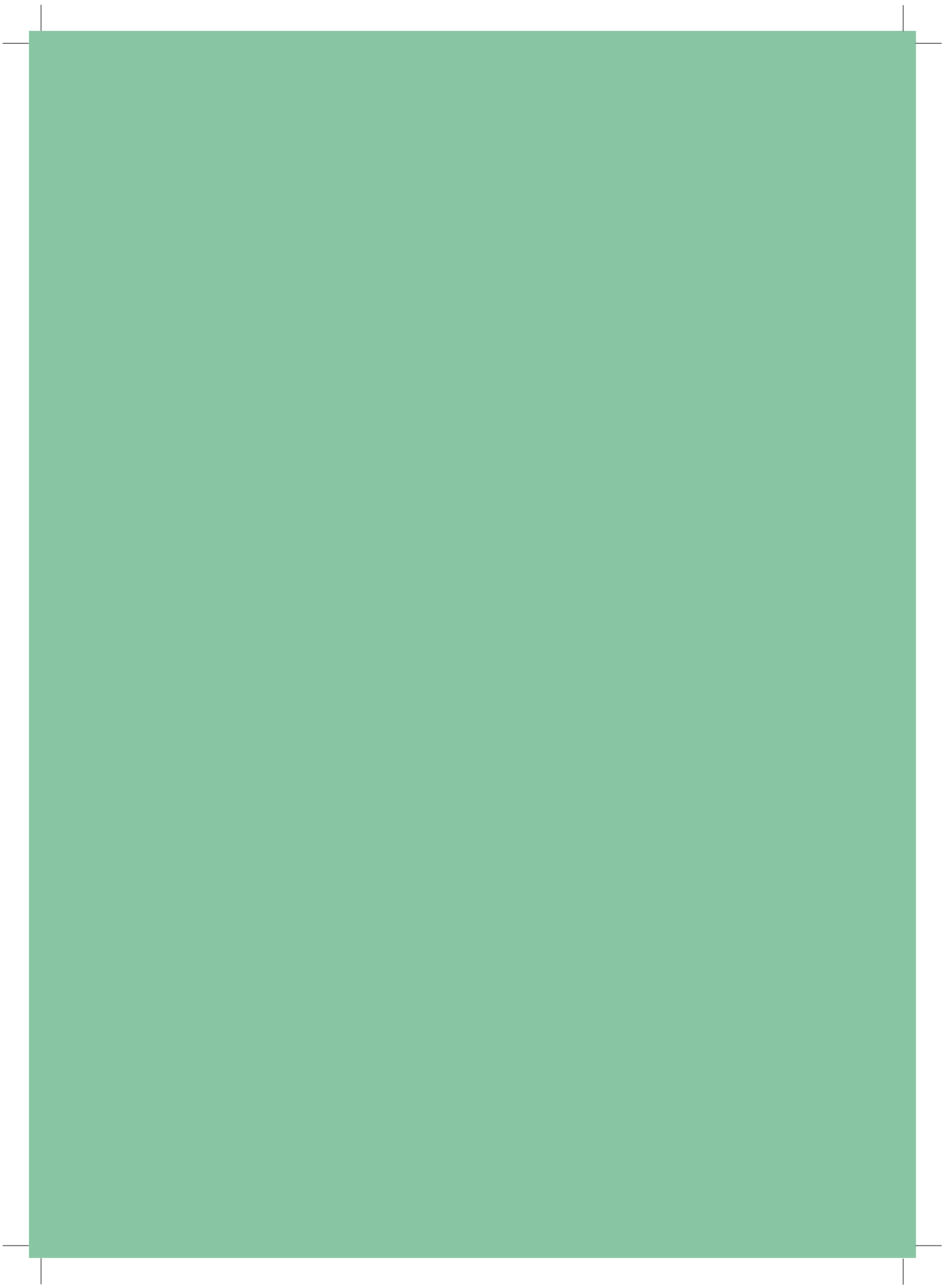
These financial statement were authorized for issue on February 22, 2008 by the Board of Directors of the Bank.

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

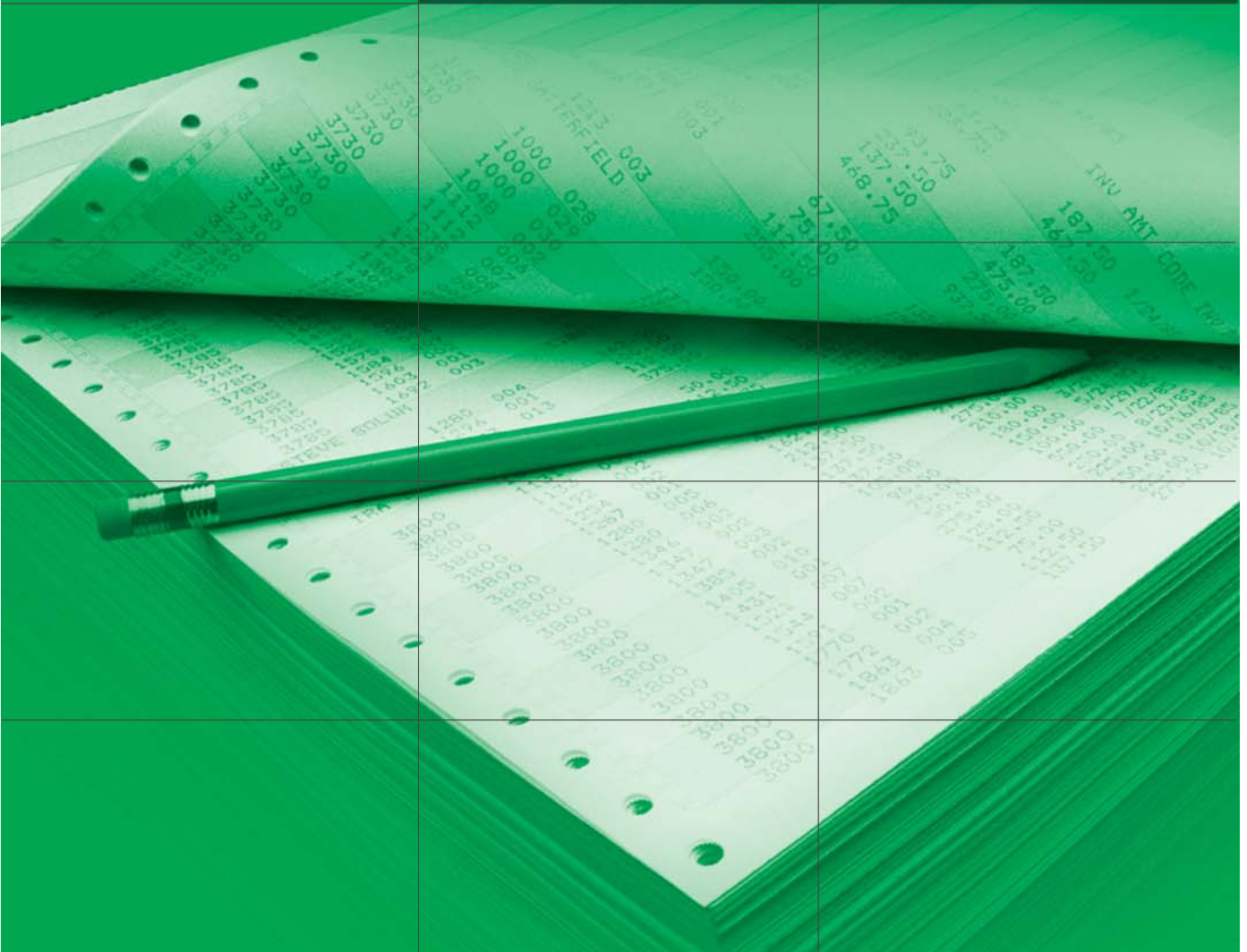
Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director



Consolidated Financial Statements





KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Meezan Bank Limited ('the Bank') its subsidiary company and subsidiary's controlled fund (here-in-after referred to as 'the Group') as at 31 December 2007 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 12 branches, which have been audited by us. The financial statements of the subsidiary company, Al Meezan Investment Management Limited and financial statements of subsidiary's controlled fund were respectively reviewed by us and another auditor in accordance with the International Standard on Review Engagements 2410 and our opinion in so far as it relates to the amounts included for the subsidiary company, and subsidiary's controlled fund, is based solely on our and other auditors review report respectively.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of Meezan Bank Limited and its subsidiary company as at 31 December 2007 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

The consolidated financial statements of the Group for the year ended 31 December 2006 were audited by A.F. Ferguson & Co., Chartered Accountants who had expressed an unqualified opinion thereon.

Date: 22 FEB 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Balance Sheet

As at December 31, 2007



	Note	2007	2006 Restated
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	8	5,644,137	5,890,940
Balances with other banks	9	3,763,608	4,134,875
Due from financial institutions	10	8,850,000	3,700,000
Investments	11	11,361,830	3,528,136
Financings	12	34,575,680	27,029,578
Operating fixed assets	13	1,049,376	543,083
Other assets	14	3,016,556	2,316,135
		68,261,187	47,142,747
LIABILITIES			
Bills payable	15	1,192,160	563,228
Due to financial institutions	16	2,565,606	4,285,212
Deposits and other accounts	17	54,580,452	34,423,936
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities	18	453,131	418,516
Other liabilities	19	2,922,022	2,007,886
		61,713,371	41,698,778
NET ASSETS		6,547,816	5,443,969
REPRESENTED BY			
Share capital	20	3,779,897	3,779,897
Reserves	21	745,101	552,401
Unappropriated profit		1,774,988	918,857
		6,299,986	5,251,155
MINORITY INTEREST	22	261,084	185,864
		6,561,070	5,437,019
(Deficit) / surplus on revaluation of investments	23	(13,254)	6,950
		6,547,816	5,443,969
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Arifur Islam
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2007



	Note	2007	2006 Restated
Rupees in '000			
Profit / return earned on financings, investments and placements	25	4,574,444	2,704,047
Return on deposits and other dues expensed	26	2,451,450	1,463,109
Net spread earned		2,122,994	1,240,938
Provision against non-performing financings (net)	12.7	435,018	121,581
Provision for diminution in value of investments	11.3	-	1,297
Bad debts written off directly		-	-
		435,018	122,878
Net spread after provisions		1,687,976	1,118,060
OTHER INCOME			
Fee, commission and brokerage income		554,164	395,332
Dividend income		112,119	70,773
Income from dealing in foreign currencies		392,319	201,519
Capital gain on sale of investments	27	570,699	128,131
Unrealized loss on held for trading investments	11.5	(24,895)	(35,389)
Other income	28	37,932	34,299
Total other income		1,642,338	794,665
		3,330,314	1,912,725
OTHER EXPENSES			
Administrative expenses	29	1,874,284	1,088,883
Other provisions / write offs	19.2	5,948	-
Other charges	30	2,884	4,776
Total other expenses		1,883,116	1,093,659
Share of results of associates before taxation	11.11	62,245	102,187
		1,509,443	921,253
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,509,443	921,253
Taxation - Current	31	329,282	54,135
- Prior years		(7)	(62,653)
- Deferred		56,117	231,169
		385,392	222,651
PROFIT AFTER TAXATION		1,124,051	698,602
Share of profit attributable to minority interest		(75,220)	(47,134)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,048,831	651,468
Unappropriated profit brought forward		761,147	950,336
Profit before appropriations		1,809,978	1,601,804
Basic and diluted earnings per share - Rupees	32	2.77	1.72

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2007



	Note	2007	2006 Restated
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,509,443	921,253
Less: Dividend income		(112,119)	(70,773)
		1,397,324	850,480
Adjustments for non-cash charges			
Depreciation		130,746	106,652
Amortization		14,747	5,807
Provision against non-performing financings (net)		435,018	121,581
Provision for diminution in the value of investments		-	1,297
Gain on sale of fixed assets		(6,080)	(1,830)
Unrealized loss on held for trading investments		24,895	35,389
Share in results of associates		(62,245)	(102,187)
		537,081	166,709
		1,934,405	1,017,189
(Increase) / decrease in operating assets			
Due from financial institutions		(5,150,000)	(3,700,000)
Held for trading securities		(34,459)	(125,986)
Financings		(7,981,120)	(7,412,460)
Other assets		(912,278)	59,553
		(14,077,857)	(11,178,893)
Increase / (decrease) in operating liabilities			
Bills payable		628,932	302,496
Due to financial institutions		(1,719,606)	1,303,498
Deposits and other accounts		20,156,516	11,662,650
Other liabilities		872,035	477,935
		19,937,877	13,746,579
		7,794,425	3,584,875
Income tax paid		(78,672)	(68,944)
Net Cash flow from operating activities		7,715,753	3,515,931
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		(300,652)	(1,141,406)
- available for sale securities		(6,336,195)	(66,376)
- listed associated undertakings		(1,166,600)	284,505
- unlisted associated undertakings		5,812	(291,544)
Dividends received		109,519	70,260
Investments in operating fixed assets		(655,296)	(340,464)
Sale proceeds of property and equipment disposed-off		9,589	4,875
Net cash flow from investing activities		(8,333,823)	(1,480,150)
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received against issue of right shares		-	1,181,218
Net cash flow from financing activities		-	1,181,218
Net (decrease) / increase in cash and cash equivalents		(618,070)	3,216,999
Cash and cash equivalents as at January 1	33	10,025,815	6,808,816
Cash and cash equivalents as at December 31	33	9,407,745	10,025,815

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2007



	Share capital	Capital reserves		Revenue reserves	Unappropriated profit	Sub total	Minority Interest	Total
		Statutory reserve	Reserve for issue of bonus shares	General reserve				
Rupees in '000								
							Restated	Restated
Balance as at December 31, 2005								
as previously reported	2,036,582	340,469	-	91,082	950,336	3,418,469	31,219	3,449,688
Prior period adjustment - note 2.2	-	-	-	-	-	-	107,511	107,511
Balance as at January 01, 2006 as restated	2,036,582	340,469	-	91,082	950,336	3,418,469	138,730	3,557,199
Transfer to reserve for issue of bonus shares	-	-	325,853	-	(325,853)	-	-	-
Issue of bonus shares	325,853	-	(325,853)	-	-	-	-	-
Issue of right shares	1,181,218	-	-	-	-	1,181,218	-	1,181,218
Issue of bonus shares-interim	236,244	-	-	-	(236,244)	-	-	-
Profit after taxation for the year as restated	-	-	-	-	698,602	698,602	-	698,602
Share of profit attributable to minority interest	-	-	-	-	(47,134)	(47,134)	47,134	-
Transfer to statutory reserve	-	120,850	-	-	(120,850)	-	-	-
Balance as at December 31, 2006 as restated	3,779,897	461,319	-	91,082	918,857	5,251,155	185,864	5,437,019
Profit after taxation for the year	-	-	-	-	1,124,051	1,124,051	-	1,124,051
Share of profit attributable to minority interest	-	-	-	-	(75,220)	(75,220)	75,220	-
Transfer to Statutory reserve	-	192,700	-	-	(192,700)	-	-	-
Balance as at December 31, 2007	3,779,897	654,019	-	91,082	1,774,988	6,299,986	261,084	6,561,070

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Ariful Islam
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding Company

- Meezan Bank Limited

Subsidiary Company

- Al Meezan Investment Management Limited

Subsidiary's controlled fund

- Meezan Tahaffuz Pension Fund

Meezan Bank Limited (MBL) ("the Holding company") 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. MBL 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 MBL on September 29, 1997.

MBL 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, MBL is engaged in corporate, commercial, consumer, investment and retail banking activities.

MBL was operating through one hundred branches as at December 31, 2007 (2006: sixty two). Its registered office is at 3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi.

Al Meezan Investment Management Limited (AMIML) ("the Subsidiary company") is involved in asset management, investment advisory, portfolio management, equity research, underwriting and corporate finance. MBL holds 65% of the share capital of AMIML.

Meezan Tahaffuz Pension Fund (MTPF) ("the Subsidiary's controlled fund") was established under a trust deed executed between Al Meezan Investment Management Limited (AMIML) as Pension Fund manager and Central Depository Company of Pakistan Limited (CDC) as a Trustee. MTPF has three sub funds "equity", "debt" and "money market". AMIML holds 87.72%, 95.81 and 99.7% in the sub-funds respectively.

The Group's associated are as follows:

Entity / fund	Country of incorporation / domicile	Nature of business	Direct holding	Indirect holding	effective holding
			%	%	%
Meezan Islamic Fund (MIF)	Pakistan	Open end scheme established under a trust deed executed between AMIML as the management company and CDC, as the trustee.	N/A	N/A	N/A
Meezan Islamic Income Fund (MIIF)	Pakistan	Open end scheme established under a trust deed executed between AMIML as the management company and CDC, as the trustee.	N/A	N/A	N/A
Meezan Balanced Fund (MBF)	Pakistan	Closed end scheme established under a trust deed executed between AMIML as the management company and CDC, as the trustee.	5.03	1.25	6.28
Al Meezan Mutual Fund Limited (AMMF)	Pakistan	Formed under the Investment Companies and Investment Advisor Rules, 1971. A closed end mutual fund.	4.04	10.76	14.8
Blue Water (Private) Limited (BWL)	Pakistan	Business of purchase and sale of land.	30	13	43
Falcon Greenwood (Private) Limited (FGL)	Pakistan	Business of purchase and sale of land.	25	-	25
Faysal Management Services (Private) Limited (FMSL)	Pakistan	Floitation and management of modarabas under Modarabas Companies and Modarabas (Floitation and Control) Ordinance, 1980.	30	-	30
Plexus (Private) Limited (PL)	Pakistan	Business of development and export of IT enabled services and internet solutions.	50	-	50

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



2. BASIS OF PRESENTATION AND CONSOLIDATION

2.1 Basis of presentation

- 2.1.1 These consolidated financial statements have been prepared from the information available in the audited financial statements of the Holding company for the year ended December 31, 2007 and the condensed interim financial statements of AMIML for the six months period ended December 31, 2007 which have only been subjected to a limited review by its statutory auditors but are not audited. AMIML prepares its financial statements upto June 30 each year. In preparing the consolidated profit and loss account for the year ended December 31, 2007 the results for the period January 1 to June 30, 2007 have been calculated from the audited financial statements of AMIML for the year ended June 30, 2007 after eliminating the results for the six months period ended December 31, 2006. Certain disclosures relating to AMIML as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2007.

For consolidation of MTPF, condensed interim financial statements of MTPF for the period ended from June 16, 2007 to December 31, 2007 which have only been subjected to a limited review by its statutory auditors, were used.

The accounting policies used by AMIML, MTPF and associates in preparation of their respective financial statements are consistent with that of the Holding company except where specified.

- 2.1.2 The associates have been accounted for in these consolidated financial statements under the equity method of accounting on the respective basis as follows:

Entity	Source of information
Al Meezan Mutual Fund Limited (AMMFL)	Financial statements for the half year ended December 31, 2007 and 2006, unaudited but subject to limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2007.
Blue Water (Private) Limited (BWL)	Unaudited financial statements for the half year ended December 31, 2007 and 2006, and audited financial statements for the year ended June 30, 2007.
Falcon Greenwood (Private) Limited (FGL)	Unaudited financial statements for the half year ended December 31, 2007 and 2006, and audited financial statements for the year ended June 30, 2007.
Faysal Management Services (Private) Limited (FMSL)	Audited financial statements for the year ended December 31, 2007.
Meezan Islamic Fund (MIF)	Financial statements for the half year ended December 31, 2007 and 2006, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2007.
Meezan Balanced Fund (MBF)	Financial statements for the half year ended December 31, 2007 and 2006, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2007.
Plexus (Private) Limited (PL)	Unaudited financial statements for the half year ended December 31, 2007 and 2006, and audited financial statements for the year ended June 30, 2007.
Meezan Islamic Income Fund (MIIF)	Financial statements for the half year ended December 31, 2007 and 2006, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2007.

- 2.1.3 MBL provides financing mainly through murabaha, ijarah, musharakah, diminishing musharakah, istisna and export refinance under Islamic Export Refinance Scheme. Under murabaha the goods are purchased and are then sold to customers on credit. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit there on. The income on such financing is recognized 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 Executive Committee of the Shariah Supervisory Board.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



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

Following amendments to the existing standards and IFRSs applicable to the Group have been published that are mandatory for the Group's accounting periods beginning on or after January 1, 2008 or later periods.

- i) IFAS 2 - Ijarah
- ii) IFRS 8 - Operating segments (effective for the periods beginning on or after January 1, 2009).
- iii) Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009).
- iv) Revised IAS 23 - Borrowing costs (effective from January 1, 2009).
- v) IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007).
- vi) IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008).
- vii) IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008).
- viii) IFRIC 14 - IAS 19 - The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction.

Adoption of IFAS 2 will result in following changes:

- Assets underlying ijarah financing will be recorded as operating fixed assets separately from the assets in MBL's own use. These assets will be carried at cost less accumulated depreciation and impairment if any.
- Rentals receivable from ijarah financing during the year will be taken to profit and loss account.

IFRS 8 - Operating segments will supersede IAS 14 Segment Reporting. The adoption of IFRS 8 may only impact the extent of disclosures presented in the group financial statements.

Adoption of Revised IAS 1 - Presentation of financial statements may only impact the presentation and extent of disclosures in group financial statements.

IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on Minimum Funding Requirements (MFR) for such asset. Adoption of IFRIC 14 may not have material impact on the Group.

IAS 23 - revised and other interpretations are not relevant to the Group's operations.

2.2 Basis of consolidation

Subsidiaries are those enterprises in which the Holding company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise, has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the control commenced. The financial statements of AMIML have been consolidated on a line-by-line basis. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

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

Minority interest is that part of the net results of operations and of net assets of the subsidiary attributable to interest which are not owned by MBL. Previously, the minority interest was calculated as that part of the net results of operations and of net assets of subsidiary attributable to interest which are not owned by MBL excluding investments in associates held by AMIML. Comparative information has been restated, where necessary.

All material inter-group balances, transactions and resulting profits / losses have been eliminated.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



3. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

3.1 The preparation of consolidated 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

- (a) Critical judgment in classification of investments in accordance with the Group's policy (notes 6.4.1, 6.4.2 and 11).
- (b) Provision for diminution in value of investments (notes 6.4.7 and 11.3).
- (c) Provision for non-performing financings (notes 3.2.3 and 12.7).
- (d) Staff retirement benefits (notes 6.8, 6.9 and 35).
- (e) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.1.1, 6.7, 18, 24.8 and 31).
- (f) Depreciation and amortization methods of operating fixed assets (note 3.2.1, 3.2.2 and 13).

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.

3.1.1 During the year, a new schedule has been introduced for taxation of banks in Pakistan. According to the provisions of the schedule, provision for doubtful financings falling under the category of "Doubtful" or "Loss" will be allowed as a deduction in the year in which the provision is made. The schedule is applicable for the financial year ending December 31, 2008. Currently, provisions for financings are allowed as a deduction when they are written off. The schedule does not contain transitory provisions with respect to provisions made before the applicability of new schedule. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Bankers Association and based on discussions to date MBL's management is confident that such provisions will be made in the new schedule. Accordingly, the deferred tax calculations assumed that such transitory rules will be made and MBL would be able to get the benefit of the asset so recognized.

3.2 EFFECT OF CHANGE IN ACCOUNTING ESTIMATES

3.2.1 Effective January 1, 2007, MBL has changed its estimate in respect of charging depreciation on additions to tangible fixed assets. MBL now charges depreciation from the month of acquisition and upto the month preceding the disposal. Previously, full year's depreciation was charged on all additions to tangible fixed assets during the year while no depreciation was charged in the year in which the assets were disposed off. Had there been no such change, the depreciation for the year would have been higher by Rs. 38.717 million and tangible fixed assets would have been lower by Rs. 38.717 million.

3.2.2 Effective January 1, 2007, MBL has changed its estimate in respect of charging amortization on additions to intangible assets. MBL now charges amortization from the month of acquisition and upto the month preceding the disposal. Previously, full year's amortization was charged on all additions to intangible fixed assets during the year while no amortization was charged in the year in which the assets were disposed off. Had there been no such change, the amortization for the year would have been higher by Rs. 1.533 million and intangible assets would have been lower by Rs. 1.533 million.

3.2.3 During the year MBL, in line with the requirements of BSD Circular No. 07 of 2007 issued by the State Bank of Pakistan, changed its method of measuring provision against non-performing financings whereby the Forced Sale Value (FSV) of the collateral is not considered in determining the provision. Had there been no change the provision against non-performing financings would have been lower by Rs. 39.552 million and financing would have been higher by Rs. 39.552 million.

4. STATEMENT OF COMPLIANCE

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



- 4.2 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 those IAS's have not been considered in preparation of these consolidated financial statements.

5. BASIS OF MEASUREMENT

- 5.1 These consolidated 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. AMIML values its investments in accordance with the requirements of IAS 39.
- 5.2 These consolidated financial statements have been presented in Pakistani Rupee, which is the Group's functional and presentation currency.

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 Revenue recognition

- i) Profit on Murabaha is recognized by MBL on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the later date.
- ii) The Group follows the finance method in recognizing income on ijarah contracts. 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 recognized as income on a receipt basis. Income on ijarah is recognized from the date of delivery of the respective assets to the mustajir.
- iii) Profits on diminishing musharakah financings are recognized on accrual basis. Profit on other financings (excluding musharakah financings) is recognized on time proportionate basis.
- Consistent with prior years, profit required to be suspended in compliance with the prudential regulations issued by the SBP is recorded on receipt basis.
- iv) Profit on musharakah financings is recognized on declaration of profit by musharakah partners.
- v) Commission on letters of credit, acceptances and guarantees is recognized on receipt basis, except for commission on guarantees in excess of Rs. 50,000 which is recognized over the period of the guarantee.
- vi) Dividend income is recognized when the Group's right to receive dividend is established.
- vii) Purchase and sale of investments are recorded on the dates of contract. Gains and losses on sale of investments are also recorded on those dates.
- viii) Advisory fee and commission income are recognized by AMIML as and when services are provided. Performance fee related to advisory services are recorded on confirmation.
- ix) AMIML recognizes remuneration from Al Meezan Mutual Fund and Meezan Balanced Fund on the basis of average annual net assets of the funds, calculated on a monthly basis.
- x) AMIML recognizes remuneration from Meezan Islamic Fund, Meezan Islamic Income Fund and Meezan Tahaffuz Pension Fund on the basis of net assets value of the funds, calculated on a daily basis.

6.3 Financings

- 6.3.1 Financings by MBL are stated net of specific and general provisions against non-performing financings which are charged to the profit and loss account.

Funds disbursed, under murabaha arrangements for purchase of goods are recorded as 'Advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the balance sheet date are recorded as inventories.

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- 6.3.2 Provision against non-performing financings
MBL determines provisions against financings on a prudent basis in accordance with the prudential regulations issued by SBP. Financings are written off when it is considered that there is no realistic prospect of recovery.

6.4 Investments

- 6.4.1 MBL classifies its investments as follows:

- Held for trading
These are investments acquired principally for the purpose of generating profit from short-term fluctuations in price.
- Held to maturity
These are investments with fixed or determinable payments and fixed maturity and the MBL has positive intent and ability to hold to maturity.
- Available for sale
These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' or 'held to maturity' categories.

- 6.4.2 AMIML classifies its investments as follows:

- Financial assets at fair value through profit or loss
This category has two sub-categories: 'financial assets held for trading', and those designated at 'fair value through profit or loss' at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the management.
Since the financial assets classified by AMIML as 'investments at fair value through profit or loss' are of the same nature as that of financial assets classified as 'held for trading' by MBL, the two categories have been classified as 'held for trading' in these consolidated financial statements.
- Available for sale
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

- 6.4.3 Investments are valued as follows:

- Quoted securities, excluding investments categorized as 'held to maturity' securities are stated at revalued amounts.
- Unquoted securities are stated at cost less provision for impairment, if any.
- Investments in securities categorized as 'held to maturity' are carried at amortized cost.

- 6.4.4 Any surplus / deficit arising as a result of revaluation of quoted securities categorized as 'available for sale' is presented below the shareholders' equity in the balance sheet. Any surplus / (deficit) arising as a result of revaluation of 'held for trading' securities is credited / charged to the profit and loss account.

- 6.4.5 Consistent with prior year all purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

- 6.4.6 Cost of investment is determined on moving average basis. The cost of acquisition of 'dealing securities' (i.e. quoted securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other quoted securities (i.e. quoted securities sold after the date of purchase).

- 6.4.7 Impairment loss is recognized by the Group whenever the carrying amount of an investment exceeds its expected recoverable amount. An impairment loss is recognized in income currently.

- 6.4.8 Investments in associates are recorded on the basis of equity accounting except for those that do not qualify as associates under International Accounting Standards 28, (IAS 28) 'Investments in Associates', which are then carried at cost less provision for diminution, if any.

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- 6.4.9 Derivatives are marked to market and the gains / (losses) arising on revaluation of those derivatives to their fair values are recognized as income.
- 6.5 Operating fixed assets
- 6.5.1 Tangible assets
- Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment. Depreciation is charged to the profit and loss account applying the straight line method whereby the depreciable value of an asset is written off over its estimated service life. The Group charges depreciation from the month of acquisition and upto the month preceding the disposal. Useful lives and residual values are reviewed at each balance sheet date, and adjusted if impact on depreciation is significant. Maintenance and normal repairs are charged to income as and when incurred.
- Items of fixed assets costing Rs. 10,000 or less are not capitalized and are charged off in the year of purchase. Profit or loss on disposals of fixed assets is included in income currently.
- The Group 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 exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in income.
- 6.5.2 Intangible assets
- Intangible assets comprise of computer software. Accounting for such assets is on the same basis as for tangible fixed assets owned by the Group.
- 6.5.3 Capital work-in-progress
- Consistent with prior years capital work-in-progress is stated at cost.
- 6.6 Inventories
- MBL values its inventories at the lower of cost and net realizable value. Cost of inventories represents the actual purchase made by the customer as an agent on behalf of MBL from the funds disbursed for the purposes of culmination of murabaha.
- The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.
- 6.7 Taxation
- Current
- The Group's charge for 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
- The Group accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits will be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.
- 6.8 Staff retirement benefits
- Defined benefit plan
- The MBL operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying eligible service of three years. In case of MBL the scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2007. The Projected Unit Credit method was used for actuarial valuation.
- AMIML operates a funded gratuity scheme for all its permanent employees. Employees are entitled to benefits under the scheme on the completion of a minimum eligibility period of service under the rules of the fund. The 'Projected Unit Credit Method' was used for actuarial valuation. Actuarial gains or losses are recognized over the expected average remaining working lives of employees by the Group.
- Defined contribution plan
- The Group also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the respective entities and the employees, to the fund at a rate of 10% of basic salary.

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6.9 Compensated absences

The Group recognizes its liability in respect of employees compensated absences in the period in which these are earned upto the balance sheet date. The provision has been recognized on the basis of actuarial valuation conducted as at December 31, 2007 for MBL, and as at June 30, 2007 for AMIML, on the basis of Projected Unit Credit method.

Prior to July 1, 2006, AMIML did not recognize any liability in respect of these compensated absences, however, the effect of change is not material.

6.10 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the Balance Sheet date are recognized as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholder as appropriate.

6.11 Foreign currency transactions

Foreign currency transactions are recorded by the Group in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies except forward contract 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 contract. 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 income currently.

6.12 Provisions and contingent assets and liabilities

Provisions are recognized when the Group 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 balance sheet date and are adjusted to reflect the current best estimate.

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

Acceptances comprise undertakings by MBL to pay bills of exchange drawn on customers. MBL 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 by the Group and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

6.14 Segment reporting

A segment is a distinguishable component of the Group 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 Group's primary format of reporting is based on business segments.

6.14.1 Business segment

Corporate Finance

Corporate finance 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.

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Commercial Banking

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

Payment and Settlement

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

Agency services

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

Asset Management

It includes asset management, investment advisory, portfolio management and equity research.

6.14.2 Geographical segments

The Group operates only in Pakistan.

6.15 Impairment

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

6.16 Fiduciary assets

Assets held in trust or in a fiduciary capacity by AMIML are not treated as assets of AMIML and accordingly are not included in these consolidated financial statements.

7. REASON AND EFFECT OF CHANGE IN ACCOUNTING POLICY

- 7.1 Effective July 1, 2006, AMIML recognizes liability in respect of employees compensated absences in the period in which these are earned upto the Balance Sheet date. The provision has been recognized on the basis of actuarial valuation as at June 30, 2007. Previously no such provision was made in the financial statements. The effect of change in accounting policy is not material and has been recognized in the current year.
- 7.2 Consequent to the adoption of International Accounting Standard 19 - 'Employee Benefits' (revised 2005) by AMIML, the actuarial valuation for the gratuity scheme is based on the 'Projected Unit Credit Method'. Previously, a provision for funded gratuity was made annually to cover the obligation in respect of those employees who had completed the initial qualifying period on the basis of the last drawn salary and the period of service upto the Balance Sheet date. The effect of change is immaterial.

8. CASH AND BALANCES WITH TREASURY BANKS

	2007	2006
	Rupees in '000	
In hand		
- local currency	1,108,792	404,239
- foreign currencies	291,322	176,276
With the State Bank of Pakistan in		
- local currency current accounts - note 8.1	3,727,507	4,927,430
- foreign currency current accounts - note 8.1	325,499	256,140
With National Bank of Pakistan in		
- local currency current accounts	191,017	126,855
	5,644,137	5,890,940

- 8.1 These represent local and foreign currency amounts required to be maintained by the Group with SBP as stipulated by SBP.

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9. BALANCES WITH OTHER BANKS

	2007	2006
	Rupees in '000	
In Pakistan		
- on current accounts	134,542	105,526
Outside Pakistan		
- on current accounts	344,033	389,334
- on deposit accounts - note 9.1	3,285,033	3,640,015
	<u>3,763,608</u>	<u>4,134,875</u>

9.1 The return on these balances ranges from 4.3% to 5.32% (2006: 5.06% to 5.35%) per annum.

10. DUE FROM FINANCIAL INSTITUTIONS

Commodity Murabaha	8,850,000	3,700,000
10.1 The return on these commodity murabaha ranges from 9.25% to 10.15% (2006: 9.6% to 12.75%) per annum.		
10.2 Particulars of due from financial institutions		
In local currency	8,850,000	3,700,000
In foreign currencies	-	-
	<u>8,850,000</u>	<u>3,700,000</u>

11. INVESTMENTS

11.1 Investments by types

	2007			2006		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
	Rupees in '000					
	Restated					
Held for trading securities - note 11.4	540,262	-	540,262	530,698	-	530,698
Available for sale securities - note 11.7	6,547,187	-	6,547,187	233,358	-	233,358
Held to maturity securities - note 11.6	1,621,200	-	1,621,200	1,320,548	-	1,320,548
	8,708,649	-	8,708,649	2,084,604	-	2,084,604
In related parties						
Associates (listed) - note 11.8	2,418,654	-	2,418,654	1,189,808	-	1,189,808
Associates (unlisted) - note 11.9	277,263	-	277,263	284,588	-	284,588
Investment at cost / carrying value	11,404,566	-	11,404,566	3,559,000	-	3,559,000
Less: Provision for diminution in value of investments - note 11.3	2,425	-	2,425	2,425	-	2,425
Investments (net of provision)	11,402,141	-	11,402,141	3,556,575	-	3,556,575
Deficit on revaluation of held for trading securities - note 11.5	(24,895)	-	(24,895)	(35,389)	-	(35,389)
(Deficit) / surplus on revaluation of available for sale securities - note 23	(15,416)	-	(15,416)	6,950	-	6,950
Total investments at market value	<u>11,361,830</u>	-	<u>11,361,830</u>	<u>3,528,136</u>	-	<u>3,528,136</u>

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	2007	2006
	Rupees in '000	Restated
11.2 Investments by segments		
Fully paid up ordinary shares		
- Listed companies	1,066,667	955,049
- Unlisted companies	130,983	141,308
Musharakah term finance certificates	-	10,902
Preference shares	146,280	143,280
Global Sukuk Bonds	781,200	170,548
WAPDA First Sukuk Certificates	1,150,000	1,250,000
WAPDA Second Sukuk Certificates	1,550,000	-
Sukuk Certificates	3,602,800	4,800
Units of open end funds	2,729,273	657,652
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)	897	897
Certificates of a closed-end fund	243,966	199,564
Advance against issue of units of United Composite Islamic Fund	-	25,000
Advance against units of Inter Security Islamic Fund	2,500	-
Total investment at cost / carrying value	11,404,566	3,559,000
Less: Provision for diminution in value of investments - note 11.3	2,425	2,425
Investments (net of provision)	11,402,141	3,556,575
Deficit on revaluation of held for trading securities - note 11.5	(24,895)	(35,389)
(Deficit) / surplus on revaluation of available for sale securities - note 23	(15,416)	6,950
Total investments at market value	11,361,830	3,528,136

11.3 Particulars of provision for diminution in value of investments

	2007			2006		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	2,425	-	2,425	1,128	-	1,128
Charge for the year	-	-	-	1,297	-	1,297
Closing balance	2,425	-	2,425	2,425	-	2,425

11.3.1 Particulars of provision in respect of type and segment

	2007	2006
	Rupees in '000	
Associates - unlisted Fully paid up ordinary shares	2,425	2,425

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11.4 Held for trading securities

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

Name of the investee company	2007	2006	2007	2006
	Number of Shares		Cost / carrying amount Rupees in '000	
Textile composite				
Nishat Mills Limited	181,830	335,830	20,835	35,887
Cement				
Attock Cement Pakistan Limited	120,000	-	13,033	-
D.G. Khan Cement Company Limited	-	113,850	-	7,972
Fauji Cement Company Limited	-	100,000	-	1,773
Refinery				
National Refinery Limited	-	72,000	-	26,045
Power generation and distribution				
The Hub Power Company Limited	1,972,000	84,000	61,546	2,273
Oil and gas marketing				
Pakistan State Oil Company Limited	60,000	80,600	25,096	24,642
Shell Pakistan Limited	-	16,750	-	6,714
Oil and gas exploration				
Oil and Gas Development Company Limited	350,000	325,100	43,059	38,541
Pakistan Oilfields Limited	22,550	104,550	8,098	36,070
Pakistan Petroleum Limited	230,350	592,500	59,309	141,625
Automobile assembler				
Indus Motor Company Limited	40,000	50,000	14,523	9,667
Pak Suzuki Motor Company Limited	45,200	-	17,542	-
Automobile parts and accessories				
Agriauto Industries Limited - note 11.4.1	150,000	180,000	16,660	11,881
Technology and communication				
Pakistan Telecommunication Company Limited (A)	502,900	1,398,500	26,525	70,870
TRG Pakistan Limited	210,000	-	2,686	-
Fertilizer				
Engro Chemicals Pakistan Limited	225,000	246,500	62,212	41,203
Fauji Fertilizer Company Limited	445,273	223,375	54,799	27,990
Fauji Fertilizer Bin Qasim Limited	1,392,500	470,500	63,490	17,985
Chemicals				
ICI Pakistan Limited	30,000	-	6,364	-
Paper and board				
Packages Limited	102,721	120,116	39,685	24,262
Quoted MTFC				
Sitara Chemical Industries Limited	-	257	-	498
Unquoted Sukuk Bonds				
Sitara Chemical Industries Limited	960	960	4,800	4,800
Total			540,262	530,698

11.4.1 The nominal value of these shares is Rs. 5 each.

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11.5 Unrealized (loss) on revaluation of investments classified as held for trading

	2007	2006
	Rupees in '000	
		Restated
Fully paid up ordinary shares		
Listed Shares	(24,895)	(35,389)

11.6 Held to maturity securities

Name of the investee entity	2007		2006	
	Number of bonds / certificates		Cost Rupees in '000	
Sukuk bonds / certificates				
Qatar Global Sukuk Bonds (Sukuk - Qatar) - note 11.6.1	1,000,000	1,000,000	37,200	48,728
Dubai Sukuk Bonds (Sukuk - Dubai) - note 11.6.2	7,000,000	2,000,000	434,000	121,820
WAPDA First Sukuk Certificates (Sukuk - WAPDA) - note 11.6.3	230,000	230,000	1,150,000	1,150,000
			<u>1,621,200</u>	<u>1,320,548</u>

11.6.1 The paid up value of Sukuk - Qatar is US \$ 0.6 (2006: US \$ 0.8) per bond. The return on Sukuk - Qatar is on the basis of London inter-bank offered rate plus a fixed credit spread of forty basis points. These bonds will mature between 2008 to 2010.

11.6.2 The paid up value of Sukuk - Dubai is US \$ 1 (2006: US \$ 1) per bond. The return on Sukuk - Dubai is on the basis of London inter-bank offered rate plus a fixed credit spread of forty five basis points. These bonds will mature in 2009.

11.6.3 The paid up value of Sukuk - WAPDA is Rs. 5,000 per certificate. The return on Sukuk - WAPDA is on a six monthly Karachi inter-bank offered rate plus a fixed credit spread of thirty five basis points. These bonds will mature in 2012. These Sukuk certificate are backed by Government of Pakistan sovereign guarantee.

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11.7 Available for sale securities

The Group 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	2007		2006		2007		2006	
	Number of shares / units / certificates		Cost		Market value	Entity rating long term / short term	Market value Rupees in '000	Entity rating long term / short term
Rupees in '000								
Ordinary shares								
Automobile parts and accessories								
Agriauto Industries Limited - note 11.4.1	120,000	120,000	13,872	8,762	12,989	-	9,120	-
Automobile assembler								
Pak Suzuki Motor Company Limited	-	10,000	-	3,781	-	-	4,200	-
Power generation and distribution								
The Hub Power Company Limited	1,225,000	1,225,000	40,016	40,016	37,362	-	33,075	-
Oil and gas marketing								
Pakistan State Oil Company Limited	7,880	27,780	3,314	7,591	3,204	AAA / A1+	8,167	AAA / A1+
Shell Pakistan Limited	825	8,625	179	1,877	335	-	3,433	-
Fertilizer								
Fauji Fertilizer Company Limited	288,586	288,586	35,518	31,297	34,269	-	30,461	-
Paper and board								
Packages Limited	46,305	44,100	17,891	3,733	16,846	AA / A1+	9,261	AA / A1+
MTFC								
Sitara Chemical Industries Limited	-	6,120	-	10,404	-	-	11,861	AA-
Sukuk Certificates								
WAPDA First Sukuk Certificates	-	20,000	-	100,000	-	-	104,833	-
WAPDA Second Sukuk Certificates								
- notes 11.7.1 and 11.7.3	310,000	-	1,550,000	-	1,550,000	-	-	-
Dawood Hercules Chemicals Limited								
- notes 11.7.2 and 11.7.4	20,000	-	1,000,000	-	1,000,000	-	-	-
Century Paper and Board Mills Limited								
- notes 11.7.3 and 11.7.5	140,000	-	700,000	-	700,000	-	-	-
Sui Southern Gas Company Limited								
- notes 11.7.3 and 11.7.6	200,000	-	1,000,000	-	1,000,000	-	-	-
Engro Chemicals Pakistan Limited								
- notes 11.7.3 and 11.7.7	150,000	-	750,000	-	750,000	-	-	-
Sitara Chemical Industries Limited								
- notes 11.7.3 and 11.7.8	29,600	-	148,000	-	148,000	-	-	-
Units of open-end funds								
United Composite Islamic Fund	232,558	-	25,000	25,000	25,000	-	25,000	-
United Islamic Income Fund	4,937,004	-	500,000	-	501,797	-	-	-
NAFA Islamic Income Fund	24,503,318	-	250,000	-	248,218	-	-	-
Atlas Islamic Fund	368,609	-	200,000	-	192,834	-	-	-
Sukuk Bonds								
Abu Dhabi Sukuk Bonds - note 11.7.9	5,000,000	-	310,000	-	307,520	-	-	-
Others								
S.W.L.F.T. SCRL	5	5	897	897	897	-	897	-
Advance against issue of units of Inter Security Islamic Fund	-	-	2,500	-	2,500	-	-	-
			<u>6,547,187</u>	<u>233,358</u>	<u>6,531,771</u>		<u>240,308</u>	

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- 11.7.1 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 offered rate minus twenty five basis points. These certificates will mature in 2017.
- 11.7.2 The paid up value of these sukuku is Rs. 50,000 per certificate.
- 11.7.3 The paid up value of these sukuku is Rs. 5,000 per certificate.
- 11.7.4 The tenure of these certificates is 5 years, with principal receivable in 2011-2012. The profit is calculated on the basis of six months Karachi inter-bank offered rate plus 120 basis points. Certificates will be issued to MBL shortly.
- 11.7.5 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 offered rate plus 135 basis points. Certificates will be issued to MBL shortly.
- 11.7.6 The tenure of the certificates is 5 years, with principal receivable in 2009-2012. The profit is calculated on the basis of three months Karachi inter-bank offered rate plus 80 basis points. Certificates will be issued to MBL shortly.
- 11.7.7 The tenure of these certificates is 8 years, with principal receivable in 2015. The profit is calculated on the basis of six months Karachi inter-bank offered rate plus 150 basis points. Certificates will be issued to MBL shortly.
- 11.7.8 The tenure of these certificates is 5 years, with principal receivable in 2008-2011. The profit is calculated on the basis of three months Karachi inter-bank offered rate plus 170 basis points.
- 11.7.9 The paid up value of these bonds is US\$ 1. These bonds will mature in 2011. The profit is calculated on the basis of London inter-bank offered rate plus 40 basis points.

11.8 Associates (listed)

The Group 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	2007	2006	Percentage of effective holding %	2007	2006
	Number of shares / certificates / units			Cost	Restated
				Rupees in '000	
Ordinary Shares of Closed end mutual fund Al-Meezan Mutual Fund Limited	28,317,299	23,950,239	14.8	420,415	332,592
Certificate of closed end fund Meezan Balanced Fund	19,956,292	18,184,792	6.28	243,966	199,564
Units of open end funds: Meezan Islamic Fund - note 11.8.1	8,350,218	5,809,658	N/A	526,398	345,152
Meezan Islamic Income Fund - note 11.8.4	23,517,996	6,250,000	N/A	1,227,875	312,500
				<u>2,418,654</u>	<u>1,189,808</u>

- 11.8.1 The nominal value of open end fund units is Rs. 50 each.
- 11.8.2 The above associates are incorporated in Pakistan.
- 11.8.3 Investments in listed associates have a market value of Rs. 1,605 million (2006: Rs. 753 million).
- 11.8.4 Meezan Islamic Income Fund was listed on Karachi Stock Exchange during the year.

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11.9 Associates (unlisted)

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

Particulars	2007		2006		Percentage of effective holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
	Number of Shares		Rupees in '000					
			Restated	%		Rupees		
Plexus (Private) Limited	1,499,980	1,499,980	9,807	10,900	50	7.38	June 30, 2007	Mr. Ariful Islam
Faysal Management Services (Private) Limited - note 11.9.1	540,000	540,000	56,500	65,744	30	104.63	December 31, 2007	Mr. Khalid S. Tirmizey
Blue Water (Private) Limited- note 11.9.2	150,000	150,000	15,727	14,710	43	110.69	June 30, 2007	Mr. Shuja-ul-Mulk
Falcon Greenwood (Private) Limited								
Ordinary shares - note 11.9.2	250,000	250,000	23,949	24,954	25	96.49	June 30, 2007	Mr. Abbas Khan
Preference shares - note 11.9.3	1,432,800	1,432,800	143,280	143,280	N/A	N/A		
Advance against issue of preference share	-	-	3,000	-	N/A	N/A		
Pak Kuwait Takaful Co. Ltd	2,500,000	2,500,000	25,000	25,000	10	8.98	December 31, 2006	Mr. Istaqbal Mehdi
Total			277,263	284,588				

11.9.1 The nominal value of these shares is Rs. 100 each. These shares are in custody of SECP and cannot be sold without the prior approval of SECP in accordance with circular No. 9 of 2006 dated June 15, 2006 in addition to mandatory holding period of 5 years from the last date of purchase of these shares.

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

11.9.3 The nominal value of these preference shares is Rs. 100 each. The preference shares have no voting rights. These preference shares are redeemable at the option of the investee company.

11.9.4 The above associates are incorporated in Pakistan.

11.10 Investment in associates except Meezan Islamic Income Fund, form part of strategic investment of MBL and cannot be sold for five years from the last date of purchase of such securities.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



11.11 Associates accounted for under the equity method of accounting

	Plexus (Private) Limited	Faysal Management Services (Private) Limited	Blue Water (Private) Limited	Falcon Greenwood (Private) Limited	Al Meezan Mutual Fund	Meezan Islamic Fund	Meezan Balanced Fund	Meezan Islamic Income Fund	Total
Rupees in '000									
Carrying value of investments as at December 31, 2007 according to MBL's financial statements	8,675	54,000	9,000	24,122	46,957	380,525	161,345	979,967	1,664,591
Holding through AMIML	-	-	6,000	-	288,997	145,867	32,103	209,214	682,181
Groups share in result of associates relating to periods upto December 31, 2006	(4,100)	11,744	(290)	(46)	65,958	138,663	18,769	-	230,698
Reversal of provision for diminution in the value of investments upto December 31, 2007	6,325	-	-	878	-	-	-	-	7,203
Group's share in results of associates in current period's profit before taxation	(1,059)	3,523	1,449	(173)	117,681	(149,018)	54,193	35,649	62,245
Taxation	(34)	(1,292)	(432)	(832)	-	-	-	-	(2,590)
Dividend income	-	(11,475)	-	-	(12,090)	-	(25,815)	-	(49,380)
Reversal of surplus on revaluation of investments - net	-	-	-	-	(88,718)	-	-	-	(88,718)
Reversal of surplus on revaluation relating to 'held for trading' investments	-	-	-	-	1,630	10,361	3,371	3,045	18,407
	<u>9,807</u>	<u>56,500</u>	<u>15,727</u>	<u>23,949</u>	<u>420,415</u>	<u>526,398</u>	<u>243,966</u>	<u>1,227,875</u>	<u>2,524,637</u>

12. FINANCINGS

	2007	2006
Rupees in '000		
In Pakistan		
- Murabaha financings - note 12.1	15,968,791	11,430,720
- Net investment in ijarah - note 12.2	7,757,795	6,378,320
- Export refinance under Islamic scheme - note 12.3	3,516,317	4,403,667
- Diminishing Musharakah financings - housing	3,158,134	2,604,096
- Diminishing Musharakah financings - others	2,102,247	1,209,466
- Musharakah financings	80,531	130,500
- Istisna financings	238,275	-
- Financings against bills - salam	658,750	364,755
- Financings against bills - murabaha	1,345,692	573,961
- Loans and running finances- note 12.4	422,421	172,348
Total financing - notes 12.5 and 12.8	<u>35,248,953</u>	<u>27,267,833</u>
Less: Provision against non-performing financings - note 12.7	(673,273)	(238,255)
Financings net of provision	<u>34,575,680</u>	<u>27,029,578</u>
12.1 Murabaha receivable - gross - note 12.1.1	<u>16,526,020</u>	<u>11,871,350</u>
Less: Deferred murabaha income	(276,865)	(222,466)
Profit receivable shown in other assets	(280,364)	(218,164)
Murabaha financings / receivables	<u>15,968,791</u>	<u>11,430,720</u>

12.1.1 This includes advance for murabaha aggregating Rs. 2,480 million (2006: Rs. 1,812 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



12.2 Net investment in ijarah

	2007				2006			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	2,417,622	5,622,823	44,936	8,085,381	2,389,229	3,956,492	35,736	6,381,457
Residual value	434,140	1,183,792	33,489	1,651,421	197,891	1,114,352	54,261	1,366,504
Minimum ijarah payments	2,851,762	6,806,615	78,425	9,736,802	2,587,120	5,070,844	89,997	7,747,961
Less: Profits for future periods	515,712	1,455,644	7,651	1,979,007	558,291	804,752	6,598	1,369,641
Present value of minimum ijarah payments	2,336,050	5,350,971	70,774	7,757,795	2,028,829	4,266,092	83,399	6,378,320

	2007	2006
	Rupees in '000	
12.3 Murabaha receivable under Islamic export refinance scheme- gross - note 12.3.1	3,615,372	4,513,494
Less: Deferred murabaha income	(44,739)	(50,257)
Profit receivable shown in other assets	(54,316)	(59,570)
Export refinance under Islamic scheme / receivables	3,516,317	4,403,667

12.3.1 This includes advance for murabaha under Islamic export refinance scheme aggregating Rs. 620 million (2006: Rs. 846 million).

12.4 This includes Rs. 110.941 million (2006 : Rs. 109.051 million) representing mark up free loans to staff advanced under Group's human resource policies.

	2007	2006
	Rupees in '000	
12.5 Particulars of financings		
12.5.1 In		
- local currency	32,541,376	25,771,263
- foreign currencies	2,034,304	1,258,315
	34,575,680	27,029,578
12.5.2 Short-term (for upto one year)	22,431,192	17,619,718
Long-term (for over one year)	12,144,488	9,409,860
	34,575,680	27,029,578

12.6 Financings include Rs. 553.339 million (2006: Rs. 408.442 million) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	123,336	-	123,336	24,855	24,855
Doubtful	122,729	-	122,729	57,952	57,952
Loss	307,274	-	307,274	296,690	296,690
	553,339	-	553,339	379,497	379,497

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



12.7 Particulars of provision against non-performing financings:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	163,712	74,543	238,255	66,953	49,721	116,674
Charge for the year	238,997	219,233	458,230	98,296	24,822	123,118
Less: Reversals	(23,212)	-	(23,212)	(1,537)	-	(1,537)
	215,785	219,233	435,018	96,759	24,822	121,581
Closing balance	379,497	293,776	673,273	163,712	74,543	238,255

12.7.1 MBL has maintained a general reserve (provision) in accordance with the applicable requirements of the prudential regulations for consumer financing issued by the State Bank of Pakistan and for potential losses on financing.

12.7.2 Particulars of provision against non-performing financings:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	364,233	293,776	658,009	154,346	74,543	228,889
In foreign currencies	15,264	-	15,264	9,366	-	9,366
	379,497	293,776	673,273	163,712	74,543	238,255

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

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

	2007	2006
	Rupees in '000	
Balance at the beginning of the year	169,166	121,902
Financing granted during the year	129,942	106,149
Repayments	(36,566)	(58,885)
Balance at the end of the year - note 12.8.1	262,542	169,166

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

	2007	2006
	Rupees in '000	
Balance at the beginning of the year	395,903	311,912
Financing granted during the year	297,825	497,798
Repayments	(348,414)	(413,807)
Balance at the end of the year - note 12.8.2	345,314	395,903

12.8.1 The maximum total amount of financings including temporary financings granted by MBL during the year were Rs. 262.542 million (2006: Rs. 169.166 million). The maximum amount has been calculated by reference to the month end balance.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



12.8.2 This represents a musharakah facility outstanding from Blue Water (Private) Limited (an associated company) amounting to Rs. 70.530 million (2006: Rs. 120.5 million), murabaha and ijarah facilities outstanding from The General Tyre and Rubber Company Limited (an associated company) (GTR) amounting to Rs. 204.534 million (2006: Rs.182.089 million) and Rs. 67.449 million (2006: Rs. 89.239 million) respectively and ijarah facility outstanding from Pak-Kuwait Takaful Company Limited (an associated company) amounting to Rs. 2.801 million (2006: Rs. 4.075 million). The musharakah facility is secured against equitable mortgage over property whereas the ijarah facilities are secured against hypothecation charge over present and future stocks, book debts and the rented assets of GTR and Pak-Kuwait Takaful Company Limited respectively. The maximum total amount of financings, including temporary financings granted during the year were Rs. 482.177 million (2006: Rs. 431.977 million). The maximum amount has been calculated by reference to the month end balance.

12.8.3 Loans and financings to executives and a director

	Executives		Director	
	2007	2006	2007	2006
	Rupees in '000			
Opening balance	24,983	54,318	694	827
Loans disbursed during the year	98,287	26,572	-	-
Loans repaid during the year	(28,425)	(55,907)	(132)	(133)
Closing balance	94,845	24,983	562	694

13. OPERATING FIXED ASSETS

Tangible assets

Capital work-in-progress - note 13.1

Property and equipment - note 13.2

Intangible assets - note 13.4

13.1 Capital work-in-progress

- Advances to suppliers and contractors for building renovation
- Advances for computer hardware
- Advances for purchase of vehicles
- Advances for computer software
- Advances for other office machines
- Advances for furniture and fixtures

	2007	2006
	Rupees in '000	
Capital work-in-progress	59,654	66,795
Property and equipment	919,617	456,733
	979,271	523,528
Intangible assets	70,105	19,555
	1,049,376	543,083
Advances to suppliers and contractors for building renovation	20,863	39,630
Advances for computer hardware	19,678	9,385
Advances for purchase of vehicles	7,912	15,331
Advances for computer software	600	2,449
Advances for other office machines	10,466	-
Advances for furniture and fixtures	135	-
	59,654	66,795

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



13.2 Property and equipment

	COST			DEPRECIATION			Net book value as at December 31, 2007	Rate of depreciation %
	As at January 1, 2007	Additions / (disposals)	As at December 31, 2007	As at January 1, 2007	Charge / (on disposal)	As at December 31, 2007		
	Rupees in '000							
Land and buildings - note 13.3.1	71,970	182,158	254,128	9,131	4,198	13,329	240,799	5
Leasehold improvements	220,699	161,110	381,809	43,280	28,077	71,357	310,452	10
Furniture and fixtures	56,608	32,189 (280)	88,517	14,339	8,222 (140)	22,421	66,096	10
Electrical, office and computer equipments	232,400	151,121 (1,378)	382,143	130,556	60,715 (1,194)	190,077	192,066	20 and 33
Vehicles	125,708	70,562 (13,130)	183,140	53,346	29,535 (9,945)	72,936	110,204	20
2007	707,385	597,140 (14,788)	1,289,737	250,652	130,747 (11,279)	370,120	919,617	
2006	427,503	289,271 (9,389)	707,385	150,344	106,652 (6,344)	250,652	456,733	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



13.3 Property and equipment - Movement of net book value

	Land and buildings	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
	Rupees in '000					
At January 1, 2006						
Cost	55,329	118,092	34,306	133,636	86,140	427,503
Accumulated depreciation	(5,532)	(21,210)	(7,761)	(80,081)	(35,760)	(150,344)
Net book value	49,797	96,882	26,545	53,555	50,380	277,159
Year ended December 31, 2006						
Additions	16,641	102,607	22,302	98,824	48,897	289,271
Net book value of disposals	-	-	-	(32)	(3,013)	(3,045)
Depreciation charge	(3,599)	(22,070)	(6,578)	(50,503)	(23,902)	(106,652)
Net book value as at December 31, 2006	62,839	177,419	42,269	101,844	72,362	456,733
Year ended December 31, 2007						
Additions	182,158	161,110	32,189	151,121	70,562	597,140
Net book value of disposals	-	-	(140)	(184)	(3,185)	(3,509)
Depreciation charge	(4,198)	(28,077)	(8,222)	(60,715)	(29,535)	(130,747)
Net book value as at December 31, 2007	240,799	310,452	66,096	192,066	110,204	919,617

13.3.1 The break-up of cost of land and buildings between the two separate categories has not been disclosed as the subject purchase was made for an overall price.

13.3.2 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs. 64.208 million (2006: Rs. 58.395 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



13.3.3 Details of disposal of fixed assets by Group to executives and other persons are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Vehicles						
Santro Club	499	408	91	330	Negotiation	Wasim Mirza
Santro Club	519	320	199	325	Negotiation	Wasim Mirza
Suzuki Cultus	560	233	327	417	Negotiation	Wasim Mirza
Suzuki Cultus	555	555	-	340	Negotiation	Wasim Mirza
Suzuki Cultus	584	487	97	390	Negotiation	Mazhar Hussain
Santro Club	519	329	190	327	Negotiation	Rukhsana Majeed
Honda Civic	983	819	164	295	Negotiation	Muhammad Tariq
Suzuki Cultus	560	354	206	425	Negotiation	S. Abdur Rauf
Suzuki Cultus	560	354	206	435	Negotiation	Wasim Mirza
Suzuki Alto	469	313	156	367	Negotiation	Kauser Imam (Ex-employee)
Suzuki Alto	469	227	242	370	Negotiation	Shahina Memon
Suzuki Alto	469	235	234	350	Negotiation	Abdul Nasir
Suzuki Alto	469	469	-	47	Negotiation	Wasaf Ali Babar (Employee)
Suzuki Alto	469	258	211	360	Negotiation	Farhan Madni (Employee)
Suzuki Alto	498	474	25	275	Negotiation	Muhammad Furqan (Employee)
Honda City	765	765	-	435	Negotiation	Muhammad Shahid Rasheed
Suzuki Alto	469	359	110	310	Negotiation	Abdur Rehman
Santro Club	519	398	121	208	MBL policy	Muhammed Faisal (Employee)
Suzuki Cultus	560	429	131	353	Negotiation	Nadeem Ahmed
Honda Civic	1,118	875	243	373	MBL policy	Ghaffar Memon (Employee)
Santro Club	499	491	8	141	MBL policy	Antaqeen Shaikh (Employee)
Santro Club	519	302	217	333	Negotiation	Malik Tajam ul Iltaf
Santro Club	499	491	8	317	Negotiation	Muhammad Arif
Honda City	-	-	-	590	Negotiation	Ghulam Farid Ahmed
Toyota Corolla	-	-	-	476	Negotiation	Farooq Zaman
Honda Civic	-	-	-	440	Negotiation	Humayun Saleem
Suzuki Baleno	-	-	-	350	Negotiation	Adnan Rafiq Qureshi
Electrical, office and computer equipments						
AC and Generator	279	279	-	28	Negotiation	M Yousuf Kalar
AC	190	190	-	12	Negotiation	Star Cooling Shop
AC	196	23	173	80	AMIML's policy	Saad Iqbal (AVP)
Mobile Phone	10	4	6	6	Negotiation	M Yousuf Kalar
Miscellaneous equipment	703	698	5	28	Negotiation	M Yousuf Kalar
Furniture & Fixtures						
Miscellaneous furniture	280	140	139	56	Negotiation	Various
	14,788	11,279	3,509	9,589		

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



13.4 Intangible assets

	COST			AMORTISATION			Net book value as at December 31, 2007	Rate of amortisation %
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Amortisation	As at December 31, 2007		
	Rupees in '000							
Computer software	30,990	65,297	96,287	11,435	14,747	26,182	70,105	20
2006	19,697	11,293	30,990	5,628	5,807	11,435	19,555	

13.5 Intangible assets - Movement of net book value

	Year ended December 31, 2006			Year ended December 31, 2007			
	Net book value as at January 1, 2006	Addition	Amortisation charge for the year	Net book value as at December 31, 2006	Addition	Amortisation charge for the year	Net book value as at December 31, 2007
	Rupees in '000						
Computer software	14,069	11,293	5,807	19,555	65,297	14,747	70,105

14. OTHER ASSETS

	2007	2006
	Rupees in '000	
Profit / return accrued in local currency	708,518	506,405
Profit / return accrued in foreign currency	113,115	15,986
Advances, deposits, advance rent and other prepayments - note 14.1	432,011	260,970
Advance taxation (payments less provisions)	-	208,509
Receivables on account of sale of securities	67,137	12,209
Dividends receivable	3,878	1,278
Stamps	6,824	3,997
Inventories - note 14.2	719,713	579,897
Advances against future ijarah	757,094	714,928
Security deposits	12,645	11,048
Unrealized gain on forward foreign exchange contracts	24,175	-
Prepaid exchange risk fee	124	121
Assets classified as held for sale	169,596	-
Other - note 14.3	1,726	787
	<u>3,016,556</u>	<u>2,316,135</u>

14.1 This includes prepaid rent and prepaid insurance aggregating Rs. 164.790 million (2006: 121.909 million) and Rs. 95.987 million (2006: Rs. 78.187 million) respectively which are being amortized over a period of one year.

14.2 This represents goods purchased by MBL for murabaha but remaining unsold at the balance sheet date.

14.3 This represents amount recoverable from SBP upon encashment of various instruments on behalf of SBP by MBL.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



15. BILLS PAYABLE

	2007	2006
	Rupees in '000	
In Pakistan	1,192,160	563,228
Outside Pakistan	-	-
	<u>1,192,160</u>	<u>563,228</u>

16. DUE TO FINANCIAL INSTITUTIONS

In Pakistan	2,534,699	4,264,642
Outside Pakistan	30,907	20,570
	<u>2,565,606</u>	<u>4,285,212</u>

16.1 Particulars of due to financial institutions with respect to currencies

In local currency	2,534,699	4,252,460
In foreign currencies	30,907	32,752
	<u>2,565,606</u>	<u>4,285,212</u>

16.2 Details of due to financial institutions secured / unsecured

Secured:		
Borrowing from the State Bank of Pakistan under Islamic export refinance scheme - note 16.2.1	2,384,699	4,252,460
Murabaha financing	150,000	-
Unsecured:		
Overdrawn nostro accounts	30,907	20,570
Others	-	12,182
	<u>2,565,606</u>	<u>4,285,212</u>

16.2.1 These borrowings are on a profit and loss sharing basis maturing between January 24, 2008 to July 12, 2008 and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 3,714 million has been allocated to MBL by the SBP under Islamic export refinance scheme for the financial year ending June 30, 2008.

16.3 Particulars of due to financial institutions

	2007	2006
	Rupees in '000	
Short - term	2,415,606	4,285,212
Long - term	150,000	-
	<u>2,565,606</u>	<u>4,285,212</u>

17. DEPOSIT AND OTHER ACCOUNTS

Customers		
- Fixed deposits	21,223,117	12,993,315
- Savings deposits	17,644,610	9,812,311
- Current accounts - non-remunerative	12,238,793	7,779,810
- Margin	386,674	342,301
	<u>51,493,194</u>	<u>30,927,737</u>
Financial institutions		
- Remunerative deposits	3,076,974	3,489,614
- Non-remunerative deposits	10,284	6,585
	<u>3,087,258</u>	<u>3,496,199</u>
	<u>54,580,452</u>	<u>34,423,936</u>

Notes to and forming part of the Consolidated Financial Statements

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17.1 Particulars of deposits

	2007	2006
	Rupees in '000	
In		
- local currency	52,011,755	32,071,159
- foreign currencies	2,568,697	2,352,777
	54,580,452	34,423,936
18. DEFERRED TAX LIABILITIES		
Credit / (debit) balances arising on account of:		
Excess of accounting book values over tax written down values of owned assets	124,284	61,343
Other staff benefits	(64,752)	(40,702)
Excess of ijarah financings over tax written down values of ijarah assets	573,226	488,814
Carried forward assessed and unassessed tax losses	-	(60,122)
Excess of tax written down values over accounting net book values of investments	20,080	17,644
Provision against non-performing financings	(194,904)	(47,901)
Deficit on revaluation of available for sale investments	(2,162)	-
Others	(2,641)	(560)
	453,131	418,516
19. OTHER LIABILITIES		
Return on deposits and other dues		
- payable in local currency - note 19.1	537,758	305,264
- payable in foreign currency	10,050	6,429
Unearned commission	16,138	20,738
Accrued expenses	59,236	36,056
Advance payments	5,019	318
Current taxation (provision less payments)	42,101	-
Unclaimed dividends	855	855
Unrealized gain (net) on forward foreign exchange contracts	63,085	409
Payable to defined benefit plan	18,566	7,929
Provision against off-balance sheet obligations - note 19.2	7,548	1,600
Security deposits against ijarah	1,842,534	1,399,646
Other staff benefits	212,051	141,228
Charity payable - note 19.3	12,419	9,549
Liabilities directly associated with assets classified as held for sale	1,274	-
Amount due to investor in funds consolidated by Group	12,820	-
Others	80,568	77,865
	2,922,022	2,007,886

19.1 It includes Rs. 37.642 million (2006: Rs. 57.528 million) in respect of return accrued on borrowings from SBP under the Islamic export refinance scheme.

Notes to and forming part of the Consolidated Financial Statements

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19.2 Provision against off-balance sheet obligations

	2007	2006
	Rupees in '000	
Opening balance - note 19.2.1	1,600	1,600
Charge for the year - note 19.2.2	5,948	-
Reversals	-	-
Amount written off	-	-
Closing balance	7,548	1,600

19.2.1 This represents provision made against a bail bond issued on behalf of former employees of Societe Generale, The French and International Bank in a suit pending before a court.

19.2.2 This represents provision made against off-balance sheet (guarantee) exposure of a borrower.

19.3 Reconciliation of charity payable

	2007	2006
	Rupees in '000	
Balance as at January 1	9,549	6,740
Addition during the year	37,285	9,508
Less: Transferred to charity savings account (included in deposits and other accounts)	(29,637)	-
Payments made during the year - note 19.3 .2	(4,778)	(6,699)
Balance as at December 31	12,419	9,549

19.3.1 Charity in excess of Rs. 100,000 was paid to the following individuals / organization:

	2007	2006
	Rupees in '000	
Rashid Memorial Welfare Organization	1,200	-
Alamgir Welfare Trust	1,110	-
Sindh Institute of Urology and Transplantation (SIUT)	1,000	-
Ms. (Late) Shagufta Ibrahim (Ex-Employee)	450	-
Al Shi'fa Trust	250	-
Idara Al Khair Welfare Society	200	200
The Citizen Foundation	-	6,000

19.3.2 Charity was not paid to any individual / organization in which a director or his spouse had any interest at any time during the year.

20. SHARE CAPITAL

20.1 Authorized, issued, subscribed and paid-up capital

A summary of the movement on ordinary share capital is given below:

	Ordinary shares of Rs. 10 each	
	Number	Amount in Rupees in '000
Authorized capital		
As at January 1, 2007	800,000,000	8,000,000
Increase during the year	-	-
As at December 31, 2007	800,000,000	8,000,000
Issued, subscribed and paid-up capital		
As at January 1, 2006	203,658,237	2,036,582
Issue of bonus shares of Rs. 10 each	56,209,672	562,097
Right issue at Rs. 10 each	118,121,777	1,181,218
As at December 31, 2006	377,989,686	3,779,897
Increase during the year	-	-
As at December 31, 2007	377,989,686	3,779,897

Notes to and forming part of the Consolidated Financial Statements

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- 20.2 MBL intend to issue 9.9 million ordinary shares of Rs. 10 each having a face value of Rs. 99 million under an employee stock option plan subject to approval of the Securities and Exchange Commission of Pakistan.
- 20.3 According to BSD circular No.6 dated October 28, 2005 MBL was required to raise its paid-up capital to Rs. 4 billion by December 31, 2007. However, SBP vide its letter No. BSD/SU-1/608/107/2008 dated January 16, 2008 has deferred the compliance of the "Minimum Capital Requirement" by it till March 31, 2008.

21. RESERVES

	2007	2006
	Rupees in '000	
Statutory reserve - note 20.1	654,019	461,319
General reserve	91,082	91,082
	745,101	552,401

21.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital.

22. MINORITY INTEREST

	2007	2006
	Rupees in '000	
		Restated
Opening balance	185,864	138,730
Share of profit for the year	75,220	47,134
Closing balance	261,084	185,864

23. (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS

Quoted shares	(12,936)	660
Other securities - quoted MIFCs	-	1,457
- certificates	(2,480)	4,833
	(15,416)	6,950
Add: Deferred tax asset	2,162	-
	(13,254)	6,950

24. CONTINGENCIES AND COMMITMENTS

24.1 Direct credit substitutes		
Guarantees favoring		
- Government	277,849	201,279
24.2 Transaction related contingent liabilities		
Guarantees favoring		
- Government	1,327,983	1,805,745
- Banks	28,530	29,273
- Others	2,396,774	2,224,786
	3,753,287	4,059,804
24.3 Trade related contingent liabilities		
Import letters of credit	8,452,589	4,802,859
Acceptances	2,880,544	2,300,062
	11,333,133	7,102,921

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For the year ended December 31, 2007



	2007	2006
	Rupees in '000	
24.4 Commitments in respect of forward exchange contracts		
Purchases	5,323,699	2,808,751
Sales	9,773,147	6,297,464
24.5 Commitments for the acquisition of operating fixed assets	21,700	-
24.6 Commitments in respect of financings	23,386,645	16,704,510
24.7 Other commitments		
Bills for collection (inland)	44,854	42,784
Bills for collection (foreign)	2,211,968	2,088,795
	2,256,822	2,131,579

- 24.8 The tax department has not accepted the MBL's contention on the matter of allocation of expenses on exempt capital gains and dividend income subject to reduced rate of tax. Order to this effect has already been framed for the tax year 2003. For the following years this matter has not yet emerged as there have been deemed assessments which are expected to be amended on this issue.

While finalizing the assessment of MBL for the tax year 2003 the assessing officer made certain disallowance of financial charges and administrative expenses on this account. After considering the effect of apparent rectifications the disallowances will aggregate to Rs. 106.635 million. If the assessing officer's basis of allocation is applied for the following years, the expected disallowances may amount to Rs. 1,045 million resulting in tax impact of Rs. 396 million in respect of tax year 2003 and the following years. MBL had filed an appeal with CIT (A) on the subject matter. The CIT (A) in his order confirmed the assessment in respect of the principle of allocation of expenses, however, directions have been given for necessary rectification on certain facts and basis underlying that assessment. In the management view this could result in the maximum liability aggregating to Rs. 221 million in respect of tax year 2003 and following years which has been provided for.

MBL has challenged the matter in an appeal on the issue with the Income Tax Appellate Tribunal (ITAT). In the case of another company, the issue of allocation of expenses has been set aside by the ITAT with certain positive assertions.

The management is confident that the ultimate outcome of the appeal would be in favor of the MBL inter alia on facts of the case.

25. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS

	2007	2006
	Rupees in '000	
On financings to:		
- Customers	3,282,076	2,349,049
On investments in		
- Held For Training	580	181
- Available for sale securities	155,050	4,548
- Held to maturity securities	223,139	125,513
On deposits with financial institutions	913,599	224,756
	4,574,444	2,704,047

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26. RETURN ON DEPOSITS AND OTHER DUES EXPENSED

	2007	2006
	Rupees in '000	
Deposits and other accounts	2,213,494	1,226,075
Other short term borrowings note - 26.1	237,956	237,034
	<u>2,451,450</u>	<u>1,463,109</u>

26.1 It includes Rs. 231.125 million (2006: Rs. 229.491 million) paid / payable to SBP by MBL under Islamic export refinance scheme.

27. CAPITAL GAIN ON SALE OF INVESTMENTS

	2007	2006
	Rupees in '000	
Shares - listed	564,896	125,446
WAPDA First Sukuk certificates	5,741	2,344
Term finance certificates	62	341
	<u>570,699</u>	<u>128,131</u>

28. OTHER INCOME

Gain on termination of Ijarah financings	5,508	10,297
Gain on termination of diminishing musharakah financings	6,109	10,069
Gain on sale of property, equipment and others	6,080	1,830
Advisory services	6,222	633
Sales load	9,205	10,543
Others	4,808	927
	<u>37,932</u>	<u>34,299</u>

Notes to and forming part of the Consolidated Financial Statements

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29. ADMINISTRATIVE EXPENSES

	2007	2006
	Rupees in '000	
Salaries, allowances, etc. - note 37	870,774	445,189
Charge for defined benefit plan	17,423	11,286
Contribution to defined contribution plan - note 36	21,698	13,848
Non - executive directors' fees - note 37	12,568	5,373
Rent, electricity, taxes, insurance, etc.	236,584	140,894
Insurance on consumer car Ijarah	152,482	101,040
Communication	71,513	39,834
Stationery and printing	40,951	21,433
Entertainment	5,513	10,166
Office supplies	13,625	7,145
Local transportation and car running	44,977	27,114
Fees, subscription and clearing charges	25,580	22,363
Security charges	25,290	12,332
Repairs and maintenance	25,083	12,284
Hardware and software maintenance	7,612	4,492
Advertisement and publicity	60,170	32,039
Depreciation - note 13.2	130,747	106,652
Amortization - note 13.5	14,747	5,807
Travelling	19,841	12,366
Service charges	8,228	15,946
Brokerage and commission	20,803	14,848
Legal and professional charges - note 29.1	15,892	8,729
Auditors' remuneration - note 29.2	6,642	6,481
Others	25,541	11,222
	1,874,284	1,088,883

29.1 It includes remuneration to Shariah Board of MBL amounting to Rs. 1.300 million (2006: Rs. 2.100 million).

29.2 Auditors' remuneration

	2007	2006
	Rupees in '000	
Holding company		
Audit fee to statutory auditor	1,200	1,100
Fee for audit of employee's funds	300	150
Special certifications and sundry advisory services	2,200	1,800
Tax services	2,300	2,750
Out of pocket expenses	450	503
	6,450	6,303
Subsidiary company		
Audit fee	175	150
Out of pocket expenses	17	28
	192	178
	6,642	6,481
30. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	2,884	4,776

Notes to and forming part of the Consolidated Financial Statements

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31. TAXATION

	2007	2006
	Rupees in '000	
		Restated
Current		
- for the year	329,282	54,135
- for prior years	(7)	(62,653)
	329,275	(8,518)
Deferred	56,117	231,169
	385,392	222,651

31.1 Relationship between tax expense and accounting profit

	2007
	Rupees in '000
Profit before taxation	1,509,443
Effects of:	
- Tax calculated at the applicable rate of 35%	528,305
- Tax effect of income that are not taxable in determining taxable profit	(136,160)
- Income chargeable to tax at reduced rate	(9,360)
- Permanent differences	2,607
Tax charge for the year	385,392

31.2 The provision for current taxation for MBL for the year ended December 31, 2006 was made on the basis of presumptive tax, therefore, a relationship between the tax expense and the accounting profit has not been disclosed.

32. BASIC AND DILUTED EARNINGS PER SHARE

	2007	2006
		Restated
Profit for the year (Rupees in '000)	1,048,831	651,468
Weighted average number of ordinary shares	377,989,686	377,989,686
Basic earnings per share - note 32.1 (Rupees)	2.77	1.72

32.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2006 and 2007.

33. CASH AND CASH EQUIVALENTS

	2007	2006
	Rupees in '000	
Cash and balances with treasury banks - note 8	5,644,137	5,890,940
Balances with other banks - note 9	3,763,608	4,134,875
	9,407,745	10,025,815

34. STAFF STRENGTH

	2007	2006
	Number of Staff	
Permanent	1,318	809
Contractual basis	709	456
Group's own staff strength at the end of the year	2,027	1,265
Outsourced	253	170
Total Staff Strength	2,280	1,435

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35. DEFINED BENEFIT PLAN OF MBL

The projected unit credit method, as allowed under the International Accounting Standard 19 'Employee Benefits' (revised 2006), was used for actuarial valuation based on the following significant assumptions:

	2007	2006
	Principal actuarial assumptions	
35.1 Discount rate	10% p.a	10% p.a
Expected rate of increase in salaries	10% p.a	10% p.a
Expected rate of return on investments	10% p.a	10% p.a
Normal retirement age	60 years	60 years

The disclosures made in notes 35.1 to 35.13 are based on the information included in the actuarial valuation report of MBL as of December 31, 2007.

35.2 Reconciliation of amount payable to defined benefit plan

	2007	2006
	Rupees in '000	
Present value of defined benefit obligations - note 35.7	48,929	29,117
Fair value of plan assets - note 35.8	(19,808)	(11,531)
Net actuarial losses not recognized - note 35.11	(11,187)	(9,657)
	17,934	7,929
35.3 Movement in payable to defined benefit plan		
Opening balance	7,929	5,627
Charge for the year - note 35.4	17,934	7,929
Contribution made during the year	(7,929)	(5,627)
Closing balance	17,934	7,929
35.4 Charge for defined benefit plan		
Current service cost	15,501	6,539
Interest cost	2,912	1,764
Expected return on plan assets	(1,153)	(684)
Actuarial gains and losses	674	310
	17,934	7,929
35.5 Actual return on plan asset - note 35.6	2,122	659

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35.6 It includes a balance of Rs. 0.820 million (2006: Rs. 1.086 million) kept in a savings account and Rs. 17.934 (2006: Rs. 10.445 million) placed in a Mahana Amdani Certificate with MBL respectively.

35.7 Reconciliation of present value of obligation

	2007	2006
	Rupees in '000	
Present value of obligation as at January 1	29,117	17,640
Current service cost	15,501	6,539
Interest cost	2,912	1,764
Benefits paid	(1,774)	(1,596)
Actuarial loss on obligation	3,173	4,770
Present value of obligation as at December 31	48,929	29,117
35.8 Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	11,531	6,841
Expected return	1,153	684
Contributions by the MBL	7,929	5,627
Benefits paid	(1,774)	(1,596)
Actuarial gain / (loss)	969	(25)
	19,808	11,531

35.9 The plan assets comprise as follows:

	2007		2006	
	Rupees in '000	%	Rupees in '000	%
Meezan Aamdani Certificates	17,934	90.54	10,445	90.58
Meezan Islamic Income Fund	1,054	5.32	-	-
Savings account with Meezan Bank	820	4.14	1,086	9.42
	19,808	100.00	11,531	100.00

35.10 Actuarial loss to be recognized

	2007	2006
	Rupees in '000	
Corridor Limit		
The limits of the corridor as at January 1		
10% of obligations	2,912	1,764
10% of plan assets	1,153	684
Which works out to	2,912	1,764
Unrecognized actuarial gain / (losses) as at January 1	(9,657)	(5,172)
Excess	(6,745)	(3,408)
Average expected remaining working lives in years	10	11
Actuarial loss to be recognized	(674)	(310)

35.11 Unrecognized actuarial losses

Unrecognized actuarial losses at January 1	(9,657)	(5,172)
Actuarial loss on obligations - note 35.7	(3,173)	(4,770)
Actuarial gain / (loss) on assets - note 35.8	969	(25)
Subtotal	(11,861)	(9,967)
Actuarial loss recognized - note 35.10	674	310
Unrecognized actuarial gain / (loss) as at December 31	(11,187)	(9,657)

35.12 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:

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	2007	2006	2005	2004	2003
	Rupees in '000				
Present value of defined benefit obligation	48,929	29,117	17,640	10,972	7,332
Fair value of plan assets	(19,808)	(11,531)	(6,841)	(1,956)	(1,931)
Deficit	29,121	17,586	10,799	9,016	5,401
Actuarial loss on obligation	(3,173)	(4,770)	(2,246)	(449)	(389)
Actuarial gain / (loss) on assets	969	(25)	(556)	338	252

35.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2008 works out to Rs. 22.553 million.

35.14 The above disclosures relates to MBL's benefit plan only as actuarial valuation of gratuity fund for AMIML was carried on the basis of June 30, 2007 balances.

36. DEFINED CONTRIBUTION PLAN

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

	2007	2006
	Rupees in '000	
Contribution from the Group	21,698	11,540
Contribution from the employees	21,698	11,540
	43,396	23,080

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Director		Executives	
	2007	2006	2007	2006	2007	2006
	Rupees in '000					
Fees	-	285	12,568*	5,691	-	-
Managerial remuneration	45,091	16,086	25,506	20,230	156,148	106,510
Charge for defined benefit plan	453	-	731	731	7,693	4,203
Contribution to defined contribution plan	543	-	878	878	6,089	3,994
House rent	2,445	-	3,510	270	31,941	13,721
Utilities	543	-	878	878	7,274	4,975
Medical	546	162	994	937	7,209	4,814
Conveyance	774	639	253	230	78	572
Others	76	171	20	63	1,149	-
	50,471	17,343	45,338	29,908	217,581	138,789
Number of persons	1	1	8	10	79	46

* This includes amounts charged in these financial statements as fees to seven (2006: nine) non-executive directors.

37.1 Certain executives are provided with free use of the MBL cars.

37.2 In addition to the above, service charges (note 29) include Rs. 10.059 million (2006: Rs. 15.946 million) in respect of reimbursement, to a related party, of salary and other benefits paid by that related party to the Chief Executive as he was on secondment from that related party till June 30, 2007. Since July 1, 2007 the Chief Executive is in the permanent employment of MBL.

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments in listed securities, except investments categorized as 'held to maturity securities' and investments in associates is based on quoted market prices. Held to maturity securities are carried at amortized cost while investment in associates are valued under equity method of accounting.

The fair value of financings, other assets, other liabilities and 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 financings has been calculated in accordance with the Group's accounting policy as stated in note 6.3.2. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits, are frequently repriced.

39. SEGMENT ANALYSIS

The segment analysis with respect to business activity is as follows:

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Agency services	Assets management	Retail brokerage	Others
Rupees in '000									
2007									
Total income	252,166	2,304,570	704,294	2,865,272	12,318	5,688	134,719	-	-
Total expenses	(123,264)	(1,872,912)	(565,900)	(2,541,230)	(708)	(326)	(50,636)	-	-
Net income	128,902	431,658	138,394	324,042	11,610	5,362	84,083	-	-
Segment Assets (Gross)	5,148,000	27,578,129	5,150,286	29,426,054	-	-	958,718	-	-
Segment Non Performing Loans	-	-	95,675	457,664	-	-	-	-	-
Segment Provision Required	-	-	39,580	633,693	-	-	-	-	-
Segment Liabilities	-	161,084	54,582,353	6,757,168	-	-	212,766	-	-
Segment Return on Assets (ROA) (%)	2.50%	1.57%	2.69%	1.10%	-	-	8.77%	-	-
Segment Cost of funds (%)	5.13%	5.13%	5.13%	5.13%	-	-	11.25%	-	-
2006 - Restated									
Total income	1,925	841,888	252,634	2,265,765	36,123	8,317	194,247	-	-
Total expenses	(1,878)	(715,027)	(187,485)	(1,906,110)	(12,363)	(556)	(78,878)	-	-
Net income (loss)	47	126,861	65,149	359,655	23,760	7,761	115,369	-	-
Segment Assets (Gross)	386,800	20,113,169	2,636,029	24,006,749	-	-	-	-	-
Segment Non Performing Loans	-	-	103,800	304,642	-	-	-	-	-
Segment Provision Required	-	-	20,416	217,839	-	-	-	-	-
Segment Liabilities	-	32,753	34,423,936	7,242,089	-	-	-	-	-
Segment Return on Assets (ROA) (%)	0.01%	0.63%	2.47%	1.50%	-	-	-	-	-
Segment Cost of funds (%)	4.93%	4.93%	4.93%	4.93%	-	-	-	-	-

40. RELATED PARTY TRANSACTIONS

40.1 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 associated companies with or without common directors, directors, and key management personnel.

40.2 A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates. The services charges relating to secondment of CEO are on actual basis.

40.3 Key management personnel:

- President and Chief Executive Officer
- Chief Operating Officer

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40.4 The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	Total		Associates		Key management personnel		Other related parties	
	2007	2006	2007	2006	2007	2006	2007	2006
	Rupees in '000							
Financings								
At January 1	396,597	312,739	395,903	311,912	694	827	-	-
Disbursed during the year	297,825	497,798	297,825	497,798	-	-	-	-
Repaid during the year	(348,546)	(413,940)	(348,414)	(413,807)	(132)	(133)	-	-
At December 31	345,876	396,597	345,314	395,903	562	694	-	-
Deposits								
At December 31	2,752,861	1,514,430	2,594,840	1,142,169	18,053	20,633	139,968	351,608
Balances								
Profit receivable on financing	11,212	10,614	11,212	0,614	-	-	-	-
Service charges payable by MBL	-	-	-	-	-	-	-	-
Acceptances	10,662	62,176	10,662	62,176	-	-	-	-
Letters of credit (unfunded)	49,551	56,787	49,551	56,787	-	-	-	-
Prepaid Takaful	94,087	76,911	94,087	76,911	-	-	-	-
Preliminary expenses received	-	1,944	-	1,944	-	-	-	-
Preliminary expenses incurred	-	13	-	13	-	-	-	-
Transactions, income and expenses								
Profit earned on financing	43,597	23,301	43,597	23,301	-	-	-	-
Return on deposits expensed	109,347	98,335	98,044	86,672	619	2,772	10,684	8,891
Takaful insurance on consumer financings								
Dividend income earned	53,752	118,827	53,752	118,827	-	-	-	-
Capital gain	265,307	-	265,307	-	-	-	-	-
Service charges incurred	10,187	15,946	128	-	-	-	10,059	15,946
Fees earned	7,821	321	7,152	-	-	-	669	321
Commission earned on letters of credit and acceptances	1,242	857	1,242	857	-	-	-	-

40.5 ASSOCIATES - KEY INFORMATION

Particulars	2007		Total
	Mutual Funds	Others	
	Rupees in '000		
Assets	7,811,643	1,095,690	8,907,333
Liabilities	315,587	614,202	929,789
Operating revenue	2,027,930	177,360	2,205,290
Profit after tax	1,751,876	16,892	1,768,768

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41. CAPITAL ADEQUACY

The SBP sets and monitors capital requirements for the banks. In implementing current capital requirements SBP requires banks to maintain a prescribed ratio of 8% of total capital to total risk-weighted assets. The Group calculates requirements for market risk and credit risk based upon the instructions issued by SBP.

There has been no material changes in Group's management of capital during the year.

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

	2007		2006	
	Rupees in '000		Restated	
Regulatory Capital Base				
Tier I Capital				
Shareholder's Capital	3,779,897		3,779,897	
Reserves	745,101		552,401	
Unappropriated profit	1,774,987		918,857	
	6,299,985		5,251,155	
Less: Adjustment - note 41.2	(15,416)		-	
Total Tier I Capital	6,284,569		5,251,155	
Tier II Capital				
Subordinated debt (upto 50% of total Tier I Capital)	-		-	
General provisions subject to 1.25% of Total Risk Weighted Assets	293,776		74,543	
Revaluation reserve (upto 50%)	(5,821)		330	
Total Tier II Capital	287,955		74,873	
	6,572,524		5,326,028	
Eligible Tier III Capital	-		-	
Total Regulatory Capital	6,572,524		5,326,028	
	(a)			
Risk-Weighted Exposures				
	2007		2006	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Credit Risk				
Balance Sheet Items:				
Cash and other liquid assets	9,407,745	752,721	10,025,815	826,975
Due from financial institutions	8,850,000	4,050,000	3,700,000	2,500,000
Investments - note 41.3	10,846,463	7,643,256	3,032,827	1,769,827
Financing - note 41.4	31,947,825	29,864,379	24,502,665	22,823,766
Operating fixed assets	1,049,376	1,049,376	543,083	543,083
Other assets	3,016,557	2,820,284	2,316,135	2,107,626
	65,117,966	46,180,016	44,120,525	30,571,277
Off balance sheet items:-				
Loan repayment guarantees	3,158,393	3,158,393	2,501,341	2,501,341
Performance bonds etc - note 41.5	3,289,113	1,581,641	3,692,252	1,665,491
Stand by letters of credit - note 41.5	8,259,370	4,129,685	4,646,187	2,323,094
Outstanding foreign exchange contracts - note 41.6				
- Purchase	4,854,842	41,570	1,332,044	11,114
- Sale	9,552,803	111,507	4,913,416	33,106
	29,114,521	9,022,796	17,085,240	6,534,146
Credit risk-weighted exposures		55,202,812		37,105,423
Market Risk				
General market risk		515,487		495,452
Specific market Risk		520,167		500,607
Capital charge for foreign exchange risk		272,775		33,051
Market risk-weighted exposures		1,308,429		1,029,110
Total Risk-Weighted exposures		56,511,241		38,134,533
	(b)			
Capital Adequacy Ratio [(a) / (b) x 100]		11.63%		13.97%

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



- 41.1 Weightages as mentioned in BSD circular no. 12 dated August 25, 2004 have been applied to the respective 'book values' to arrive at 'risk adjusted values'.
- 41.2 The adjustment to Tier I capital represents deduction of deficit on revaluation of available for sale securities.
- 41.3 Investments exclude investment in held for trading portfolio amounting to Rs. 520.226 million (2006:Rs. 480.979 million) as allowed by SBP.
- 41.4 The amount of cash margins and deposits held against loans and financings aggregates to Rs.2,921.631 million (2006: Rs. 2,601.456 million). Financing are gross of general provision amounting to Rs. 293.776 million (2006: Rs. 74.543 million). This provision has been added to supplementary capital.
- 41.5 The amount of cash margins and deposits held against performance bonds and standby letters of credit aggregates Rs. 657.393 million (2006: Rs. 524.224 million).
- 41.6 Forward exchange contracts with maturity of less than or equal to 14 days from the original maturity amounted to Rs. 468.857 million purchase (2006: Rs. 1,476.707 million) and Rs. 220.344 million sale(2006: Rs. 1,384.048 million) have been excluded from the above.

42. RISK MANAGEMENT

The wide variety of MBL's business activities requires it to identify, measure, aggregate and manage risks effectively which are constantly evolving as the business activities change in response to credit, market, product and other developments. MBL manages the risk through a framework of risk management, policies and principles, organizational structures and risk measurement and monitoring processes that are closely aligned with its business activities.

Risk management principles

- The board of directors (the Board) provides overall risk management supervision. The executive and risk management committees regularly monitor the MBL's risk profile.
- The MBL has set up objectives and policies to manage the risks that arise in connection with its activities. The risk management framework and policies of the MBL are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in its operations.
- 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 organizational structure of MBL.
- The risk management function is independent of the MBL's operation.

Risk management organization

The risk management committee of MBL comprises of two non-executive directors and one executive director. One of the non-executive directors of MBL chairs the risk management committee, which is responsible for planning, management and control of the aforementioned risks of MBL.

The Board has delegated some of its tasks of risk management to sub-committees which are as follows:

Name of the committee	Chaired by
Credit committee	President & CEO
Asset and liability management committee (ALCO)	President & CEO
Audit committee	Non-executive director

The credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the financing portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the MBL's asset portfolio and to ensure strict adherence to SBP's Prudential Regulations, the Banking Companies Ordinance, 1962 and any other regulatory requirements.

The Board of MBL has constituted a full functional audit committee. The audit committee works to ensure that the best practices of the code of corporate governance are being complied by MBL and that the policies and procedures are being complied with.

MBL'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 MBL's risk-related data. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



42.1 Credit risk

Credit risk refers to the risk of financial loss arising from defaults by counter parties in meeting their obligations. Exposure to credit risks for MBL arises primarily from lending activities.

The management of credit risk is governed by credit policies approved by the Board of MBL. The procedures spell out the relevant approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

MBL has a well-defined credit structure duly approved by its Board under which delegated authorities at various levels are operating which critically scrutinize and sanction financings. The emphasis is to provide short to medium term trade related financings to reputable names, which are self-liquidating and Shariah compliant. The risk appraisal system of MBL has enabled it to build a sound portfolio. The accounting policies and methods used by MBL are in accordance with the requirements of the prudential regulations of SBP and approved accounting standards as applicable in Pakistan.

Out of the total financial assets of Rs. 65,890 million (2006: Rs. 45,416 million), the financial assets which were subject to credit risk amounted to Rs. 53,368 million (2006: Rs. 39,525 million). The major credit risk in respect of financings is concentrated in sectors such as textile and individuals. To manage credit risk, MBL applies credit limits to its customers and obtains adequate collaterals. MBL also applies control limits to restrict its exposure and obtains collaterals from the counterparties such as cash deposit, guarantees, hypothecation and charges over fixed assets and stocks and mortgage of properties. MBL has in-house assessment methodologies and procedures for evaluating the creditworthiness of counterparties. A reconciliation of provision against non performing financings has been disclosed in note 12.7 of these financial statements.

43. SEGMENT INFORMATION

43.1 Segment by class of business

	2007					
	Financings (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	4,520	0.01%	209,127	0.38%	387,794	0.69%
Textile	10,958,813	31.09%	1,262,079	2.31%	13,092,871	23.33%
Automobile and transportation equipment	1,408,016	3.99%	101,889	0.19%	1,131,745	2.02%
Financial institutions	-	0.00%	3,078,875	5.64%	9,778,895	17.42%
Insurance	-	0.00%	74,321	0.14%	1,180	0.00%
Electronics and electrical appliances	688,402	1.95%	257,464	0.47%	1,371,787	2.44%
Construction	1,069,195	3.03%	219,258	0.40%	780,910	1.39%
Power (electricity), gas and water	629,273	1.79%	69,765	0.13%	1,277,418	2.28%
Exports / imports	1,190,384	3.38%	355,755	0.65%	1,706,877	3.04%
Transport, storage and communication	215,484	0.61%	2,292,254	4.20%	588,114	1.05%
Chemical and pharmaceuticals	2,700,698	7.66%	618,656	1.13%	4,936,087	8.79%
Sugar	839,651	2.38%	25,967	0.05%	834,885	1.49%
Footwear and leather garments	1,054,479	2.99%	306,285	0.56%	1,918,292	3.42%
Wholesale and retail trade	2,385,883	6.77%	2,487,635	4.56%	1,382,505	2.46%
Cement	766,908	2.18%	16,477	0.03%	109,973	0.20%
Services	553,367	1.57%	1,867,472	3.42%	1,685,265	3.00%
Individuals	7,369,241	20.91%	32,572,498	59.68%	1,387,375	2.47%
Others	3,414,639	9.69%	8,764,675	16.06%	13,754,309	24.51%
	35,248,953	100.00%	54,580,452	100.00%	56,126,282	100.00%

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



43.2 Segment by sector

	2007					
	Financings(gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	-	-	-	-	-	-
Private	35,248,953	100%	54,580,452	100%	56,126,282	100%
	35,248,953	100%	54,580,452	100%	56,126,282	100%

43.2.1 Details of non-performing financing and specific provisions by class of business segment:

	2007		2006	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	13,576	11,076	-	-
Textile	195,623	180,190	191,924	99,016
Chemical and pharmaceuticals	-	-	9,521	2,722
Cement	3,523	1,761	-	-
Sugar	-	-	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	47,307	19,455	59,474	17,252
Electronics and electrical appliances	-	-	5,250	1,313
Construction	-	-	-	-
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports/imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	105,057	40,021	9,938	3,909
Others	188,253	126,994	132,335	39,500
	553,339	379,497	408,442	163,712

43.2.2 Details of non-performing financings and specific provisions by sector:

Public/ Government	-	-	-	-
Private	553,339	379,497	408,442	163,712
	553,339	379,497	408,442	163,712

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



43.3 Geographical segment analysis

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	1,509,443	68,261,187	6,547,816	56,126,282

43.4 Market risk

MBL is exposed to market risk which is the risk that the value of on and off balance sheet exposures of the MBL will be adversely affected by movements in market rates or prices such as bench mark rates, profit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital. The profit rates and equity price risk consists of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer related causes.

MBL applies Stress Testing and Value at risk (VaR) techniques as risk management tool; Stress testing enables the MBL to estimate changes in the value of the portfolio, if exposed to various risk factor. VaR quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

43.5 Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instruments will fluctuate due to the changes in foreign exchange rates.

MBL does not take any currency exposure except to the extent of statutory net open position prescribed by SBP. Foreign exchange open and mismatch position are controlled through internal limits and are marked to market on a daily basis to contain forward exposures.

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupees	63,516,191	61,687,028	4,449,450	6,278,613
United States dollars	4,577,270	(45,335)	(4,523,827)	98,778
Great Britain pounds	38,220	48,260	104,006	93,966
Japanese yen	28,863	-	(32,437)	(3,574)
Euro	37,356	23,418	2,808	16,746
Singapore dollars	7,120	-	-	7,120
Australian dollars	19,617	-	-	19,617
Canadian dollars	8,451	-	-	8,451
United Arab Emirates Dirham	18,176	-	-	18,176
Swiss francs	9,923	-	-	9,923
	68,261,187	61,713,371	-	6,547,816

43.6 Equity position risk

Equity position risk is the risk arising from taking long positions, in the trading book, 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 MBL invests in those equities which are Shariah compliant as advised by the Shariah adviser.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



44. MISMATCH OF YIELD RATE SENSITIVE ASSETS AND LIABILITIES

Effective yield rate %	2007										Non-yield bearing financial Instruments
	Total	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											
Cash and balances with treasury banks	5,644,137	-	-	-	-	-	-	-	-	-	5,644,137
Balances with other banks	2.4 - 9.5	3,763,608	3,285,033	-	-	-	-	-	-	-	478,575
Due from financial institutions	9.98	8,850,000	2,450,000	4,880,000	1,540,000	-	-	-	-	-	-
Investments	10.45 - 11.46	11,361,830	-	-	-	434,000	37,200	4,855,520	1,750,000	-	4,285,110
Financings	11.25	34,575,680	6,074,705	8,110,204	6,618,139	1,755,038	2,076,559	3,568,609	2,646,992	971,848	2,642,655
Other assets	-	1,694,788	-	-	-	-	-	-	-	-	1,694,788
		65,890,023	11,809,738	12,970,204	8,158,139	1,755,038	2,510,559	3,605,809	7,502,512	2,721,848	2,642,655
Liabilities											
Bills payable	-	1,192,160	-	-	-	-	-	-	-	-	1,192,160
Due to financial institutions	6.33 - 11.25	2,565,606	59,419	1,301,799	1,023,481	-	-	-	-	-	180,907
Deposits and other accounts	5.01	54,580,452	11,538,141	13,469,815	3,237,155	3,882,906	1,754,683	1,949,970	1,484,817	4,627,124	12,635,751
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	1,012,981	143,147	241,423	40,518	382,089	21,659	42,194	20,754	64,676	56,521
		59,351,199	11,740,707	15,013,037	4,301,154	4,265,085	1,776,342	1,992,164	1,505,571	4,691,800	14,065,339
On-balance sheet gap		6,538,824	69,031	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655
NON FINANCIAL ASSETS											
- Operating fixed assets		1,049,376									
- Other assets		1,321,788									
		2,371,164									
NON FINANCIAL LIABILITIES											
- Deferred taxation		(453,131)									
- Other liabilities		(1,909,041)									
		(2,362,172)									
TOTAL NET ASSETS		6,547,816									
Off-balance sheet financial instruments											
Forward Lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Wtotal yield / profit risk sensitivity gap		69,031	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655	(1,851,818)
Cumulative yield / profit risk sensitivity gap		69,031	(1,973,802)	1,883,183	(626,864)	107,353	1,720,998	7,717,939	5,747,987	8,390,642	6,538,824

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 MBL 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 losses in the event that unexpected movements arise.

44.1 Liquidity risk

Liquidity risk is the risk that MBL either does not have sufficient financial resources available to meet its obligations and commitments as they fall due or can fulfill them only at excessive cost that may affect the MBL's income and equity.

The MBL seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and to take advantage of any lending and investment opportunities as they arise.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2007



45. MATURITIES OF ASSETS AND LIABILITIES

	2007									
	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
Assets										
Cash and balances with treasury banks	5,644,137	5,644,137	-	-	-	-	-	-	-	-
Balances with other banks	3,763,608	3,763,608	-	-	-	-	-	-	-	-
Due from financial institutions	8,850,000	2,450,000	4,880,000	1,540,000	-	-	-	-	-	-
Investments	11,361,830	485,719	2,500	2,182,665	194,766	738,611	251,467	4,855,530	2,301,983	328,500
Financings	34,575,680	5,946,772	8,110,453	6,618,085	1,755,873	2,079,165	3,582,681	2,686,884	984,228	2,811,519
Other assets	3,016,556	1,158,032	1,370,341	150,645	42,730	49,844	82,551	76,641	22,500	54,272
Operating fixed assets	1,049,376	-	-	-	384	4,481	2,239	407,094	-	635,178
	68,261,187	19,448,268	14,343,294	10,500,405	1,992,753	2,892,101	3,918,938	8,026,149	3,308,711	3,829,568
Liabilities										
Bills payable	1,192,160	1,192,160	-	-	-	-	-	-	-	-
Due to financial institutions	2,565,606	90,326	1,301,799	1,023,481	-	-	-	150,000	-	-
Deposits and other accounts	54,580,452	14,680,237	15,689,850	5,426,590	6,074,358	3,211,084	3,406,382	1,484,817	4,627,124	-
Subordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,922,022	173,774	325,150	98,300	535,685	461,602	734,795	513,468	79,188	-
Deferred tax liabilities	453,131	-	-	-	-	-	-	453,131	-	-
	61,713,371	16,136,497	17,296,799	6,548,431	6,610,043	3,672,686	4,141,177	2,601,416	4,706,312	-
Net assets	6,547,816	3,311,771	(2,953,505)	3,951,974	(4,616,290)	(780,585)	(222,239)	5,424,733	(1,397,601)	3,829,568
Share capital	3,779,807									
Reserves	745,101									
Unappropriated profit	1,774,988									
Minority Interest	261,084									
Deficit on revaluation of investments	(13,254)									
	6,547,816									

46. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of processes, systems, personnel and other risks having an operational impact such as unauthorized activities, fraud and business malpractice.

The Group ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Group has developed policies, guidelines and manuals necessary for the mitigation of operational risk.

MBL is also supervised by the Shariah Supervisory Board which sets out guidelines, policies and procedures for MBL to ensure that all its activities and products are shariah compliant. The internal audit function of MBL performs regular audits on various operations of MBL and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risks associated with operational activities.

47. GENERAL AND NON-ADJUSTING EVENT

47.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

47.2 The Board of Directors in its meeting held on February 22, 2008 has announced issue of bonus shares @ 20%. These financial statements for the year ended on 31 December 2007, do not include the effect of these appropriations which will be accounted for subsequent to the year-end.

48. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on February 22, 2008 by the Board of Directors of the MBL.

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

Irfan Siddiqui
President and
Chief Executive

Mohamed Abdul-Rehman Hussain
Director

Arifur Islam
Director

Pattern of Shareholding

as at December 31, 2007



No. of Shareholders	Having Shares		Shares held	Percentage
	From	To		
232	1	100	12,318	0.00%
468	101	500	143,915	0.04%
300	501	1,000	261,767	0.07%
435	1,001	5,000	1,122,361	0.30%
160	5,001	10,000	1,232,535	0.33%
57	10,001	15,000	706,633	0.19%
36	15,001	20,000	624,680	0.17%
27	20,001	25,000	624,472	0.17%
17	25,001	30,000	463,449	0.12%
11	30,001	35,000	355,613	0.09%
14	35,001	40,000	524,823	0.14%
9	40,001	45,000	336,459	0.09%
8	45,001	50,000	389,583	0.10%
3	50,001	55,000	156,163	0.04%
5	55,001	60,000	287,696	0.08%
9	60,001	65,000	558,387	0.15%
2	65,001	70,000	132,773	0.04%
3	70,001	75,000	220,146	0.06%
2	75,001	80,000	158,000	0.04%
3	80,001	85,000	245,931	0.07%
1	85,001	90,000	85,008	0.02%
4	90,001	95,000	373,248	0.10%
3	95,001	100,000	295,859	0.08%
2	100,001	105,000	201,045	0.05%
1	105,001	115,000	111,360	0.03%
1	115,001	120,000	117,857	0.03%
1	120,001	125,000	122,000	0.03%
3	125,001	140,000	414,312	0.11%
1	140,001	145,000	144,500	0.04%
1	145,001	155,000	150,688	0.04%
1	155,001	160,000	155,797	0.04%
1	160,001	165,000	161,140	0.04%
2	165,001	170,000	336,256	0.09%
3	170,001	185,000	545,435	0.14%
3	185,001	200,000	593,289	0.16%
1	200,001	210,000	208,500	0.06%
1	210,001	215,000	211,250	0.06%
1	215,001	225,000	222,720	0.06%
1	225,001	230,000	225,098	0.06%
2	230,001	235,000	465,436	0.12%
1	235,001	255,000	254,892	0.07%
1	255,001	260,000	255,464	0.07%
2	260,001	270,000	535,005	0.14%
1	270,001	275,000	273,600	0.07%
2	275,001	280,000	553,600	0.15%
2	280,001	290,000	572,686	0.15%
2	290,001	305,000	606,801	0.16%
1	305,001	315,000	310,254	0.08%
1	315,001	355,000	352,476	0.09%
1	355,001	360,000	358,124	0.09%
1	360,001	365,000	364,544	0.10%
2	365,001	370,000	739,433	0.20%
1	370,001	380,000	377,500	0.10%
1	380,001	410,000	408,359	0.11%
1	410,001	435,000	433,950	0.11%
3	435,001	450,000	1,343,071	0.36%
1	450,001	455,000	451,661	0.12%
1	455,001	485,000	482,000	0.13%
2	485,001	515,000	1,017,476	0.27%
1	515,001	535,000	532,000	0.14%
1	535,001	550,000	550,000	0.15%
1	550,001	605,000	600,346	0.16%
1	605,001	635,000	633,960	0.17%
1	635,001	645,000	643,758	0.17%
1	645,001	745,000	741,472	0.20%
1	745,001	775,000	772,500	0.20%
1	775,001	855,000	851,988	0.23%
1	855,001	880,000	875,700	0.23%
2	880,001	1,000,000	2,000,000	0.53%
1	1,000,001	1,030,000	1,029,500	0.27%
1	1,030,001	1,125,000	1,124,700	0.30%
1	1,125,001	1,355,000	1,355,000	0.36%
1	1,355,001	1,760,000	1,756,537	0.46%
1	1,760,001	1,900,000	1,897,009	0.50%
1	1,900,001	2,155,000	2,152,960	0.57%
1	2,155,001	2,580,000	2,578,000	0.68%
1	2,580,001	3,585,000	3,560,275	0.94%
2	3,585,001	5,060,000	5,055,746	1.34%
1	5,060,001	5,350,000	5,349,696	1.42%
1	5,350,001	5,565,000	5,561,500	1.47%
1	5,565,001	9,100,000	9,097,757	2.41%
1	9,100,001	26,085,000	26,080,657	6.90%
1	26,085,001	35,245,000	35,243,526	9.32%
1	35,245,001	113,400,000	113,396,906	30.00%
1	113,400,001	131,160,000	131,158,795	34.70%
1,890			377,989,686	100.00%

Categories of Shareholders

as at December 31, 2007



Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive, their spouse and minor children	6	18,413,814	4.87%
Associated Companies, undertakings and related parties	7	308,943,621	81.73%
Banks, Development Financial Institutions and Non Banking Finance Companies	5	995,260	0.26%
Insurance Companies	3	955,732	0.25%
Modaraba and Mutual Funds	18	16,929,373	4.48%
General Public			
a. Local	1,734	22,055,560	5.84%
b. Foreign	35	1,524,920	0.40%
Others	82	8,171,406	2.17%
Total	1,890	377,989,686	100.00%

Additional Information as at December 31, 2007

Particulars	Number of Shareholders	Shares held	Percentage
Associated Companies & Shareholders with more than 10% shareholding			
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	1	113,396,906	30.00%
Noor Financial Investment Co, Kuwait	1	131,158,795	34.70%
Shamil Bank of Bahrain B.S.C.	1	26,080,657	6.90%
Islamic Development Bank, Jeddah	1	35,243,526	9.32%
Al-Meezan Mutual Fund Ltd.	1	1,124,700	0.30%
CDC Trustee Meezan Islamic Fund	1	1,756,537	0.46%
CDC Trustee Meezan Balanced Fund	1	182,500	0.05%
NIT & ICP			
National Bank of Pakistan, Trustee Department	1	192	0.00%
Directors, Chief Executive, their spouse and minor children			
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	1	2,527,873	0.67%
Mr. Naser Abdul Mohsen Al-Marri	1	2,527,873	0.67%
Mr. Irfan Siddiqui	1	9,097,757	2.41%
Mr. Istaqbal Mehdi	1	194,560	0.05%
Mr. Ariful Islam	1	3,560,275	0.94%
Mr. Rana Ahmed Humayun	1	505,476	0.13%
Executives	42	1,974,919	0.52%
Public Sector Companies, Corporations, Banks, DFT's, NBFC's, Insurance Companies, Modaraba, Mutual Funds and other Organizations	107	27,051,579	7.16%
General Public	1,727	21,605,561	5.72%
Total	1,890	377,989,686	100.00%

Correspondent Banking Network



Country	Bank	Country	Bank
Argentina	Banca Nazionale del Lavoro SpA Bank of America, N.A. Deutsche Bank AG HSBC Bank Argentina SA Santander Central Hispano		Woori Bank Yantai City Commercial Bank Bank of New York Citibank NA Commerz Bank
Australia	ABN AMRO Bank N.V. AIB Bank (Ireland) Bank of Western Australia Commonwealth Bank of Australia HSBC Bank National Australia Bank St George Bank Limited Bank of America, N.A.	Colombia	Santander Central Hispano
Austria	Bank Austria Creditanstalt AG Bank Austria AG San Paolo IMI SpA Société Générale	Croatia	Bank Austria AG
Bahamas	Bank of America, N.A. Santander Central Hispano	Czech Republic	Bank Austria AG Commerz Bank Komerční Banka A.S. Danske Bank A/S
Bahrain	ABC Islamic Bank (E.C) Citibank NA Denizbank A S Shamil Bank of Bahrain United Bank Limited AG Zurich Gulf International Bank B.S.C. Türk Di. Ticaret Bankasi A. Woori Bank	Denmark	Nordea Bank Sweden AB (publ) Skjern Bank
Bangladesh	Habib Bank Limited Standard Chartered Bank Woori bank	Egypt	Egyptian Saudi Finance Bank Mashreq Bank Limited Arab International Bank
Belgium	Bank of America, N.A. Commerz Bank Deutsche Bank AG Fortis Banque S.A./N.V. KBC Bank NV Bank of New York Habib Bank Limited Santander Central Hispano Sumitomo Mitsui Banking Corporation	Estonia	Nordea Bank Sweden AB (publ)
Bolivia	Santander Central Hispano	Ethiopia	Dashen Bank SC Commercial Bank of Ethiopia
Bosnia and Herzegovina	Bank Austria AG	Finland	Nordea Bank Sweden AB (publ)
Botswana	Firststrand Bank Limited	France	Société Bordelaise de CIC SA BNP-Paribas SA Credit Industriel et Commercial Société Générale Lyonnais De Banque Banque Scalbert Dupont SA Banque Regionale de l'Ouest SA Bonnasse Lyonnais de Banque Société Nanceienne Varin-Bernier Credit Industriel de l'Ouest SA (Banque CIO)
Brazil	Santander Central Hispano Société Générale		Banca Nazionale del Lavoro SpA Bank of America, N.A. Banque Transatlantique SA Commerz Bank Credit Fecampois Deutsche Bank Habib Bank Limited KBC Bank NV National Bank of Pakistan Santander Central Hispano Sumitomo Mitsui Banking Corporation U.B.A.F.
Canada	Bank of America, N.A. HSBC Bank Bank of Nova Scotia Royal Bank of Canada Société Générale	Germany	Credit Industriel de Normandie SA (Banque CIN) Credit Industriel d'Alsace et de Lorraine SA (Banque CIAL) Sumitomo Mitsui Banking Corporation American Express Bank Ltd Banca Monte Dei Paschi di Siena SpA Bank of America, N.A. Bank of New York KBC Bank NV National Bank of Pakistan Nordea Bank Sweden AB (publ) Santander Central Hispano Bayerische Hypo-und Vereinsbank AG Commerz Bank Deutsche Bank AG Dresdner Bank AG San Paolo IMI SpA National-Bank AG Vereins-und Westbank AG
Cayman Islands	Bank of America, N.A. Commerz Bank Gulf International Bank B.S.C. Nordea Bank Sweden AB (publ) Santander Central Hispano		Bank of America, N.A. Probank SA San Paolo IMI SpA General Bank of Greece (SG) Hellenic Bank Limited ABN AMRO Bank N.V. Banca Monte Dei Paschi di Siena SpA Banca Nazionale del Lavoro SpA Bank of America, N.A. Bank of New York
Chile	Santander Central Hispano Bank of America, N.A.		
China	Banco Itau ABN AMRO Bank N.V. Agricultural Bank of China Bank of America, N.A. Bank of China Citic Industrial Bank Bank of Communications Deutsche Bank AG HSBC Bank KBC Bank NV Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation	Greece	
		Hong Kong	



Correspondent Banking Network

Country	Bank	Country	Bank
	Citibank NA		Bank of America, N.A.
	Commerz Bank		Bank of New York
	Commonwealth Bank of Australia		Citibank NA
	DBS Bank Hong Kong Limited		Commerz Bank
	Deutsche Bank AG		Commonwealth Bank of Australia
	Habib Bank Limited		Deutsche Bank AG
	HBZ Finance Limited		HSBC Bank
	HSBC Bank		Mizuho Corporate Bank Limited
	KBC Bank NV		National Bank of Pakistan
	Mashreq Bank Limited		San Paolo IMI SpA
	National Bank of Pakistan		Société Générale
	San Paolo IMI SpA		Wachovia Bank, NA
	Société Générale		Woori bank
	Standard Chartered Bank	Jersey, C.I.	Bank of America, N.A.
	Sumitomo Mitsui Banking Corporation, The	Jordan	Housing Bank for Trade & Finance
	U.B.A.F.		Jordan Islamic Bank for Finance & Investment
	Wachovia Bank, NA	Kenya	Kenya Commercial Bank Limited
	Woori Bank		Habib Bank AG Zurich
Hungary	Commerz Bank	Korea	Bank of America, N.A.
India	American Express Bank Limited		Kookmin Bank
	Bank of America, N.A.		Pusan Bank
	Bank of Ceylon		Kyongnam Bank
	Bank of Nova Scotia		ABN AMRO Bank N.V.
	Punjab National Bank		American Express Bank Ltd
	Standard Chartered Bank		Bank of New York
	Deutsche Bank		HSBC
	Mashreq Bank Limited		Industrial Bank of Korea
	Sumitomo Mitsui Banking Corporation, The		Korea Exchange Bank
	State Bank of India, International Services Branch, Mumbai		National Bank of Pakistan
	State Bank of India, Overseas Branch, New Delhi.		Société Générale
	State Bank of India, Overseas Branch, Chennai (Madras)		Standard Chartered Bank
	State Bank of India, Overseas Branch, Kolkata (Calcutta)		Sumitomo Mitsui Banking Corporation
	State Bank of India, Overseas Branch, Bangalore		U.B.A.F.
Indonesia	HSBC Bank		Wachovia Bank, NA
	Standard Chartered Bank		Woori Bank
	Bank Central Asia	Kuwait	Commercial Bank of Kuwait, SAK
	Bank of America, N.A.		Kuwait Finance House
	PT Bank Mandiri (Persero) Tbk		National Bank of Kuwait
	Bank Syariah Mandiri	Latvia	Nordea Bank Sweden AB (publ)
	Deutsche Bank AG	Lithuania	Nordea Bank Sweden AB (publ)
	Woori bank	Luxembourg	Banca Nazionale del Lavoro SpA
Iran	Bank Saderat Iran		Bank of New York
	Bank Markazi Jomhuri Islami Iran		Banque de Commerce et de Placements
Ireland	AIB Bank		Commerz Bank
	Bank of Ireland International Banking		Nordea Bank Sweden AB (publ)
	San Paolo IMI SpA		Société Générale
	Bank of America, N.A.	Malaysia	ABN AMRO Bank N.V.
	Commerz Bank		Ambank Berhad
Italy	Banca Delle Marche Spa		Bank of America, N.A.
	Banca Monte Dei Paschi di Siena SpA		Deutsche Bank AG
	Banca Nazionale del Lavoro SpA		HSBC Bank
	Banca Popolare di Vicenza SCPARL		RHB Bank Berhad
	Commerz Bank		Standard Chartered Bank
	San Paolo IMI SpA		KBC Bank NV
	Société Générale		Malayan Banking Berhad
	Banca UBAE	Malta	Türk Di Ticaret Bankasi A.
	Banca Intesa Spa	Mauritius	Mauritius Post and Cooperative Bank Limited
	HVB	Mexico	Bank of America, N.A.
	Bank of America, N.A.	Macau	HSBC
	HSBC Bank	Morocco	Société Générale
	Santander Central Hispano	Namibia	Firststrand Bank Limited
	Unicredito Italiano	Nepal	Bank of Kathmandu Limited
	Banca di Credito Cooperativo di Fornacette		Himalayan Bank Limited
	Banco Popolare di Verona E novara SCRL		NABIL Nepal Arab Bank Limited
Japan	Credit Agricole Indosuez		Nepal Industrial and Commercial Bank Limited
	Standard Chartered Bank		Standard Chartered Bank
	Sumitomo Mitsui Banking Corporation	Netherlands	ABN AMRO Bank N.V.
	U.B.A.F.		Bank of America, N.A.
	ABN AMRO Bank N.V.		Commerz Bank
	American Express Bank Limited		Deutsche Bank AG

Correspondent Banking Network



Country	Bank	Country	Bank
	San Paolo IMI SpA		International Moscow Bank
	Credit Europe Bank N.V.		Bank for Foreign Trade
	Finansbank (Holland) N.V.	Saudi Arabia	Islamic Development Bank
	Société Générale		Gulf International Bank B.S.C.
	Lanschot Bankiers NV F. van		National Commercial Bank
	Habib Bank Limited		Saudi Hollandi Bank
	Fortis Bank (Nederland) N.V.		Riyad Bank
	KBC Bank NV	Serbia and Montenegro	Bank Austria AG
New Zealand	ASB bank Limited	Singapore	ABN AMRO Bank N.V.
	Bank of New Zealand		American Express Bank Limited
	HSBC New Zealand		Banca Monte Dei Paschi di Siena SpA
Norway	Nordea Bank Sweden AB (publ)		Bank of America, N.A.
	DNB NOR Bank ASA		Bank of New York
Oman	BankMuscat SAOG		Bank of Nova Scotia
Pakistan	Al Baraka Islamic Bank BSC		Citibank NA
	Allied Bank Limited		Commerz Bank
	Arif Habib Rupali Bank		Commonwealth Bank of Australia
	Bank Islami Pakistan		DBS Bank Limited
	Deutsche Bank AG		Deutsche Bank AG
	First Dawood Islamic Bank		Fortis Bank
	Mashreq Bank Limited		Habib Bank Limited
	PIVIC Commercial Bank Limited		HSBC Bank
	Prime Bank Limited		HSBC Bank USA
	Standard Chartered Bank		KBC Bank NV
	Dubai Islamic Bank		National Bank of Kuwait
	HSBC		Nordea Bank Sweden AB (publ)
	ABN AMRO Bank N.V.		Rabobank Asia Limited
	Atlas Bank Limited		San Paolo IMI SpA
	Askari Commercial Bank Ltd		Société Générale
	Bank Al Habib Limited		Standard Chartered Bank
	Bank AlFalah Limited		Sumitomo Mitsui Banking Corporation
	Bank of Khyber		U.B.A.F.
	Bank of Punjab		Woori Bank
	My Bank Limited	Slovakia	Bank Austria AG
	Crescent Commercial Bank	Slovenia	Bank Austria AG
	Habib Bank AG Zurich		SKB Bank D.D.
	Habib Bank Limited	South Africa	Citibank NA
	KASB Bank Limited		Commerz Bank
	National Bank of Pakistan		Firststrand Bank Limited
	NIB Bank		Habib Bank AG Zurich
	Soneri Bank Limited		ABSA Bank Limited
	Union Bank Limited		Bilbao Bizkaia Kutxa
	United Bank Limited AG Zurich	Spain	Banca Monte Dei Paschi di Siena SpA
Panama	Santander Central Hispano		Banco Espanol de Credito
Papua New Guinea	Bank of South Pacific Ltd		Bank of America, N.A.
Paraguay	Santander Central Hispano		HSBC Bank
Peru	Santander Central Hispano		KBC Bank NV
Philippines	Bank of America, N.A.		Santander Central Hispano
	Deutsche Bank AG		Banco de Credito Balear
	Equitable PCI Bank, Inc.		Banco de Vasconia SA
	KBC Bank NV		Banco de Castilla
	Santander Central Hispano		Banco De Andalucia
Poland	Nordea Bank Sweden AB (publ)		Banca Nazionale del Lavoro SpA
	Bank BPH SA		Banco Popular Espanol SA
	Société Générale		Caja De Ahorros de Galicia (Caixa Galicia)
	Bank Polska Kasa Opieki SA		Caja De Ahorros Del Mediterraneo
	Bank of America, N.A.		Commerz Bank
Portugal	San Paolo IMI SpA		Banco de Galicia SA
	Santander Central Hispano	Sri Lanka	Deutsche Bank AG
	Banco Totta Acores		Habib Bank Limited
	Caixa Geral De Depositos		Hatton National Bank
Puerto Rico	Santander Central Hispano		HSBC Bank
Qatar	Mashreq Bank Limited		Standard Chartered Bank
	Qatar Islamic Investment Bank		Bank of Ceylon
	United Bank Limited AG Zurich	Sudan	Farmers Commercial Bank
Romania	Romanian Bank for Development Groupe Societe Generale	Swaziland	Firststrand Bank Limited
	Bank Austria AG	Sweden	Nordea Bank Sweden AB (Publ)
Russian Federation	Bank of America, N.A.		Skandinaviska Enskilda Banken AB (Publ)
	Bank of Moscow		Svenska Handelsbanken
	Commerz Bank		Danske Bank A/S



Correspondent Banking Network

Country	Bank	Country	Bank	
Switzerland	Bank of America, N.A.	USA	Commonwealth Bank of Australia	
	Banque de Commerce et de Placements		European Islamic Investment Bank (EIIB)	
	HSBC Bank		Gulf International Bank B.S.C.	
	Credit Agricole Indosuez		Habib Bank Limited	
	Banque Cantonale Vaudoise		JPMorgan Chase Bank	
	Commerz Bank		KBC Bank NV	
	Deutsche Bank AG		Lloyds TSB Bank Plc	
	Société Générale		Mashreq Bank Limited	
	Clariden Bank AG		National Westminster Bank plc	
	Habibsons Bank Limited		Nordea Bank Sweden AB (publ)	
	Credit Suisse (First Boston)		San Paolo IMI SpA	
	Habib Bank AG Zurich		Santander Central Hispano	
	Nordea Bank Sweden AB (publ)		Sumitomo Mitsui Banking Corporation	
	United Bank Limited AG Zurich		United National Bank (UBL & NBP)	
	Zuercher Kantonalbank		Wachovia Bank, NA	
	Taiwan		American Express Bank Ltd	Woori Bank
			Bank of America, N.A.	ABN AMRO Bank N.V.
			Bank of New York	Bank of America, N.A.
			Chinfon Commercial Bank	Commerz Bank
			Deutsche Bank AG	Habib Bank AG Zurich
International Bank of Taipei		HSBC Bank		
International Commercial Bank of China		Standard Chartered Bank		
KBC Bank NV		Northern Bank Limited		
Société Générale		Bank Austria AG		
Standard Chartered Bank		Prominvestbank		
Sumitomo Mitsui Banking Corporation		Banca Nazionale del Lavoro SpA		
Tainan Business Bank		Banco Itau		
Union Bank of Taiwan		Santander Central Hispano		
Wachovia Bank, NA		KeyBank National Association		
Taiwan Cooperative Bank		InterBusiness Bank, N.A.		
Thailand	Bangkok Bank Public Company Limited	Union Planters		
	Bank of America, N.A.	AIB Bank		
	Citibank NA	American Express Bank Limited		
	Deutsche Bank AG	Banca Monte Dei Paschi di Siena SpA		
	HSBC Bank	Banca Nazionale del Lavoro SpA		
	Standard Chartered Bank	Bank of New York		
	Standard Chartered Nakornthon Bank Public Company Limited	Commonwealth Bank of Australia		
	Sumitomo Mitsui Banking Corporation	Calyon (formerly Credit Lyonnais)		
	Tunisia	Arab Tunisian Bank	Deutsche Bank Trust Company Americas	
		Société Tunisienne de Banque	Doha Bank	
	Turkey	Al Baraka Turkish Finance House	Gulf International Bank B.S.C.	
		Citibank NA	Habib Bank Limited	
		Denizbank A S	HSBC Bank	
		Habib Bank Limited	JPMorgan Chase Bank	
		HSBC Bank	KBC Bank NV	
Société Générale		Mashreq Bank Limited		
Tekstilbank		National Bank of Pakistan		
Türk Di. Ticaret Bankasi A.		Nordea Bank Sweden AB (publ)		
Türkiye Garanti Bankasi AS		San Paolo IMI SpA		
Kuveyt Turk Evkaf Finans Kurumu A.S		Santander Central Hispano		
Türkiye Is Bankasi AS		Sumitomo Mitsui Banking Corporation		
Türkiye Vakıflar Bankasi T.A.O		Branch Banking & trust Co		
UAE		United Arab Bank	ABN AMRO Bank N.V.	
		Citibank NA	Bank of America, N.A.	
		Dubai Islamic Bank	Bank ONE, NA	
	Habib Bank AG Zurich	Citibank NA		
	Mashreq Bank Limited	Commerz Bank		
	ABN AMRO Bank N.V.	Habib American Bank		
	Sharjah Islamic Bank	Malayan Banking Berhad		
	Abu Dhabi Commercial Bank	Société Générale		
	Abu Dhabi Islamic Bank	Standard Chartered Bank		
	HSBC Bank	United Bank Limited AG Zurich		
	Standard Chartered Bank	U.S. Bank NA		
	United Bank Limited AG Zurich	Wachovia Bank, NA		
	UK	AIB Bank	Woori Bank	
		Habibsons Bank Limited	Santander Central Hispano	
		Banca Monte Dei Paschi di Siena SpA	Deutsche Bank	
Banca Nazionale del Lavoro SpA		Vietnam Bank for Agriculture		
Bank of New York		Bank For Foreign Trade Of Vietnam		
Bank Mandiri (Europe) Limited	Woori Bank			
Venezuela		Shamil Bank of Yemen and Bahrain		
Vietnam				
Yemen				

Branch Network

Meezan Bank The Premier Islamic Bank

EasyHome
Islamic Housing Finance

Meezan Bank



Branch Network

Southern Region

Karachi

Al-Azam Plaza Superhighway Branch
Ground Floor Sector I-A,
Gulzar-e-Hijri, Karachi.
Tel: (92-21) 6365780

Allama Iqbal Road Branch
Mono Tower, Allama Iqbal Road,
PECHS Block 2, Karachi.
Tel: (92-21) 4300996-7

Bahadurabad Branch
Adam Arcade, Plot No. 28, BMCH Society, Karachi.
Tel: (92-21) 4145016-21

Barakat-e-Hyderi Branch
D10, Block H, North Nazimabad, Karachi.
Tel: (92-21) 6705159

Bilawal Chowk Branch
Green Belt Residency, Block 2,
Scheme 5, Clifton, Karachi.
Tel: (92-21) 5830628

Bin Qasim National Highway Branch
Survey No. 435, Bay Landhi.
Bin Qasim Town, National Highway Karachi.
Tel: (92-21) 2039992-5

Clifton Branch
Ground Floor, Al-Karam Centre, BC1, Block 7,
Clifton, Main Clifton Road, Karachi.
Tel: (92-21) 5372060-4

Cloth Market Branch,
Atique Market, Bunder Quarters, Karachi.
Tel: (92-21) 2418137-9

DHA Phase II Ext. Branch
Plot # 69 & 71, Garibsons Building,
12th Commercial Street,
DHA Phase II Extension, Karachi.
Tel: (92-21) 5311953-8

DHA Phase IV Branch
Plot No. 57/C, 9th Commercial Street,
DHA Phase IV, Karachi.
Tel: (92-21) 5314861-4

Dhoraji Branch
Plot No. 35/182 C.P & Berar Cooperative
Housing Society, Karachi.
Tel: (92-21) 4860861-4

Federal B Area Branch
C-12, Block 10, Federal B Area, Karachi.
Tel: (92-21) 6805370-5

FTC Branch
Ground Floor, Block B, FTC Building,
Shahrah-e-Faisal, Karachi.
Tel: (92-21) 5650771

Gulistan-e-Jauhar Branch
Plot # ST - 19 Block 15 Scheme 36
Gulistan-e-Jauhar, Karachi.
Tel: (92-21) 4030251-5

Gulshan Chowrangi Branch
Block - 3, Scheme # 24, Gulshan-e Iqbal, Karachi.
Tel: (92-21) 4811849, 4811780

Gulshan-e-Iqbal Branch
B 41, Block 13 A, KDA Scheme 24,
University Road, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 4811901-6

Hussainabad Branch
Block 3, Pakistan Memon Education & Welfare
Society, Hussainabad, Karachi.
Tel: (92-21) 6320461-2 & 6320467

Jodia Bazaar Branch
H-91A, Darya Lal Street, Jodia Bazaar, Karachi.
Tel: (92-21) 2473326-9

Khayaban-e-Sehr Branch,
Khayaban-e-Sehr, D.H.A, Karachi.
Tel: (92-21) 5349307-11

Khayaban-e-Shamsheer Branch
3-C, Khayaban-e-Shamsheer,
Phase V Extn., D.H.A, Karachi.
Tel: (92-21) 5247600-4

Korangi Branch
Plot No. 1S 3, ST-3/1, Sector No. 15, Korangi
Industrial Area, Karachi.
Tel: (92-21) 5071044, 5077113

Marriott Branch
Marriott Hotel, Abdullah Haroon Rd, Karachi.
Tel: (92-21) 5683491

Muhammad Ali Society Branch
Fatima Jinnah Street, Muhammad Ali Housing
Society, Karachi.
Tel: (92-21) 4301863-4

New Challi Branch
Old Survey B-15/12, Serai Quarters,
New Challi, Karachi.
Tel: (92-21) 2210661, 2210990

North Karachi Branch
Plot No. SA-6 (ST-8), 11-C-1, North Karachi, Karachi.
Tel: (92-21) 6965051-5

North Karachi Industrial Area Branch
Plot No.1-A, Sector 12-C North Karachi Township,
Karachi.
Tel: (92-21) 6963117-21

North Nazimabad Branch
Block-F, KDA Scheme NO.2, Samar Residency, North
Nazimabad, Karachi.
Tel: (92-21) 6723549-54

PNSC Branch
Ground floor at 37- A, Lalazar Area,
Off M.T. Khan Road, Karachi.
Tel: (92-21) 5636240

Saddar Branch
Javeria Gems & Jewels Centre, Raja Ghazanfar Ali
Khan Road, Saddar Bazar Quarters, Karachi.
Tel: (92-21) 5224601-5

Shahrah-e-Faisal Branch,
29-A, Ground Floor, Sabah Palace, P.E.C.H.S,
Block No 6, Shahrah-e-Faisal, Karachi.
Tel: (92-21) 4322183-91

SITE Branch
Plot No. B/9-C, Estate Avenue,
SITE Area, Karachi.
Tel: (92-21) 2550328-31

Shamsi Society Branch
CM 44 & 45, Ground floor, Shamsi Cooperative
Housing Society, Malir Halt, Karachi.
Tel: (92-21) 4682405-07

Hyderabad
Hyderabad Branch
Saddar Bazar Cantonment, Hyderabad.
Tel: (92-22) 2782772

Latifabad Branch
3/D Commercial Area, Latifabad # 7, Hyderabad.
Tel: (92-22) 3866964-65

Nawabshah
Nawabshah Branch
Plot # 573, Ground Floor, Ward "B", Katcheri Road,
Nawabshah.
Tel: (92-244) 330902-6

Quetta
Munsafi Road Branch
2-17/16 Munsafi Road, Quetta.
Tel: (92-81) 2845593-4

Quetta Branch
Manan Chowk, Jinnah Road, Quetta.
Tel: (92-81) 2829470-3

Sukkur
Sukkur Branch
3-45, Ward-C, Station Road, Sukkur.
Tel: (92-71) 5617192-97

Tando Allahyar
Tando Allahyar Branch
Survey No. 1610/07, Opposite General Bus Stand,
Tando Allahyar.
Tel: (92-22) 3891640, 3891242, 3891705,
3899406, 3899408, 3891957

Central Region

Lahore

Azam Cloth Market Branch
61 Chandni Chowk, Azam Cloth Market, Lahore.
Tel: (92-42) 7642011-2

Akbar Chowk Branch
885-D, Akbar Chowk, Faisal Town, Lahore.
Tel: (92-42) 5201425-6

Allama Iqbal Town Branch
8, Hunza Block, Allama Iqbal Town, Lahore.
Tel: (92-42) 5296701-5

Brandrath Road Branch
46 Brandrath Road, Lahore.
Tel: (92-42) 7676388-92

Cavalry Ground Branch
72- Commercial Area, Cavalry Ground,
Lahore Cantt, Lahore.
Tel: (92-42) 6619780-3

Circular Road Branch
Outside Shah Alam Gate, Lahore.
Tel: (92-42) 7642001-5

DHA Phase I Branch
167- G, DHA Phase I, Lahore.
Tel: (92-42) 5742891-2

DHA Phase III Branch
152-Y, Phase III, DHA, Lahore.
Tel: (92-42) 5692591-2, 5895584

DHA Phase IV Branch
Plot # 85-CCA, Phase IV (Comm.),
Defense Housing Authority, Lahore.
Tel: (92-42) 5747761-2

Gulberg Branch
60- Main Boulevard Gulberg, Lahore.
Tel: (92-42) 5879870-2

Gulshan-e-Ravi Branch
F-9 Gulshan-e-Ravi, Lahore.
Tel: (92-42) 7404822-5

Branch Network



Johar Town Branch
63/R-1, MA Johar Town, Lahore.
Tel: (92-42) 5314631-4

New Garden Town Branch
Ground Floor, Ibrahim Centre, 1-Aibak Block, New Garden Town, Lahore.
Tel: (92-42) 5941474-7

Qartaba Chowk Branch
Rehman Chamber, Lahore.
Tel: (92-42) 7112404-10

Ravi Road Branch
33, Main Ravi Road, Opposite Bilal Masjid, Lahore.
Tel: (92-42) 7706835-7

Shadman Colony Branch
91 Shadman Colony - 1, Lahore.
Tel: (92-42) 7522976-9

Shalimar Garden Branch
Shalimar Garden, Baghban Pura, Lahore.
Tel: (92-42) 6846584-8

Urdu Bazar Branch
4-Kabeer Street, Urdu Bazar, Lahore.
Tel: (92-42) 7116684-7

Walton Road Branch
E-29/21-A, Bank Stop, Walton Road, Lahore.
Tel: (92-42) 6626602-5

Bhawalpur
Bhawalpur Branch
Milad Chowk, Eidgah Road, Bahawalpur.
Tel: (92-62) 2732145-7

Dera Ghazi Khan
Dera Ghazi Khan Branch
Jam Pur Road Block 17, Dera Ghazi Khan.
Tel: (92-64) 2474255-7

Faisalabad
Clock Tower Branch
P-175 Clock Tower, Karkhana Bazar, Faisalabad.
Tel: (92-41) 2606085-7

Kotwali Road Branch
P-63 Kotwali Road, Faisalabad.
Tel: (92-41) 2602587

People's Colony Branch
1/A-II, People's Colony-1, Faisalabad.
Tel: (92-41) 8555002-4

Serena Hotel Branch
Serena Hotel, Club Road, Faisalabad.
Tel: (92-41) 2602595-7

Satiana Road Branch
P 719 Batala Colony, Main Satiana Road, Faisalabad.
Tel: (92-41) 8500715-20

Gujranwala
Kashmir Plaza Branch
Kashmir Plaza, Near Ghalla Mandi G.T Road, Gujranwala.
Tel: (92-55) 3847205-8

Kasur
Kasur Branch
216-9R-IV, Railway Road, Kasur.
Tel: (92-49) 2764999

Multan
Abdali Road Branch
64 Abdali Road, Multan.
Tel: (92-61) 4785604-7

Bosan Road Branch
Chungi No. 9, Lawyers Colony, Bosan Road, Multan.
Tel: (92-61) 6210090-2

Chowk Shaheedan Branch
Chowk Shaheedan, Multan.
Tel: (92-61) 4502906-9

Vehari Road Branch
Rehman Commercial Centre, Near Grain Market, Vehari Road, Multan.
Tel: (92-61) 6244153-5

Rahim Yar Khan
Rahim Yar Khan Branch
17, 18 City Centre, Rahim Yar Khan.
Tel: (92-68) 5887603-4

Sadiqabad
Sadiqabad Branch
13-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

Sargodha
Sargodha Branch
91 Civil Lines, University Road, Sargodha.
Tel: (92-48) 3741608-10

Sialkot
Kashmir Road Branch
Kashmir Road, Sialkot.
Tel: (92-52) 4295301-3

Sheikhupura
Sheikhupura Branch
Civic Center, Sargodha Road, Sheikhupura.
Tel: (92-56) 3813360-2

Mandi Bahauddin
Mandi Bahauddin Branch
Outside Ghallah Mandi, Mandi Bahauddin.
Tel: (92-546) 520931-3

Okara
Okara Branch
MA Jinnah Road, Okara.
Tel: (92-44) 2521935-7

Northern Region

Islamabad
F-7 Jinnah Super Branch
F-7 Markaz, Jinnah Super, Islamabad.
Tel: (92-51) 2655001-4

F-10 Markaz Branch
Plot No. 2-F, F-10 Markaz, Islamabad.
Tel: (92-51) 2112762-3, 2112769

I-9 Branch
Plot No. 2/A, Industrial Area, I-9, Islamabad.
Tel: (92-51) 4859644-7

Aabpara Branch
Aabpara Market, Sector G-6, Islamabad.
Tel: (92-51) 2603061-4

Jinnah Avenue Branch
#32, Sohrab Plaza, Jinnah Avenue, Blue Area, Islamabad.
Tel: (92-51) 2276712-5

Abbottabad
Abbottabad Branch
Plot No. 843-846, Manshera Road, Abbottabad.
Tel: (92-992) 344701-3

Dera Ismail Khan
Dera Ismail Khan Branch
East Circular Road, D.I. Khan.
Tel: (92-966) 717258

Gujar Khan
Gujar Khan Branch
B-III, 215-E, G.T. Road, Gujar Khan.
Tel: (92-51) 3515679-83

Mansehra
Mansehra Branch
Meezan Plaza, Near Markazi Jamia Masjid, Abbottabad Road.
Tel: (92-997) 308315-18

Mardan
Mardan Branch
Bank Road, Mardan.
Tel: (92-937) 9230561-3

Peshawar
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

Karkhano Market Branch
Royal Shopping Plaza, Hayatabad, Peshawar.
Tel: (92-91) 5893471-4

Saddar Road Branch
6 Saddar Road, Peshawar Cantt, Peshawar.
Tel: (92-91) 9213471-5

Rawalpindi
Bahria Town Branch
Bahria Heights, Bahria Town, Phase-1 Rawalpindi.
Tel: (92-51) 5730171-3

Bohar Bazar Branch
D-327, Hakim Muhammad Amjal Khan Road, Bohar Bazar, Rawalpindi.
Tel: (92-51) 5778834, 5556588

Chandni Chowk Branch
Umer Farooq Plaza, Block C, Satellite Town, Chandni Chowk, Rawalpindi.
Tel: (92-51) 4851046-9

Saddar Branch
47/62, Bank Road Saddar, Rawalpindi.
Tel: (92-51) 9273404-6

Peshawar Road Branch
61-A, Chour Chowk, Rawalpindi.
Tel: (92-51) 5469543-4

Swat
Mingora Branch
Makanbagh Chowk, Mingora, Swat.
Tel: (92-946) 714316-18

Kohat
Kohat Branch
1st Floor, Jinnah Municipal Plaza, TMA, Near King Gate, Bannu Road, Kohat.
Tel: (92-922) 523037-40

Proxy Form



The Company Secretary
Meezan Bank Limited
3rd Floor, P.N.S.C. Building
M.T.Khan Road,
Karachi-74000, Pakistan

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 Participant I.D 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 12th Annual General Meeting of Meezan Bank Ltd. to be held on Thursday, March 27, 2008 at Beach Luxury Hotel, M.T.Khan Road, Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2008.

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 or Passport with this proxy form before submission to the company.

The Company Secretary
Meezan Bank Limited
3rd Floor, P.N.S.C. Building
M.T. Khan Road,
Karachi 74000, Pakistan.

Please affix
correct
postage