



Meezan Bank
The Premier Islamic Bank

ANNUAL
REPORT
2010

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Networking for Success

Our Annual Report for this year reflects a theme that lies at the core of Meezan Bank - Networking!

The stunning images in this report vividly exemplify the beauty and efficiency of networks in nature. Research has shown that the capillaries of a simple leaf provide the most efficient network, with built-in redundancy, to deliver essential nutrients to every part of the leaf. At Meezan Bank, we focus on building networks that enable us to serve customers efficiently across the length and breadth of Pakistan. We recognize that in order to realize our Vision of establishing Islamic banking as banking of first choice, we must expand our network and take Islamic banking to the doorstep of our customers. In building such networks, the secret of our excellence in customer service, lies in our attention to detail in all matters, both big and small.



The images of nature used in this report have been captured by a young and talented photographer Kayhan Feroze Qaiser - a student of the Karachi Grammar School.

Contents

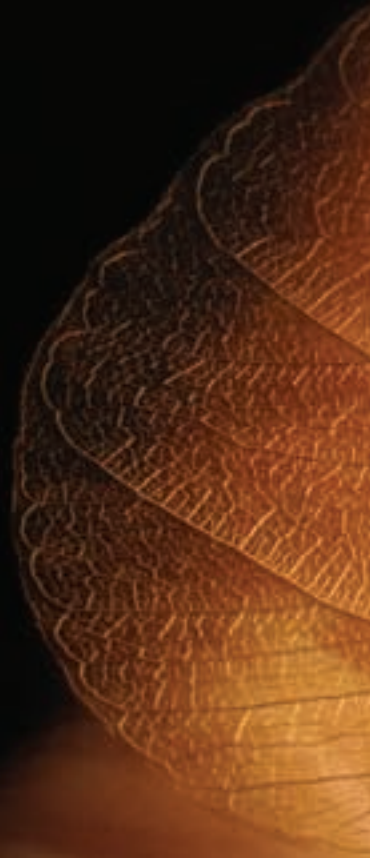
Vision & Mission	02
Our Values	05
Quaid's Concept of Islamic Banking	07
Key Figures at a Glance	08
Six Years' Horizontal Analysis	10
Six Years' Vertical Analysis	11
Calendar of Major Events	12
Shareholders	13
Organisation Structure	15
Corporate Information	16
Meezan Bank History	18
Product Information	21
Chairman's Review	24
Charity for Social Welfare	26
Business and Operations Review	28
Directors' Report to the Members	42
Annexure to the Directors' Report	47
Statement of Value Added and Distributed	48
Allocation of Income and Expenses to Remunerative Depositors' Pool	49
Shariah Advisor's Report	50
Shariah Advisor's Report (Urdu)	59
Statement of Sources and Uses of Charity Fund	60
Review Report to the Members	61
Statement of Compliance with the Code of Corporate Governance	62
Statement of Internal Controls	64
Notice of Annual General Meeting	65
Auditors' Report to the Members	68
Statement of Financial Position	69
Profit and Loss Account	70
Statement of Comprehensive Income	71
Cash Flow Statement	72
Statement of Changes in Equity	73
Notes to and forming part of the Financial Statements	74
Consolidated Financial Statements	131
Pattern of Shareholding	200
Categories of Shareholders	201
Correspondent Banking Network	202
Branch Network	207
Proxy Form	

Our Vision

Establish Islamic banking as banking of first choice to facilitate the 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, 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 enterprise and performance.







Our Values

Core Values Shariah Compliance, Integrity, Professionalism, Service Excellence, Social Responsibility

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

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

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



**KHYBER
PAKHTUNKHWA**

**JAMMU
&
KASHMIR**

(DISPUTED TERRITORY)

PUNJAB

BALUCHISTAN

SINDH



222
Branches

63
Cities

- Swat
- Mansehra
- Muzaffarabad
- Mardan
- Abbottabad
- Nowshera
- Sawabi
- Havelian
- Peshawar
- Wah Cantt
- Haripur
- Attock
- Islamabad
- Kohat
- Rawalpindi
- Gujar Khan
- Lina
- Chakwal
- Jhelum
- Lalamusa
- Gujrat
- Mandi Bahauddin
- Khushab
- Hafizabad
- Daska
- Sialkot
- Sargodha
- Gujranwala
- Sheikhupura
- Dera Ismail Khan
- Chiniot
- Faisalabad
- Lahore
- Jhang
- Gojra
- Kasur
- Toba Tek Singh
- Sahiwal
- Mian Channu
- Dera Ghazi Khan
- Burewala
- Arifwala
- Multan
- Hasilpur
- Haronnabad
- Lodhran
- Jampur
- Bahawalpur
- Rahim Yar Khan
- Khanpur
- Sadiqabad
- Sukkur
- Nawabshah
- Sanghar
- Sakrand
- Hub (Lasbela)
- Tando Adam
- Mirpurkhas
- Hyderabad
- Tando-Allah-Yar
- Karachi

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.

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

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

Key Figures at a Glance

	2010	2009	2008	2007
Profit and Loss Account				
Return on financings, investments and placements	12,290	10,102	6,803	4,574
Return on deposits and other dues expensed	6,606	4,970	3,088	2,452
Net Spread earned before provisions	5,684	5,132	3,715	2,122
Fee, commission, forex and other income	2,056	1,332	802	742
Dividend income	322	190	244	104
Gross Core Banking Income	8,062	6,654	4,761	2,968
Administrative and Operating Expenses	4,536	3,458	2,713	1,765
Core Banking Income before provisions	3,526	3,196	2,048	1,203
Provision against non performing financings and others	(1,450)	(1,443)	(428)	(435)
Provision for diminution in investments and impairment	(47)	(89)	(289)	(1)
Capital gain / (loss) on investments	97	76	(339)	502
Profit before Taxation	2,126	1,740	992	1,269
Taxation	477	715	371	306
Profit after Taxation	1,649	1,025	621	963
Balance Sheet				
Total Financing - net	54,195	41,710	39,528	34,576
Total Assets	154,752	124,169	85,276	67,179
Total Deposits	131,070	100,333	70,234	54,582
Share Capital	6,983	6,650	4,926	3,780
Total Shareholders Equity	10,740	9,091	6,341	5,720
Market Capitalization	11,801	10,467	10,581	14,572
Number of Staff	4,364	3,669	3,170	2,205
Number of Branches	222	201	166	100
Ratios				
Break up Value (Rs.)	15.38	13.67	12.87	15.13
Market Value per Share (Rs.)	16.90	15.74	21.48	38.55
Cash Dividend (%)	-	-	-	-
Stock Dividend (%)	15	5	8.6	20
Right Shares at par (%)	-	-	35	-
Price Earning Ratio	7.16	9.20	17.60	15.12
Earning per Share (Rs.)	2.36	1.62	1.22	1.96
Net Spread to Gross Return (%)	46.25	50.80	54.61	46.39
Net Profit Before Tax to Total Income (%)	14.40	14.87	13.21	21.43
Net Profit After Tax to Total Income (%)	11.17	8.76	8.27	16.27
Expense to Income (%)	75.46	72.04	77.24	71.21
Financing / Advances to Deposit Ratio-ADR (%)	41.35	41.57	56.62	56.90
Investment to Deposit Ratio - IDR (%)	41.94	23.21	20.68	19.30
Capital Adequacy Ratio (%)	12.41	12.77	9.58	10.71
Return on Average Assets (%)	1.18	0.98	0.82	1.70
Return on Average Equity (%)	16.64	13.29	10.30	18.39

Rupees in million

2006	2005	2004	2003	2002
2,704	1,459	534	376	311
1,464	690	250	183	192
1,240	769	284	193	119
441	262	133	67	124
165	93	109	115	111
1,846	1,124	526	375	354
1,028	719	409	255	198
818	405	117	120	156
(122)	(69)	(17)	18	63
(1)	30	(2)	(2)	(2)
85	267	123	105	53
780	633	221	241	270
176	214	(3)	27	47
604	419	224	214	223

27,031	19,741	12,340	7,397	3,532
46,439	30,676	19,697	11,102	6,971
34,449	22,769	13,770	7,757	5,079
3,780	2,037	1,346	1,064	1,001
4,763	3,025	2,098	1,748	1,586
7,465	4,736	2,247	1,649	1,151
1,389	786	511	238	159
62	28	16	10	6

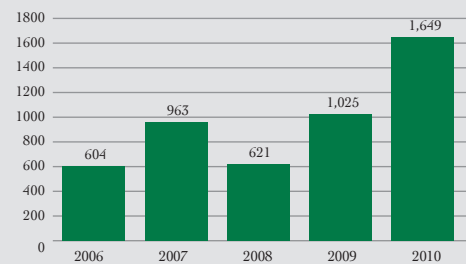
12.60	14.85	15.59	16.43	15.84
19.50	23.25	16.70	15.50	11.50
-	-	-	5.00	5.00
10	16	15	10	10
50	20	30	-	-
10.51	15.92	10.02	7.71	5.16

1.88	1.46	1.67	2.01	2.23
45.86	52.69	53.15	51.45	38.41
22.98	30.42	24.56	36.33	45.15
17.80	20.15	24.94	32.26	37.24
73.40	67.71	73.36	66.05	64.98

65.68	73.86	69.97	82.61	69.22
8.35	7.05	10.38	15.62	16.85
12.80	10.67	10.00	15.62	22.99
1.57	1.67	1.46	2.37	4.95
15.64	16.70	12.16	13.74	16.66

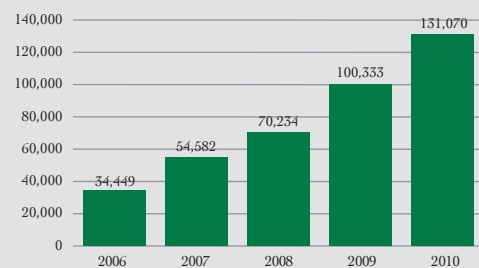
Profit After Taxation

Rupees in Million



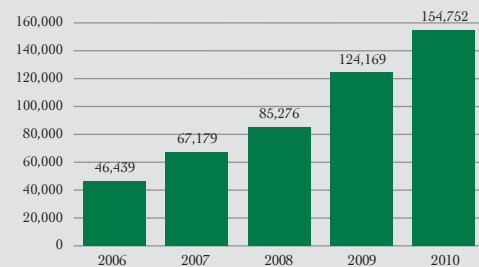
Total Deposits

Rupees in Million



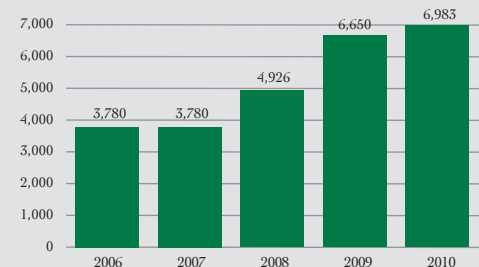
Total Assets

Rupees in Million



Share Capital

Rupees in Million



Six Years' Horizontal Analysis Balance Sheet / Profit & Loss Account

Rupees in million

Balance Sheet												
Assets	2010	10 Vs 09 %	2009	09 Vs 08 %	2008	08 Vs 07 %	2007	07 Vs 06 %	2006	06 Vs 05 %	2005	05 Vs 04 %
Cash and balances with treasury banks	12,781	52%	8,387	46%	5,764	2%	5,644	-4%	5,897	49%	3,957	51%
Balances with other banks	9,940	89%	5,260	291%	1,345	-64%	3,730	-10%	4,134	45%	2,856	63%
Due from financial institutions	10,512	-70%	34,487	90%	18,108	105%	8,850	139%	3,700	0%	-	-
Investments	54,967	136%	23,290	60%	14,527	38%	10,535	266%	2,878	79%	1,606	12%
Financings	54,195	30%	41,710	6%	39,528	14%	34,576	28%	27,031	37%	19,741	60%
Operating fixed assets	3,066	27%	2,416	28%	1,881	82%	1,033	95%	531	74%	306	49%
Deferred tax asset	342	68%	204	0%	-	-	-	-	-	-	-	-
Other assets	8,949	6%	8,414	104%	4,123	47%	2,810	24%	2,267	3%	2,210	64%
	154,752	25%	124,168	46%	85,276	27%	67,178	45%	46,438	51%	30,676	56%
Liabilities												
Bills payable	1,767	41%	1,249	18%	1,057	-11%	1,192	112%	563	116%	261	33%
Due to financial institutions	5,829	-31%	8,468	111%	4,008	66%	2,416	-44%	4,285	44%	2,982	4%
Deposits and other accounts	131,070	31%	100,333	43%	70,234	29%	54,582	58%	34,449	51%	22,769	65%
Deferred tax liabilities	-	-	-	-100%	453	5%	430	8%	398	134%	170	-
Other liabilities	5,006	1%	4,934	39%	3,549	24%	2,851	44%	1,980	35%	1,470	91%
	143,672	25%	114,984	45%	79,301	29%	61,471	48%	41,675	51%	27,652	57%
Net Assets	11,080	21%	9,184	54%	5,975	5%	5,707	20%	4,763	58%	3,024	44%
Represented by:												
Share capital	6,983	5%	6,650	35%	4,926	30%	3,780	0%	3,780	86%	2,037	51%
Reserves	1,380	31%	1,050	24%	845	17%	721	37%	528	-21%	666	159%
Unappropriated Profit	2,377	71%	1,390	144%	570	-53%	1,219	172%	448	67%	268	4%
Surplus / (deficit) on revaluation of investments	340	262%	94	-126%	(366)	2715%	(13)	-286%	7	-87%	53	-78%
	11,080	21%	9,184	54%	5,975	5%	5,707	20%	4,763	58%	3,024	44%
Profit & Loss Account												
	2010	%	2009	%	2008	%	2007	%	2006	%	2005	%
Return on financings, investments and placements	12,290	22%	10,102	48%	6,803	49%	4,574	69%	2,704	85%	1,459	173%
Return on deposits and other dues expensed	(6,606)	33%	(4,970)	61%	(3,088)	26%	(2,452)	67%	(1,464)	112%	(690)	176%
Net Spread earned before provisions	5,684	11%	5,132	38%	3,715	75%	2,122	71%	1,240	61%	769	171%
Fee, commission, forex and other income	2,056	54%	1,332	66%	802	8%	742	68%	441	68%	262	97%
Dividend income	322	69%	190	-22%	244	135%	104	-37%	165	77%	93	-15%
Gross Core Banking Income	8,062	21%	6,654	40%	4,761	60%	2,968	61%	1,846	64%	1,124	114%
Administrative and Operating Expenses	(4,536)	31%	(3,458)	27%	(2,713)	54%	(1,765)	72%	(1,028)	43%	(719)	76%
Core Banking Income before provisions	3,526	10%	3,196	56%	2,048	70%	1,203	47%	818	102%	405	246%
Provisions	(1,497)	-1%	(1,532)	114%	(717)	64%	(436)	254%	(123)	215%	(39)	105%
Capital gain / (loss) on investments	97	28%	76	-122%	(339)	-168%	502	491%	85	-68%	267	117%
Profit before Taxation	2,126	22%	1,740	75%	992	-22%	1,269	63%	780	23%	633	186%
Taxation	(477)	-33%	(715)	92%	(371)	21%	(306)	74%	(176)	-18%	(214)	-7233%
Profit after Taxation	1,649	61%	1,025	65%	621	-36%	963	59%	604	44%	419	87%



Six Years' Vertical Analysis Balance Sheet / Profit & Loss Account

Rupees in million

Balance Sheet												
Assets	2010	%	2009	%	2008	%	2007	%	2006	%	2005	%
Cash and balances with treasury banks	12,781	8%	8,387	7%	5,764	7%	5,644	8%	5,897	13%	3,957	13%
Balances with other banks	9,940	6%	5,260	4%	1,345	2%	3,730	6%	4,134	9%	2,856	9%
Due from financial institutions	10,512	7%	34,487	28%	18,108	21%	8,850	13%	3,700	8%	-	-
Investments	54,967	36%	23,290	19%	14,527	17%	10,535	16%	2,878	6%	1,606	5%
Financings	54,195	35%	41,710	34%	39,528	46%	34,576	51%	27,031	58%	19,741	64%
Operating fixed assets	3,066	2%	2,416	2%	1,881	2%	1,033	2%	531	1%	306	1%
Deferred tax asset	342	0%	204	0%	-	-	-	-	-	-	-	-
Other assets	8,949	6%	8,414	6%	4,123	5%	2,810	4%	2,267	5%	2,210	8%
	154,752	100%	124,168	100%	85,276	100%	67,178	100%	46,438	100%	30,676	100%
Liabilities												
Bills payable	1,767	1%	1,249	1%	1,057	1%	1,192	2%	563	1%	261	1%
Due to financial institutions	5,829	4%	8,468	7%	4,008	5%	2,416	4%	4,285	9%	2,982	10%
Deposits and other accounts	131,070	85%	100,333	81%	70,234	82%	54,582	81%	34,449	74%	22,769	74%
Deferred tax liabilities	-	-	-	-	453	1%	430	1%	398	1%	170	1%
Other liabilities	5,006	3%	4,934	4%	3,549	4%	2,851	4%	1,980	5%	1,470	4%
	143,672	93%	114,984	93%	79,301	93%	61,471	92%	41,675	90%	27,652	90%
Net Assets	11,080	7%	9,184	7%	5,975	7%	5,707	8%	4,763	10%	3,024	10%
Represented by:												
Share capital	6,983	5%	6,650	5%	4,926	5%	3,780	6%	3,780	8%	2,037	7%
Reserves	1,380	1%	1,050	1%	845	1%	721	1%	528	1%	666	2%
Unappropriated Profit	2,377	1%	1,390	1%	570	1%	1,219	1%	448	1%	268	1%
Surplus / (deficit) on revaluation of investments	340	0%	94	0%	(366)	0%	(13)	0%	7	0%	53	0%
	11,080	7%	9,184	7%	5,975	7%	5,707	8%	4,763	10%	3,024	10%
Profit & Loss Account												
	2010	%	2009	%	2008	%	2007	%	2006	%	2005	%
Return on financings, investments and placements	12,290	83%	10,102	86%	6,803	91%	4,574	77%	2,704	80%	1,459	70%
Return on deposits and other dues expensed	(6,606)	-45%	(4,970)	-42%	(3,088)	-42%	(2,452)	-41%	(1,464)	-43%	(690)	-33%
Net Spread earned before provisions	5,684	38%	5,132	44%	3,715	49%	2,122	36%	1,240	37%	769	37%
Fee, commission, forex and other income	2,056	15%	1,332	11%	802	11%	742	13%	441	12%	262	13%
Dividend income	322	2%	190	2%	244	3%	104	1%	165	5%	93	4%
Gross Core Banking Income	8,062	55%	6,654	57%	4,761	63%	2,968	50%	1,846	54%	1,124	54%
Administrative and Operating Expenses	(4,536)	-31%	(3,458)	-30%	(2,713)	-36%	(1,765)	-30%	(1,028)	-30%	(719)	-35%
Core Banking Income before provisions	3,526	24%	3,196	27%	2,048	27%	1,203	20%	818	24%	405	19%
Provisions	(1,497)	-11%	(1,532)	-13%	(717)	-10%	(436)	-7%	(123)	-4%	(39)	-2%
Capital gain / (loss) on investments	97	1%	76	1%	(339)	-4%	502	8%	85	3%	267	13%
Profit before Taxation	2,126	14%	1,740	15%	992	13%	1,269	21%	780	23%	633	30%
Taxation	(477)	-3%	(715)	-6%	(371)	-5%	(306)	-5%	(176)	-5%	(214)	-10%
Profit after Taxation	1,649	11%	1,025	9%	621	8%	963	16%	604	18%	419	20%

Calendar of Major Events

Incorporation of the Bank	January 27, 1997
Commencement of Business of the Bank	September 29, 1997
Conversion of Islamic Investment Bank into Scheduled Islamic Commercial Bank	March 20, 2002

Financial Calender

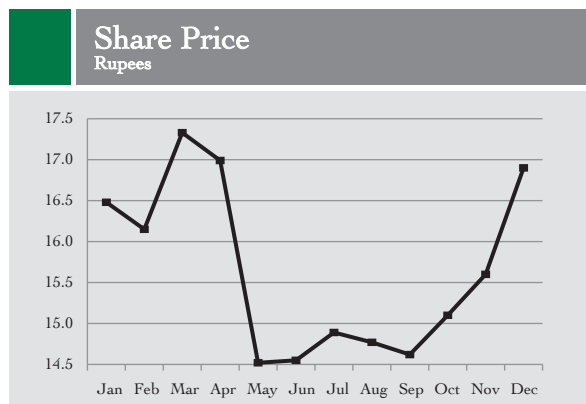
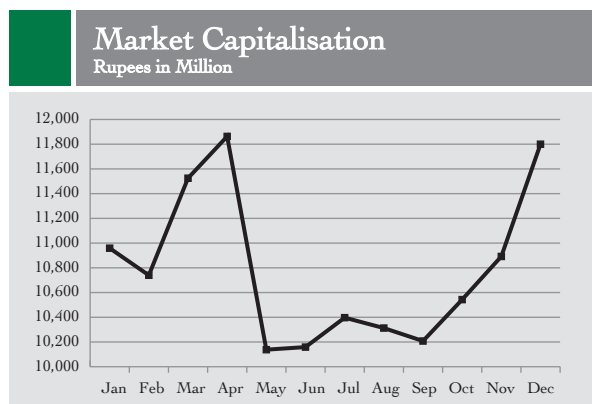
2010

1st Quarter Results issued on	April 23, 2010
2nd Quarter Results issued on	August 3, 2010
3rd Quarter Results issued on	October 25, 2010
Annual Results issued on	February 14, 2011
15th Annual General Meeting	Scheduled on March 28, 2011

2009

1st Quarter Results issued on	May 4, 2009
2nd Quarter Results issued on	August 19, 2009
3rd Quarter Results issued on	October 26, 2009
Annual Results issued on	February 8, 2010
14th Annual General Meeting	March 24, 2010

Monthly Market Statistics of Meezan Bank's Share during 2010





Shareholders

Shareholding Structure	Rs. in millions	%
Noor Financial Investment Co, Kuwait	3,429	49
Pakistan Kuwait Investment Company (Pvt.) Limited	2,095	30
Islamic Development Bank, Jeddah	651	9
Others	808	12
Paid up Capital	6,983	100

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.

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 30 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.

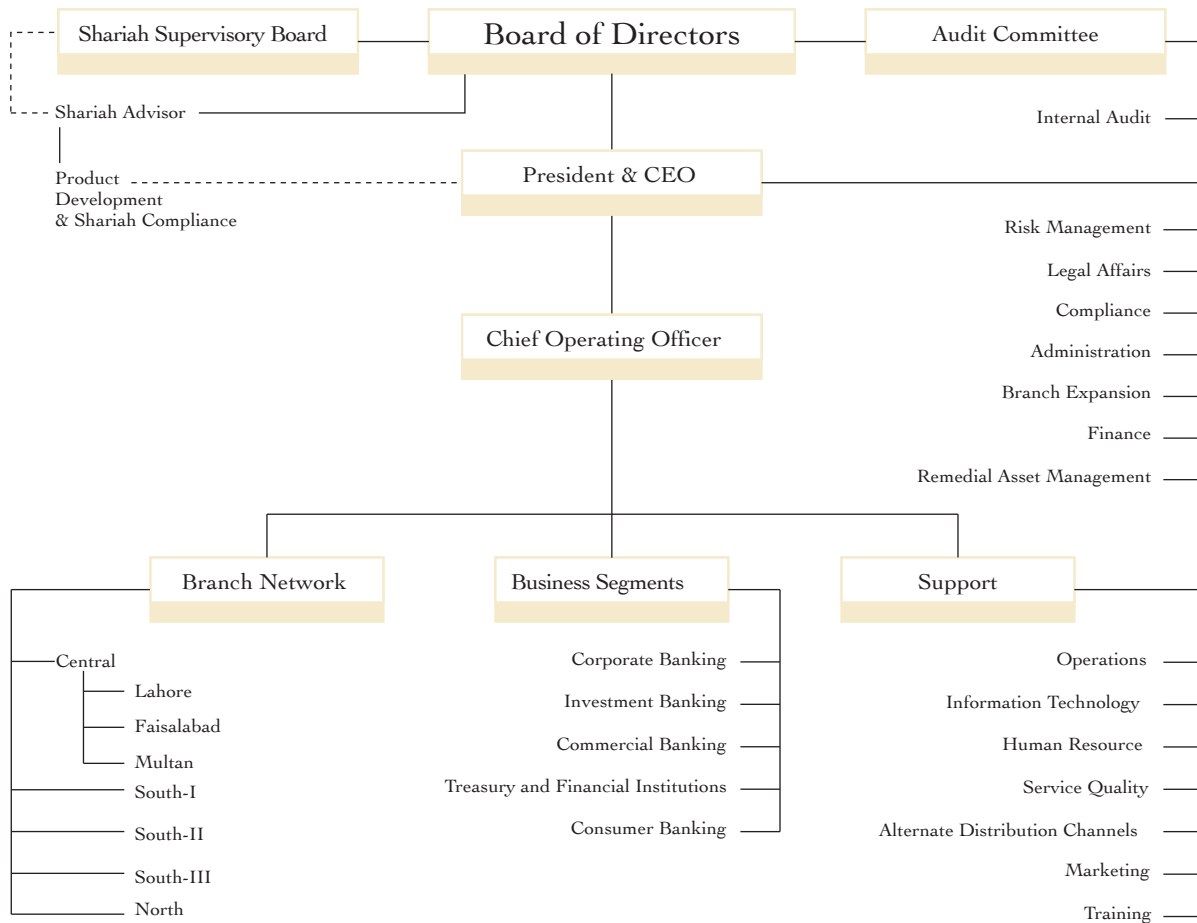
Islamic Development Bank (IDB) is located in Jeddah and is an international financial institution established in 1975 in pursuance of a declaration of the Conference of Finance Ministers, of Muslim countries to foster economic development and social progress in member (Islamic) countries. IDB has an equity of approximately USD 8 billion and enjoys presence in 56 member countries. The Bank participates in equity capital and grants loans for productive projects and enterprises besides providing financial assistance in other forms for economic and social development.



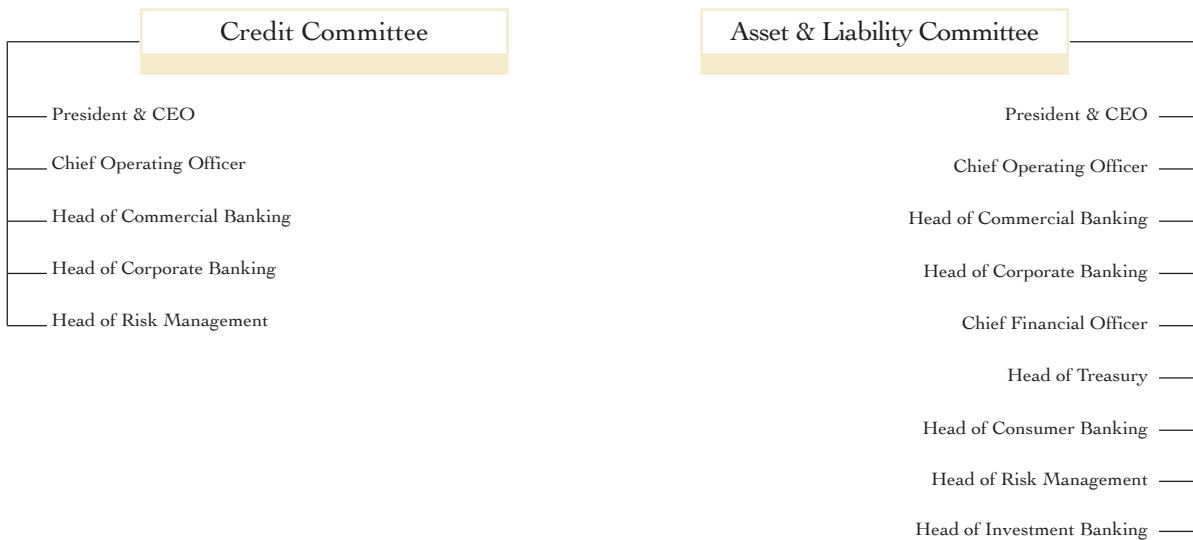




Organisation Structure



Composition of Significant Management Committees





Corporate Information

Board of Directors

H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa
Naser Abdul Mohsen Al-Marri
Rana Ahmed Humayun
Mohammed Azzarooq Rajab
Ahmed Abdul Rahim Mohamed
Nawal Ahmed
Alaa A. Al-Sarawi
Mian Muhammad Younis
Mohammad Abdul Aleem
Irfan Siddiqui
Ariful Islam

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

Audit Committee

Mian Muhammad Younis
Ahmed Abdul Rahim Mohamed
Mohammad Abdul Aleem

Risk Management Committee

Alaa A. Al-Sarawi
Mian Muhammad Younis
Ariful Islam

Human Resource Committee

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

Company Secretary

Tasnimul Haq Farooqui



Management

Irfan Siddiqui	President & CEO
Ariful Islam	Chief Operating Officer
Muhammad Shoaib Qureshi	Commercial Banking
Arshad Majeed	Operations
Rizwan Ata	Central Circle (Lahore, Faisalabad and Multan)
Shabbir Hamza Khandwala	Chief Financial Officer
Azhar Naqvi	Risk Management
Saleem Khan	North Region
Abdul Ghaffar Memon	Remedial Asset Management / Prevention of Fraud and Forgery
Faizur Rehman	Information Technology
Irfan Ali Hyder	Human Resource
Kazi Muhammad Aamir	South-II Region
Muhammad Abdullah Ahmed	Treasury & Financial Institutions
Muhammad Raza	Consumer Banking
Munawar Rizvi	Branch Expansion & Administration
Saleem Wafai	Compliance
Sohail Khan	Marketing and Training
Tasnimul Haq Farooqui	Legal Affairs
Zia-ul-Hasan	Internal Audit
Zubair Haider	Corporate Banking
Aasim Salim	Multan Region
Ahmed Ali Siddiqui	Product Development & Shariah Compliance
Anwarul Haq	Faisalabad Region
Muhammad Abid	South-I Region
Syed Amir Ali	Investment Banking
Tariq Mehboob	South-III Region
Muhammad Asadullah	Service Quality
Omer Salimullah	Alternate Distribution Channels

Shariah Advisor

Dr. Muhammad Imran Usmani

Auditors

KPMG Taseer Hadi & Co.

Registered Office

3rd Floor, PNSC Building, M.T. Khan Road, Karachi-74000, Pakistan

Ph : (9221) 35610582, Fax: (9221) 35610375

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) 35655595

Meezan Bank History

1997 - 2001

Al Meezan Investment Bank was established as an Investment Bank in October 1997 as a joint-venture between Pak Kuwait Investment Company and Islamic Investment of the Gulf (the former Investment Banking arm of the Dar ul Maal Islami Group) and commenced operations with a total paid up capital of Rs. 721 million. The Bank entered the market with the clear but formidable mandate of establishing and promoting Islamic banking.

By the Grace of Allah the Bank was profitable from the first year of operations and quickly established itself as a dominant player in the Investment Banking industry. A number of Islamic banking products were developed including the first 'Riba Free' Certificates of Islamic Investment - a Musharakah based investment product with tenors ranging from 3 months to 5 years.

However, it soon became clear that the Investment Banking platform was too restrictive in its scope and would probably not allow the Bank to realize its Vision of 'establishing Islamic banking as banking of first choice'. As a result the management team started work on evolving strategies for broadening and enhancing the scope the Banks activities. As a first step the Bank worked hand in hand with the State Bank of Pakistan (SBP) to develop an Islamic banking framework including detailed criteria for setting up of Islamic banks in December 2001. Meezan Bank then applied under the said criteria to convert itself into an Islamic commercial bank.



Our Vision
"Establish Islamic banking as banking of first choice..."
Establish Islamic banking as banking of first choice to facilitate the 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 enterprise and performance.

Meezan Bank
The Premier Islamic Bank

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

2002

The Bank acquired the Pakistan operations of Societe Generale and concurrently converted itself into a full-fledged scheduled Islamic commercial bank. At that time the Bank was issued the first Islamic commercial banking license by the SBP and renamed Meezan Bank.

During the year, Musharakah-based Islamic Export Refinance scheme was introduced in coordination with the SBP that enabled exporters to avail financing at concessional rates under a Shariah-compliant scheme.

Meezan Bank's Car Ijarah was launched in July 2002 and was Pakistan's first Shariah-compliant Auto Finance product. SME operations started as an independent business unit from October 2002.

Deposit base of the Bank stood at Rs. 5.08 billion; the total Balance Sheet footing was Rs. 6.97 billion



Dr. Ishrat Husain, Governor SBP presenting the first ever Islamic Banking license issued by SBP, to Mr. Irfan Siddiqi, President & CEO of Meezan Bank

2003

Pakistan's first Shariah-compliant Housing finance product, Meezan Bank's Easy Home was launched. This product enables house purchase, construction, renovation as well as replacement of existing mortgage.

Al Meezan Investment Management Limited introduced Meezan Islamic Fund, an open-end mutual fund.

Branch network reached 10 branches nationwide while the deposit base grew to over Rs. 7.7 billion. The total financing portfolio of the Bank amounted to Rs. 7.3 billion and the Bank earned profit before tax of Rs. 24 million.

Musharakah:

Musharakah" is a term frequently referred to in the context of Islamic modes of financing. The connotation of this term is more limited than the term "Shirkah" means "Sharing", which is more commonly used in the Islamic jurisprudence.

Musharakah, a type of Shirkah termed as Shirkat-ul-amwal, is a relationship established by the parties through a mutual contract for conducting some business in which all partners share the profit according to a specific ratio while the loss is shared according to the ratio of the contribution.

Ijarah:

"Ijarah is a contract whereby the owner of an asset, other than consumable, transfers its usufruct to another person for an agreed period at an agreed consideration."

The ownership of the assets remains with Lessor (the bank) and only its right of usage is transferred to the lessee. Until the assets to be leased are delivered to the lessee, no lease rental becomes due and payable. The title of the assets remains with the Lessor during the entire lease term. The Lessor bears all the risk and reward associated with the ownership to the asset. All cost associated with the asset to bring it into usable form and condition should be borne by the lessor.



2004

The Government of Pakistan awarded the mandate for debut of international Sukuk offering for USD 600 million. The offering was a success and established a benchmark for Pakistan. Meezan Bank acted as the Shariah Structuring Advisor for this historic transaction.

The SBP established a dedicated Islamic Banking Department and constituted a Shariah Board to regulate and approve guidelines for the emerging Islamic banking industry.

Online banking was launched across all branches of Meezan Bank. A 24/7 Call Centre was also established and the Bank launched Meezan Bank ATM/Debit Card with new ATM outlets.

Number of branches reached 16 and the deposit base grew to over Rs. 13.7 billion. Total financing portfolio of the Bank grew to over Rs. 12.3 billion.

2005

Meezan Bank launched the Meezan Islamic Institution Deposit Account, a product tailored for Islamic financial institutions; this product enabled other Islamic banks to manage their excess liquidity by maintaining a checking account with Meezan Bank.

The deposit structure of Meezan Bank's deposit products was changed from Musharakah to Mudarabah and new deposit products including Dollar Mudarabah Certificates, Special Musharakah Certificates for liquidity management and inter-bank market were launched.

Meezan Bank became the first customer of Islamic insurance (Takaful) by signing the first MoU with Pak-Kuwait Takaful Company Limited. The Bank, in collaboration with Export Promotion Bureau, Government of Pakistan launched Islamic Export Refinance promotion.

Car Ijarah portfolio reached Rs. 1.6 billion and the Easy Home portfolio stood at Rs. 2 billion.

Meezan Bank was awarded 'Best Islamic Bank in Pakistan' by Islamic Finance News of REDmoney Group, Malaysia. Branch network grew to 28 branches and the deposit base grew to over Rs. 22 billion. Net profit for the year was Rs. 419 million.

2006

Meezan Bank introduced '8 to 8' banking for the first time in Pakistan. Internet Banking was also introduced during the year.

Meezan Bank was awarded 'Best Islamic Bank in Pakistan' by Islamic Finance News of REDmoney Group, Malaysia. Branch network grew to 62 branches (including sub-branches) in 21 cities across Pakistan.

Deposit base of the Bank grew to over Rs. 34 billion while the total financing portfolio of the Bank amounted to over Rs. 27 billion; the Bank earned profit after tax of Rs. 604 million.

2007

Meezan Bank's branch network reached the milestone number of 100 branches (including sub-branches) in 31 cities nationwide.

Car Ijarah portfolio reached Rs. 4.1 billion and the Easy Home portfolio stood at Rs. 3.1 billion.

The Bank introduced Istisna' financing to cater to the working capital needs of customers.

Meezan Bank was awarded 'Best Islamic Bank in Pakistan' by Islamic Finance News of REDmoney Group, Malaysia. Deposit base of the Bank grew to over Rs. 54 billion and the Bank earned profit after tax of Rs. 963 million. Trade Finance business reached Rs. 70 billion.

Sukuk:

Sukuk is an alternative of conventional bonds or term finance certificate. It is a credential of ownership against an asset, investment pool or business enterprise. Each Sukuk represents proportionate undivided ownership of the assets. Sukuk are a nascent segment of capital market instruments that are structured in accordance with Shariah Law and may be traded in the secondary market.

These are asset-backed instrument designed to provide a continuous stream of investment income without violating the shariah rules. Sukuk can be structured using different mode of financing. Like; Musharakah, Ijarah, Diminishing Musharakah and etc.

Mudarabah:

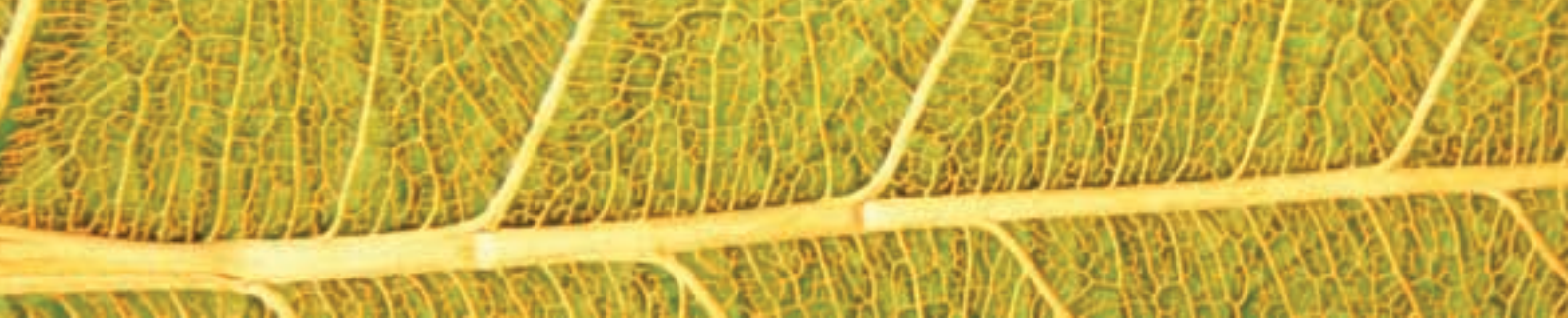
Mudarabah is a relationship between capital and labor in which the capital utilizes the services and skill of the labor in return for a share in expected profits.

This is a kind of partnership where one partner gives money to another for investing in a commercial enterprise. The investment comes from the first partner who is called "Rab-ul-Mal" (Investor) The management and work is an exclusive responsibility of the other, who is called "Mudarib" (Working Partner) Profit is shared as per agreed ratio All losses are borne by Rab-ul-Mal.

Istisna:

Istisna' contract refers to an agreement to sell to or buy from a customer an asset which is to be manufactured or built based on the specifications outlined by the ultimate buyers at a determined price and to be delivered on a specific future date.

Under this concept the Bank will purchase the finished goods of the Customers and will appoint the Customer as its agent to sell the same goods in the market on generally Credit basis.



2008

Meezan Bank introduced Tijarah financing to allow customers to raise funds for financing of stocks of finished goods.

Meezan Bank was awarded 'Best Islamic Bank in Pakistan' by Islamic Finance News of REDmoney Group, Malaysia and 'Best Islamic Financial Institution in Pakistan' by Global Finance Magazine, New York.

Branch network grew to 166 branches (including sub-branches) in 40 cities nationwide.

Deposit base grew to Rs. 70 billion and the total financing portfolio amounted to Rs. 39 billion.

2009

2009 was a watershed year for Meezan Bank. The branch network reached 201 branches (including sub-branches) in 54 cities nationwide; deposit base crossed Rs. 100 billion; profit/return earned on financing and investment activities exceeded Rs. 10 billion and the Bank handled more than Rs. 100 billion of import/export business.

Being a socially responsible bank, Meezan Bank launched Meezan Labbaik, a Hajj and Umrah product - the primary objective being the desire to facilitate Muslims in performing their holy duty. Meezan Visa Debit Card was also launched during the year which is accepted at over 30 million outlets worldwide and allows customers to withdraw funds from their account from more than 1.4 million ATMs worldwide and can also be used for shopping, dining, traveling, fuel and cash needs.

Meezan Bank was awarded 'Best Islamic Bank in Pakistan' by Islamic Finance News of REDmoney Group, Malaysia; 'Best Islamic Financial Institution in Pakistan' by Global Finance Magazine, New York; 'Best Islamic Bank in Pakistan' for 2009 by ASIA MONEY Magazine, Hong Kong and 'Islamic Bank of the Year' for 2009 by CFA Association of Pakistan.

Corporate assets, including corporate Sukuk stood at over Rs. 40 billion. Corporate highlights of 2009 included Tijarah financing with PSO, Istisna financing with PARCO and Murabaha financing with Punjab Food Department.

The Bank started implementing its new core banking application - T-24. T-24 is a core banking software which includes banking best practices based on Temenos' implementations in over 600 financial institutions and 120 countries across Retail, Corporate, Private Wealth, Islamic and Micro finance and Community Banking sectors.

2010

Meezan Bank developed a number of new deposit products to cater to the unique needs of different market segments. Among the products launched during this year were Meezan Business Plus, a Mudaraba-based account that offers an array of free services for businesses, Meezan Euro Savings Account and Meezan Pound Savings Account.

Meezan Bank's Car Ijarah completed its 9th year and stood at Rs. 4.2 billion with over 8,000 active vehicles. Meezan Bank stood among the top three auto-finance providers in the country.

Al Meezan Investment Management launched Meezan Sovereign Fund - an open-end fund; the eighth fund under its management, including two closed-end funds, five open-end funds and one voluntary pension scheme.

The Bank developed a financing product based on the concept of 'Wakalah', to encourage the development of financing partnerships between Islamic banks and Microfinance banks.

During the year, 38 Islamic banking awareness seminars were held in 23 cities across Pakistan and were attended by more than 4,400 participants representing customers, general public and professionals.

Meezan Bank was awarded 'Best Islamic Bank in Pakistan' by Islamic Finance News of REDmoney Group, Malaysia and 'Best Islamic Financial Institution in Pakistan' by Global Finance Magazine, New York.

Meezan Bank's branch network reached 222 branches in 63 cities across Pakistan and it became the 11th largest bank in Pakistan in terms of branch network.

The Bank demonstrated robust business growth in 2010, closing the year with a deposit figure of Rs. 131 billion and Import/Export business of Rs. 143 billion.

Tijarah:

Meezan Tijarah concept is based on **Sale & Agency** based financing facility for Customers who sell goods on **Credit basis**. The facility will enable the Customers to sell their Finished Goods stock to the bank to meet their working capital requirements and enjoy the benefits of Cash sales.

Under this concept the Bank will purchase the finished goods of the Customers and will appoint the Customer as its agent to sell the same goods in the market on generally Credit basis.



Product Information

Meezan Bank offers a diverse range of Shariah-compliant deposit products through its 222 branches across 63 cities in Pakistan. All products of the Bank are approved by the Shariah Supervisory Board and are 100% Riba Free.

The Bank's nationwide free real-time online banking system allows customers to conduct banking transactions at all branches of Meezan Bank, regardless of which branch their account is in. Meezan Bank also offers free Online banking on all Pak Rupee accounts, globally accepted VISA Debit Card, SMS Alert service on every debit and credit transaction in customers' account, free internet banking facility, 8 to 8 banking at selected branches, and a 24/7 Call Center.

Meezan Rupee Current Account

This is a checking account that works on the basis of 'Qard' and provides the convenience of conducting day-to-day transactions. The minimum investment required for opening an account is Rs.10,000. There is no restriction on withdrawals or numbers of transactions and there is no deduction of service charges if the balance maintained is low.

Meezan Rupee Savings Account

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

Meezan Bachat Account

Meezan Bachat Account is a savings account that offers a higher expected profit. The minimum investment required for opening an account is Rs. 25,000. Profit is calculated with a higher weightage for account balance upto Rs. 1 million and a lower weightage is assigned on the balance over and above Rs. 1 million. There is no restriction on withdrawals or numbers of transactions and there is no deduction of service charges if the balance maintained is low.

Karobari Munafa Account

Meezan Bank's Karobari Munafa Account is a savings account where profit is calculated on daily balance and credited into the account on a monthly basis. The minimum investment required for opening an account is Rs.1 million. On maintaining an average monthly balance of Rs. 1 million, the customers can avail free cheque book & free pay order facilities. There is no restriction on withdrawals or numbers of transactions and there is no deduction of service charges if the balance maintained is low.

Meezan Business Plus Account

Meezan Business Plus is a savings account with several unique features that make it very suitable for use as a business account. The minimum investment required for opening an account is Rs.100,000. On maintaining an average monthly balance of Rs.100,000 the customer can avail a large number of free services including free cheque books, free pay orders, free VISA Debit Card, free account statements, free Online banking, free internet banking, free hold-mail facility, free SMS Alert service, free inter-city clearing, etc. There is no restriction on withdrawals or numbers of transactions and there is no deduction of service charges if the balance maintained is low.

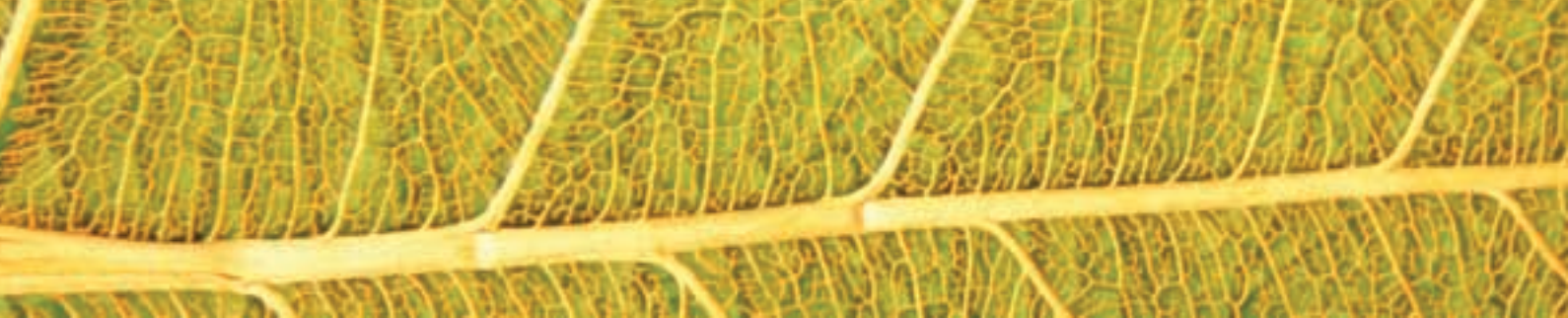
Dollar Savings Account

Meezan Bank's Dollar Savings Account is a foreign currency savings account that can be opened by both individuals and corporates. Profit is calculated on daily balance and credited into the account on a monthly basis. The minimum investment required for opening an account is USD 100. There is no restriction on withdrawals or numbers of transactions and there is no deduction of service charges if the balance maintained is low.

Euro Savings Account / Pound Savings Account

Meezan Bank's Euro Savings Account & Pound Savings Account are foreign currency saving accounts that can be opened by both individuals and corporates. Profit is calculated on daily balance and credited into the account on a monthly basis.





The minimum investment required for opening an account is Euro / GBP 100. There is no restriction on withdrawals or numbers of transactions and there is no deduction of service charges if the balance maintained is low

Certificates of Islamic Investment

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

Meezan Amdan Certificate

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

Monthly Mudarabah Certificate

The Monthly Mudarabah Certificate is a short-term deposit product for an investment period of one month only. Profit is paid on maturity with re-investment option available on a continuous basis. Minimum investment required is Rs. 100,000. Pre-mature withdrawal can be made as per the approved schedule.

Dollar Mudarabah Certificate

Dollar Mudarabah Certificates are foreign currency Term Deposit certificates through which one can invest US Dollars for defined periods ranging from 3 months to 3 years and earn profit six-monthly or at maturity. Minimum investment required is USD 10,000 and there is no maximum investment limit. Pre-mature withdrawal can be made as per approved schedule.

Meezan Labbaik Saving Aasaan

Meezan Labbaik Saving Aasaan is a deposit product for individuals who wish to save for their spouse, children, parents or other family members for performing Hajj or Umrah on a future date. It is a Recurring Deposit Account, where the customer deposits monthly contribution as per a schedule. The minimum investment required for opening an account is Rs. 1,000.

This is a non-checking account where no cheque book or VISA Debit Card is issued. Profit is calculated on daily balance and credited into the account on a monthly basis. Apart from regular monthly contribution, the customer can also deposit additional amounts as per their convenience in order to complete the targeted deposit amount and make the desired journey earlier than initially planned. After accumulation of the desired deposit amount the customer can avail any one of the packages offered by authorized travel agents through Meezan Bank or utilize the funds for alternate purposes.

Meezan Labbaik Travel Aasaan

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

1. Customer can pay full cost of the selected package upfront and travel right away after completing all travel arrangements
2. Customer can pay a downpayment with first installment and travel after completing all travel arrangements. The remaining cost of the package will be financed by the Bank and the customer will repay this in 11 installments with no additional charges after performing Umrah / Hajj.

Car Ijarah

Meezan Bank's Car Ijarah is an auto finance facility based on the principles of Ijarah. Car Ijarah is a car rental agreement under which the Bank purchases a new/used car of the customer's choice and rents it out to the customer for a period of 3 to 5 years, agreed at the time of the contract. The Bank offers low monthly rental and quick processing and delivery. Rental payment starts after delivery of vehicle to the customer. The Bank also provides Takaful cover of the car and free accidental death coverage up to Rs. 400,000.





Easy Home

Meezan Bank's Easy Home is a housing finance facility based on the principle of Diminishing Musharakah. With Meezan Easy Buyer - the customer can buy a house, with Meezan Easy Home - build a house, with Meezan Easy Renovate - renovate a house and with Meezan Easy Replace, replace an existing conventional housing loan with Riba-free Islamic financing. With flexible financing tailored to support the customers' need and a quick processing time, Meezan Bank's Easy Home provides one of the best options to buy, build, renovate or replace a house.

Online Banking

Meezan Bank offers free Online banking facility on all Pak Rupee accounts to its customers. This enables the Bank's customers to access their accounts and conduct banking transactions from any of Meezan Bank's 222 branches nationwide, regardless of which branch or city they have their account in. This facility provides great convenience for depositing and withdrawing cash, making pay-orders and availing numerous other banking services.

8 to 8 Banking

Meezan Bank is the first bank in Pakistan to introduce the concept of 8 to 8 banking, giving its customer access to their branch from 8 O' clock in the morning to 8 O' clock at night. This facility is available at select branches. Customers can visit the selected branch early in the morning before going to work or can drop by in the evening on their way home without having to worry about losing valuable office hours.

Meezan VISA Debit Card

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

Internet Banking

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

- Balance inquiry of multiple accounts
- Viewing account statement
- Real time cheque status and stop payment request
- Cheque book and pay-order request
- Lodging complaints and tracking their status
- Account activity alerts

SMS Alerts

Meezan Bank's SMS Alert service keeps customers informed about all activity in their account; enabling them to keep track of their financial transactions. Once the customer signs-up for SMS Alerts, he/she will receive an SMS whenever there is a debit or credit transaction in their account. The SMS will give transaction details and the latest account balance. To avail the SMS Alert service, customers can visit any branch of Meezan Bank and complete the application form to activate the service.

Meezan ATM Network

Meezan Bank offers a wide network of 169 ATMs located at its branches as well as at prominent off-site locations across the country. The Bank also offers access to more than 2,000 ATM locations country-wide via 1-Link and MNET Networks.

Meezan Quick Pay

Meezan Quick Pay is a facility that allows customers to pay Utility Bills or mobile phone usage through Meezan Bank's ATMs, meaning that they no longer have to wait in queues to pay these bills. Customers can pay their telephone, gas and electricity bills of selected companies at any of Meezan Banks ATMs nationwide - 24 hours a day, 7 days a week.



Chairman's Review



The Bank is now ranked as the 11th largest bank of the country in terms of branch network



Alhamdulillah, all praises and thanks are Allah's.

I am delighted to present the Annual Report of Meezan Bank Limited for the year ended December 31, 2010. The performance of the Bank for the year under review is both impressive and commendable.

The Bank continues to record strong growth in both deposits and profitability despite some of the problems that beset Pakistan during the year. In particular, we are greatly concerned by the misery caused by severe floods in large parts of the country that left millions of people homeless. However, the nation of Pakistan has once again demonstrated excellent resilience in the face of disaster and has recovered strongly. Notwithstanding the damage to standing crops, agricultural output recorded very good levels of production. This together with the substantial increase in the price of commodities in the international markets has helped farmers. Driven by the influx of liquidity in the rural sector, consumer goods have experienced very robust growth in demand.

Meezan Bank has consolidated its position as the leading and premier Islamic bank of Pakistan. The Bank is now ranked as the 11th largest bank of the country in terms of branch network – boasting a network of 222 branches in 63 cities of Pakistan. At the same time the Bank has focused on strengthening its internal control systems and its technology backbone. The aim is to provide high quality banking products and services across Pakistan in a secure and congenial environment. We strive to ensure excellence in all aspects of banking at Meezan Bank and are committed to realizing our Vision of making Islamic Banking, banking of first choice.

A significant development in 2010 was the long awaited Ijarah Sukuk issue by the Government of Pakistan. Two tranches were offered to banks during the year and Meezan Bank was the largest participant in both issues, picking up a total of Rs. 18 billion in the Primary auction. The Sukuk has largely alleviated the surplus liquidity problem that has beleaguered Islamic banks since the inception of the industry in 2002. We are grateful to the Ministry of Finance and the State Bank of Pakistan for bringing this 3-year instrument to market and hope that similar issues will be forthcoming in future. In addition, we request that consideration is given to issuing an instrument of a shorter tenure so that the depth of the market, especially the secondary market, may be improved.

The Board of Directors has approved a final payout of 15% bonus shares, thereby increasing the paid-up capital of the Bank to Rs. 8 billion. As a result, Meezan Bank now satisfies the minimum capital requirement of the State Bank of Pakistan not only for 2010 but also for 2011.

It is also gratifying to note that MashaAllah the asset management subsidiary of the Bank, Al Meezan Investment Management Limited achieved the significant milestone of surpassing Rs. 25 billion in funds under asset management – making it the largest private sector asset management company in Pakistan.

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

May Allah grant us success in our endeavors.

Ebrahim Bin Khalif Al-Khalifa
Chairman

February 11, 2011



Charity for Social Welfare

Alhamdulillah, Meezan Bank's operations and corresponding financing transactions grow substantially every year. As a result of this growth, the amount collected on account of charity also increases every year. The Shariah Advisor and Shariah Supervisory Board of the Bank monitor this process and the charity account operates under their guidance and approval, so as to ensure that the funds from this account are utilized for promotion of social and welfare causes in the society. For this purpose, an independent trust by the name of Ihsan Trust has been registered as an independent entity for disbursement of Meezan Bank's charity fund. The charity contributions made by the Trust are not linked to the business interests of Meezan Bank.

During the year, Meezan Bank disbursed a total of Rs. 137.6 million from its charity fund, the highest in the history of the Bank, towards promotion of social and welfare causes. Details of charity disbursements are given in Note 18.4 to these accounts. A few of the projects undertaken either jointly with Ihsan Trust or directly by Meezan Bank are detailed below:

Continued support through Qarz e Hasna for higher studies

The 'Qarz e Hasna' scheme developed by Ihsan Trust and facilitated by Meezan Bank to help needy and meritorious students in pursuing their higher studies, entered its second year of operations with more Memorandum of Understanding (MOUs) being signed with various universities all over Pakistan - including IBA - Karachi, LUMS, NUST, Sir Syed University of Engineering & Technology, IoBM, International Islamic University Islamabad, Riphah University Islamabad & Institute of Management Sciences Peshawar.

Approximately 100 students of the universities mentioned above were provided Qarz e Hasna facility during 2010 to pursue higher education.



Institute of Business Administration (IBA) - National Talent Hunt Program

The partnership with IBA for their National Talent Hunt Program (NTHP) entered its second year. Under this program, meritorious but needy students from remote and under-developed areas are provided fully-paid scholarships by Ihsan Trust for the Bachelors and Masters Degree programs of IBA. Meezan Bank facilitated IBA in the selection process of NTHP 2010 by providing its branches and staff to conduct the selection interviews in all the four provincial capitals and Islamabad. A total of 27 students were selected for the Orientation Program and final Admission Test and out of these, six students were accepted by IBA for the Bachelors Program.



Corporate Social Responsibility

Being cognizant of its obligations towards the society as a corporate citizen, Meezan Bank contributed through financial aid, human effort and utilization of its branch network towards numerous social causes as well as towards efforts to alleviate the sufferings of people affected by the recent floods.



Details of the CSR initiatives undertaken during the year are as follows:

Meezan Bank's employees' contribution towards rehabilitation of flood-affected people

In order to support the people affected by the devastating floods that occurred in August 2010, Meezan Bank's employees contributed, in their own humble way, to help with the recovery and rehabilitation of the people affected by the floods by contributing funds into a 'Flood Victims Relief Account'. Money collected into this account was used to provide food and other essential provisions in the flood-affected areas. As a part of this initiative, Meezan Bank contributed an additional Rs. 2/- for every Rs. 1/- contributed by the employees to this fund. The Bank's extensive branch network in the affected areas helped in achieving deep penetration within these areas and was an efficient channel for providing relief to the affected people.



In addition to the above, the Bank also collaborated with Islamic Relief Pakistan and Ihsan Trust to provide 2,100 people in Charsadda District with cooked food for 15 days; partnered with Ihsan Trust to distribute dry food in the areas surrounding Multan; distributed cooked food and provided floor mats to around 500 people in the Multan area; provided dry food for 15 days to approximately 1000 flood victims in Muzaffargarh and joined hands with Helping Hands in Islamabad to establish medical camps and provide personal hygiene kits to flood-affected people in all the provinces.

The Bank also collaborated with Bhattai Hospital, Sukkur for providing medicines and ready-to-eat meals to more than 2,000 people at relief camps in Bhit Shah and Saeedabad and collaborated with Omair Sana foundation to establish 4 mobile OPD clinics in different areas of Sindh.

CSR initiatives in the health sector

The Bank teamed-up with Afzaal Memorial Thalassemia Foundation on 8th May, 2010 - Thalassemia International Day, to create awareness among its employees, customers and the general public about Thalassemia and its prevention. This was done by disseminating information about Thalassemia through flyers and email as well as display of banners outside its branches.

Meezan Bank has continued its support of Sind Institute of Urology Transplant and Shaukat Khanum Cancer Hospital by providing its extensive branch network as a avenue for them to distribute their flyers and collect donations from the general public.

In an effort to help cancer patients, Meezan Bank signed an MOU with Shaukat Khanum Memorial Hospital for placing their coin/collection boxes in all branches of Sindh and Baluchistan. The money so collected is deposited in the hospital's account and is available for withdrawal immediately by the hospital since all branches of Meezan Bank provide real-time online account operation. It is expected that this arrangement will be expanded to other branches of the Bank in Punjab, Kyhber Pakhtunkhwa and AJK in the year 2011.

Meezan Bank continued to extend its support to The Kidney Centre, a non-profit institution that offers free-of-cost treatment to needy patients suffering from nephro-urological diseases and Markaz-e-Umeed, a vocational welfare society that has been in operation for the welfare of mentally challenged children, during the year.

Meezan Bank also facilitated Children Cancer Hospital (CCH) Karachi, in their campaign for collection of Zakat. All the branches of Meezan Bank in Karachi displayed the standees of CCH during the month of Ramadan in 2010, providing information about the organization and appealing to the public for donation and Zakat for CCH. This collaboration was of great help to CCH since substantial funds were collected through this campaign.



Trainings

In order to increase public awareness and understanding about Islamic banking, the Bank conducted 38 seminars on Islamic banking all over the country during 2010. This has been a continuing initiative of the Bank and has been very well-received and appreciated by both customers as well as the general public.

A special three day training seminar was also conducted in collaboration with LUMS, for Centre for Women Cooperative Development (CWCD). The basic purpose of this seminar was to educate the participants about Islamic banking and to impart an understanding of how Islamic financial products can be used in micro finance with proper risk management.

Business and Operation Review

Business Review

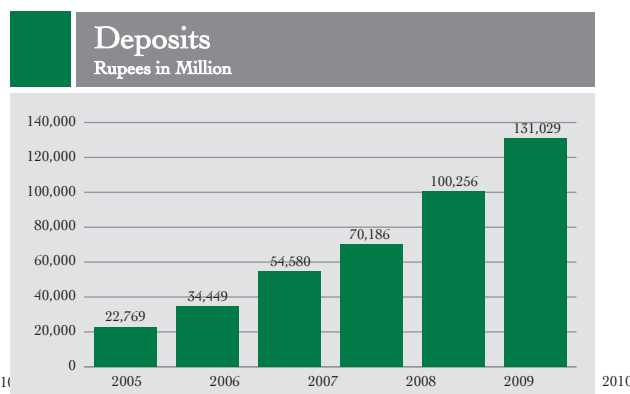
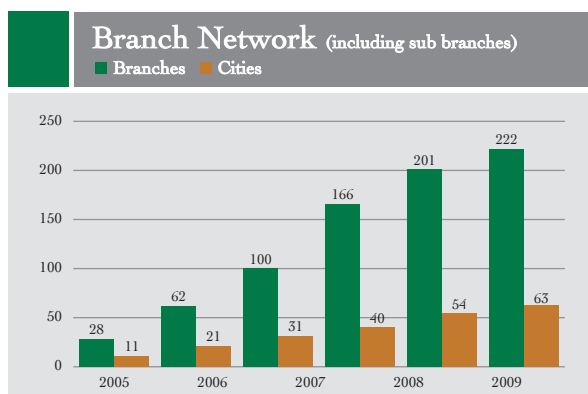
Alhamdulillah, Meezan Bank made good progress during the year under review. The focus has been to consolidate and strengthen systems and processes while at the same time maintain growth.

Branch Network and Deposits

Meezan Bank offers a wide range of deposit products - current, saving and term deposit accounts - all designed with flexible features to meet the needs of our customers in a Shariah-compliant manner.

The Bank continued with its aggressive branch expansion plan during 2010 and expanded to 222 branches in 63 cities from 201 branches in 54 cities in 2009. This has further strengthened Meezan Bank's ability to create awareness and deliver Islamic banking products and services throughout the country.

Alhamdulillah, the strategy to aggressively grow the branch network has been successful. Total deposits at December 31, 2010 crossed Rs. 130 billion compared to Rs. 100 billion for 2009, an increase of 30%, compared to the banking industry average of 18.5 %. In addition to a large branch network, Meezan Bank also has an effective customer outreach programme that uses a team of Business Development Officers.

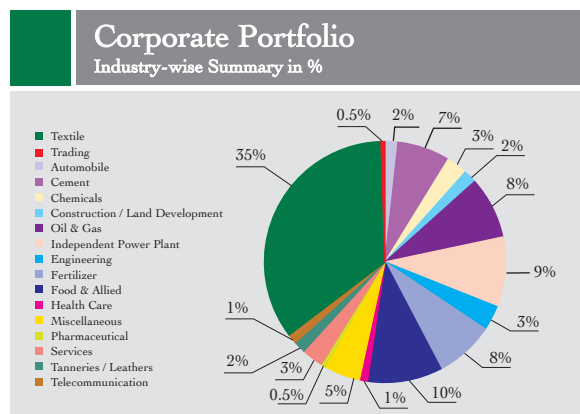


Corporate Banking

The Corporate Banking department provides financing and financial services to large corporate and institutional clients, including public sector entities. The Bank offers a broad range of products to cater to short and long-term financing needs and other non-fund requirements like letters of credit, guarantees etc. of its clients.

Meezan Bank pursued a cautious and focused growth strategy in its Corporate Banking business and booked quality assets in its portfolio. The Bank concentrated on developing and strengthening relationships with multinational companies and top-tier local groups as well as with the leading companies in every business sector. The Bank's Corporate portfolio is therefore diversified across various industrial sectors as depicted in the chart.

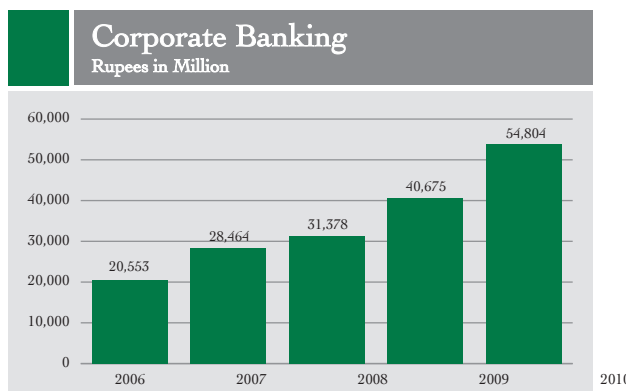
The industrial classification is reflective of the economic and industrial activity in the country. The prime driver behind the largest share of textile sector is the rise in seasonal financing due to unprecedented spike in cotton prices. Apart from textile other major contributors are energy, fertilizer, cement and food sectors.





Corporate Banking was able to book top quality names such as Unilever Pakistan Ltd., International Industries Ltd., Attock Cement Pakistan Ltd. and Cherat Cement Company Ltd. and also won several project finance mandates of various renowned corporate customers, which will Insha'Allah materialize during 2011.

As a result of the focused and targeted marketing efforts of the Corporate Banking team, the total Corporate asset portfolio increased by 34.74% to reach Rs. 54.8 billion by year-end 2010. In addition to growing the financing portfolio, the Bank also focused on maximizing the overall yield of its Corporate Banking portfolio by generating Trade Finance business. The total Trade Finance business generated by the Corporate Banking team was Rs. 95 billion, which represents 66 % of the total Trade Finance business of the Bank.








During 2011, Meezan Bank will continue to grow its Corporate Banking business while maintaining focus on building and strengthening relationships with businesses for their seasonal as well as regular working capital and medium to long term financing needs.

Investment Banking

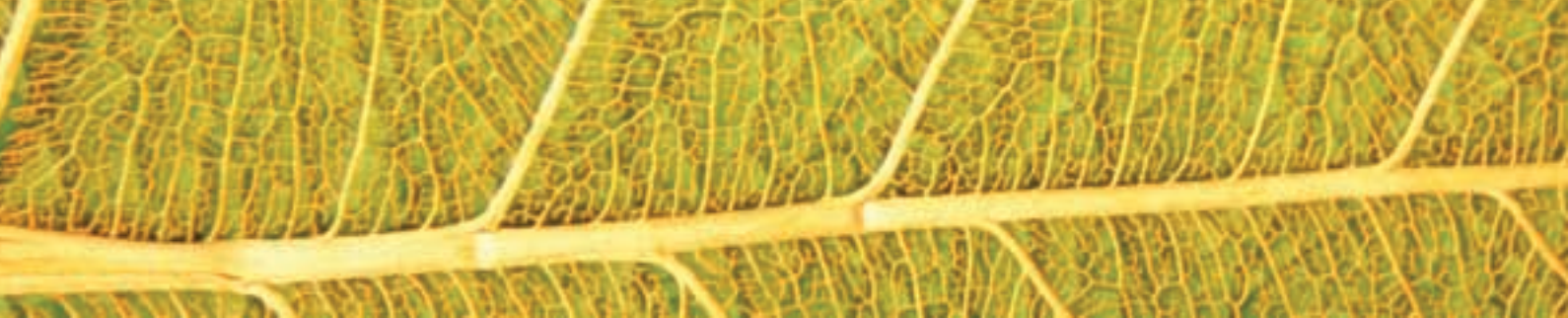
The Investment Banking department (IBD) provides structured financing solutions to meet the corporate and project financing needs of its clientele by arranging syndicated financing and Sukuk issues. In addition to such financing solutions, IBD also provides financial advisory services which include mergers & acquisitions, leveraged & management buy-outs, corporate valuation and financial restructuring advisory. With a team of MBAs, ACAs, ACCAs, Engineers and a CFA charterholder having over 30 years of cumulative investment banking experience, the IBD is well equipped to offer full range of investment banking services to its ever demanding clientele.

The year 2009 witnessed meltdown of the financial sector globally and effects of this were felt in the local financial markets. However, during the first quarter of 2010, modest recovery in business activity was witnessed and IBD directed its efforts in capitalizing the improving economics. As a result, IBD was able to represent the Bank in leading roles for a number of multi-billion financing transactions, thereby adding Rs. 5 billion to the Bank's assets portfolio and a healthy fee income to the Bank's revenue. Selected transactions in which the Bank was represented are:

<p>Ufone</p>  <p>Syndicated Finance Facility Rs. 1,000 Million Lead Arranger</p> 	<p>Pak-Arab Refinery Limited</p>  <p>Syndicated Finance Facilities Rs. 2,900 Million Joint Lead Arranger</p> 	<p>Sui Souther Gas Company Limited</p>  <p>Syndicated Finance Facilities Rs. 2,500 Million Joint Lead Arranger</p> 	<p>D.G. Khan Cement Company Limited</p>  <p>Syndicated Finance Facilities Rs. 1,350 Million Joint Lead Arranger</p> 	<p>HUBCO</p>  <p>Syndicated Finance Facilities Rs. 4,500 Million Co-Arranger</p> 
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IBD also worked closely with the Shariah Supervisory Board of the State Bank of Pakistan (SBP) on the Government of Pakistan Ijarah Sukuk, issuance of which was being deferred due to the absence of a structure that was both Shariah-compliant and legally effective. IBD overcame this by devising a solution practical enough to address not only the Shariah compliance concern, but also the legal intricacies requisite for a transaction of this nature - once again proving the Bank as the leader in providing comprehensive Shariah-compliant financing solutions.

IBD is fully geared up to take on the challenges of 2011 and will focus to explore possibilities for structuring Islamic asset-backed securitization and commercial paper transactions.



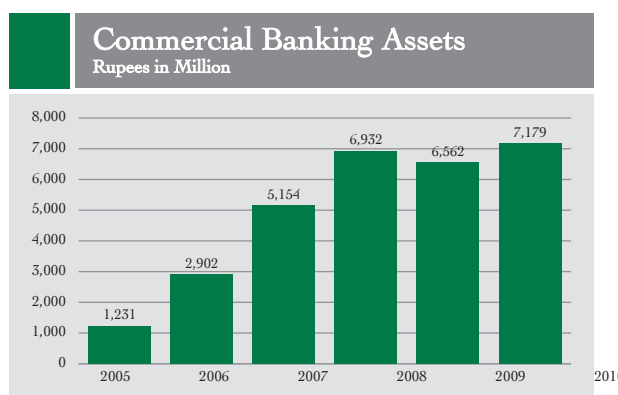
Commercial Banking (including Small and Medium Enterprises)

The Commercial Banking department targets the 'middle-market' segment of customers with sales turnover of upto Rs. 800 million. This segment also includes 'small & medium scale enterprises' (SME) - customers with sales turnover of upto Rs. 300 million and financing requirement of upto Rs. 75 million. This market segment represents the backbone of Pakistan's economy and has high growth potential. This business segment continues to play an instrumental role in the business model of Meezan Bank.

The Bank continued to consolidate its position in the SME and middle-market segments while maintaining strong credit quality and achieved 5% growth in its financing portfolio.

The Bank also made substantial inroads in commodity/seasonal financing. Credit limits of over Rs. 2 Billion were sanctioned for seasonal products financing such as rice and cotton ginning in southern Punjab. Expanding its outreach, the Bank is now focusing on interior Sindh to capture the seasonal business potential in that area.

The Bank's credit portfolio remained well-diversified over several geographic regions, various products and across different industries/sectors and this has been a key factor in contributing to the success of this business segment.



Going forward, the Bank plans to grow the Commercial Banking portfolio by over 30% through the existing as well as enhanced branch network.

Consumer Banking

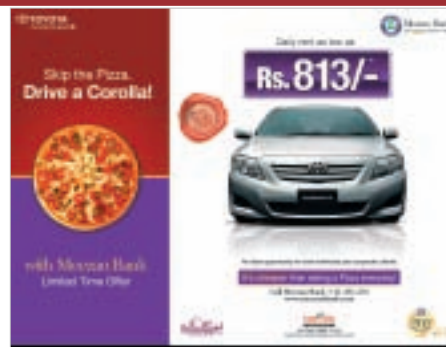
The Consumer Banking department of Meezan Bank is responsible for assisting branches in mobilizing deposits through a direct sales force and managing the consumer asset business of the Bank. Dedicated sales teams placed at the branches target both new and existing customers by offering them liability products such as Current Accounts, Saving Accounts, Term Deposits etc. The two consumer asset products of the Bank, Car Ijarah (auto finance) and Easy Home (housing finance), are managed through dedicated sales teams placed at selected branches and sales & processing 'hubs' strategically located across Pakistan. The Bank also established a Telemarketing unit to facilitate customers in meeting their consumer banking needs.

Meezan Bank is the pioneer in providing Shariah-compliant consumer products of auto finance and housing finance in the country. Despite the past recession and slow economic growth due to which several market players suspended these services, Meezan Bank continued its Consumer Banking operations to cater the needs of the customers; a strategic decision that has given positive business results.

CAR IJARAH - Meezan Bank and Indus Motors launch Toyota Cars Financing

Meezan Bank partnered with Indus Motor Company to provide specially designed auto financing options with special benefits on vehicles of Indus Motor Company.

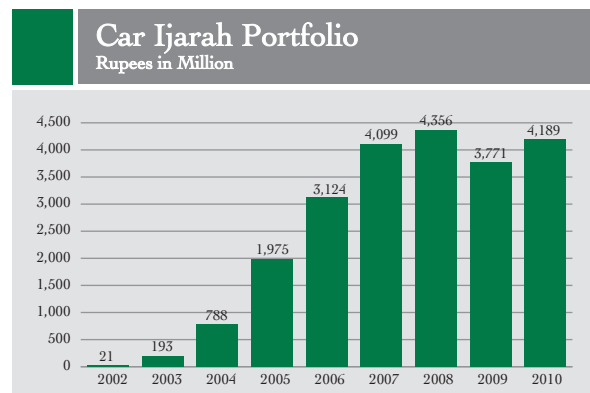
All types of vehicles manufactured by Indus Motor Company can be acquired under this program and customers will get benefits such as priority delivery, lower monthly rental, reduced processing charges, lower up-front payment, Takaful coverage etc.



Auto Finance (Car Ijarah):

With a 9-year-old portfolio, the Auto finance business stands at Rs. 4.2 billion and includes over 8,000 active vehicles. Meezan Bank is among the top three auto finance providers in the country. The Bank formed alliances with leading automobile manufacturers during the year that resulted in increased asset booking as well as higher market penetration and brand-building. Some of the key achievements of Meezan Bank's auto finance business unit were:

- Successful completion of one year of co-branding with Pak Suzuki Motor Company Ltd., the largest automobile manufacturer in Pakistan. Pak Suzuki has ranked Meezan Bank as its No. 1 Suzuki Finance partner.
- Successful co-branding with Indus Motors - the second largest automobile manufacturer in Pakistan that produces the Toyota brand.
- Introduction of 'Residual Value' model of auto financing - a product enhancement initiative that made Meezan Bank the first Islamic financial institution in Pakistan to launch this variant in automobile financing.
- An enhancement in distribution network through expansion into new areas and cities.
- Participation in various exhibitions to build and strengthen relationships in the automobiles sector. This has given a significant boost to the Bank's auto finance business in the otherwise slow market.

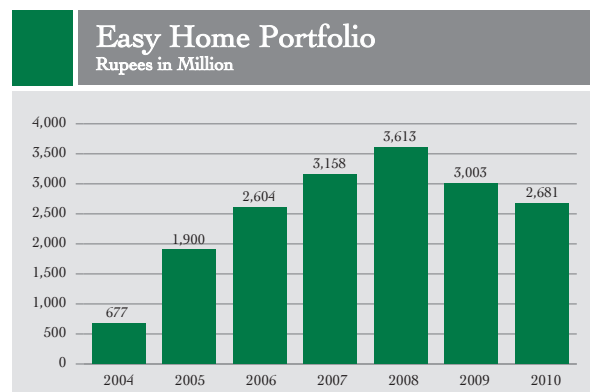


Stringent underwriting criteria has ensured that ratio of non-performing financing has been curtailed at impressively low level of 1.15% of the total portfolio compared to the industry average of 10%.

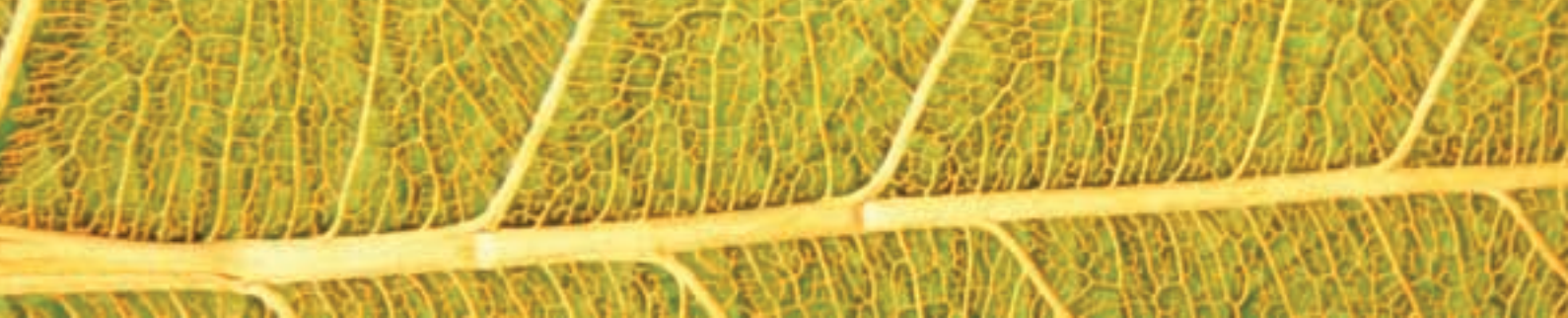
Housing Finance (Easy Home)

In the light of the difficult economic circumstances faced by the country during 2010 the real estate and housing finance markets remained depressed. Despite the challenging environment, Meezan Bank continued its housing finance business, albeit with a very cautious and selective approach in extending new financing. The total housing finance portfolio of the Bank stands at Rs.2.7 billion representing over 1,100 customers across Pakistan. Due to this cautious approach and the depressed state of the market, the size of the Bank's housing finance portfolio has experienced a declining trend over the last few years

As a consequence of the economic conditions, especially rising inflation, delinquencies in the housing finance portfolio increased to a level of over 9%. However, this compares favorably with the industry average of 21% (on September 30, 2010). During the year, efforts were also made for improving the effectiveness of the Collection unit that has helped in minimizing losses.



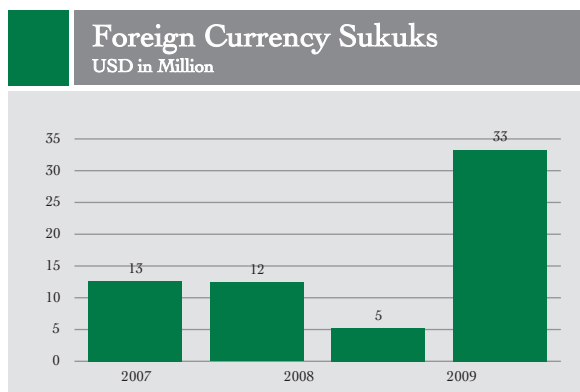
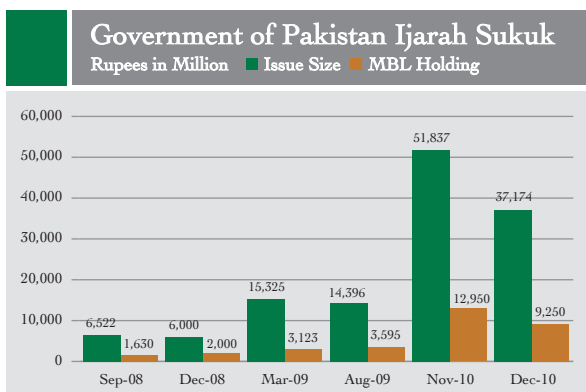
The strategic plan for 2011 focuses on increasing market penetration by expanding the product menu. The Bank is diversifying its liability products offering in order to increase its deposit base and planning to introduce new products such as Laptop financing which will be the forerunner in the line of consumer durables financing.



Treasury and Financial Institutions

Meezan Bank's Treasury has established itself as an active and formidable player in the local foreign exchange and money markets. With the back-drop of competitive market pricing and increasing market presence, the Bank's Trade Finance business for the year increased to Rs. 143 billion. Strong client relationship was evident in the expanding corporate client base and a significant increase in the export business as well as forward cover contracts totaling Rs.20 billion during the year.

Meezan Bank remained the largest holder of the Government of Pakistan (GOP) Ijarah Sukuk through successfully bidding in the too much awaited GOP Ijarah Sukuk auctions held during 2010. In line with the initiative of SBP, the Bank's Treasury also introduced the Bloomberg platform (E-bond automated dealing) to create a viable and active secondary market for the GOP Ijarah and foreign currency Sukuks. Issuance of SLR-eligible, government-guaranteed one year Sukuk by SBP remains in the pipeline, which will not only address the ongoing liquidity concern but will also enable greater efficiency and flexibility for managing asset-liability gaps. With the foreign currency deposits on a rise, the Bank also established itself as the largest holder of Shariah-compliant FCY Sukuks. Going forward, Meezan Bank, through its Treasury and Product Development & Shariah Compliance departments, will be in close coordination with SBP for establishment of the lender-of-last-resort facility for Islamic banks.



2010

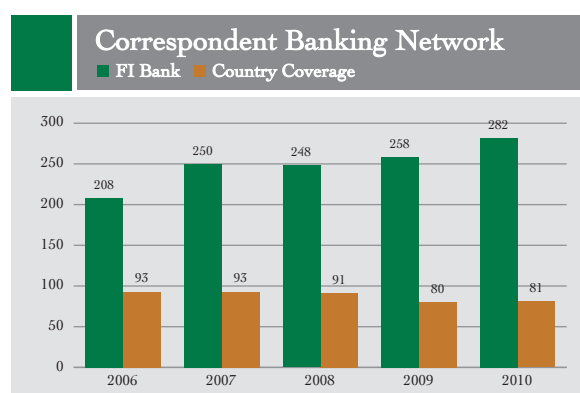
The Financial Institutions / Correspondent Banking unit is responsible for establishing and maintaining institutional / correspondent banking relationships with local and foreign counterparts. The unit aims to facilitate all areas of international banking operations inclusive of trade, treasury, remittances and nostro / vostro account relationships.



The Bank has in place Trade Finance Facilitation Agreements with International Finance Corporation (IFC) and Asian Development Bank (ADB). It also has a Trade Finance Facilitation Credit Limit from The Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), a subsidiary of the Islamic Development Bank. International Correspondents can add confirmation on Letter of Credits issued by Meezan Bank against the support of IFC / ADB / ICIEC, thus bolstering international trade business.

The Bank has successfully made arrangements with its valued correspondents for facilitating relay of Letter of Credits (Confirmed and Unconfirmed) of large amounts for import of oil. The Bank is also in the process of establishing Saudi Riyal nostro account to facilitate Hajj and Umrah remittances. The Correspondent Banking Network and Country Coverage, which the Bank maintains is depicted in the graph.

Meezan Bank has internationally renowned banks, such as JP Morgan Chase, Deutsche Bank, Commerzbank, HSBC, Standard Chartered, Citibank, Unicredit, Mashreqbank etc., on its list of Correspondent Banks. The complete list of all Correspondent Banks is given on page 202.



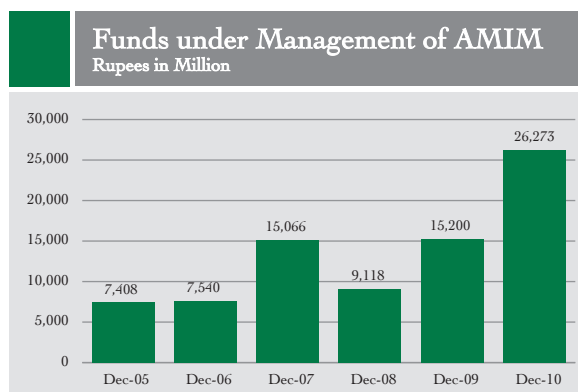


Al Meezan Investment Management Ltd.

Al Meezan Investment Management Limited

Asset Management

The Asset Management business of Meezan Bank is managed by its subsidiary, Al Meezan Investment Management Limited (AMIM). The company has been in operation since 1995 and has one of the longest track records among private sector companies managing mutual funds in Pakistan. It also has the distinction of being the only Asset Management company in Pakistan with the exclusive mandate of providing Shariah-compliant investment solutions to its investors. The growth of AMIM in recent past has been phenomenal. With assets under management of over Rs. 26.2 billion as at December 31, 2010, AMIM has the distinction of being the largest private sector Asset Management company in Pakistan.



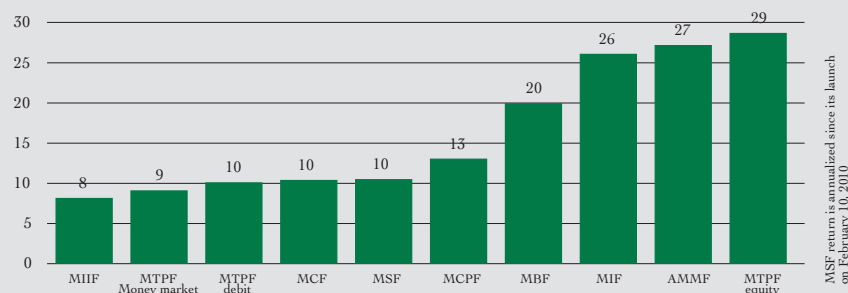
The Product Development & Shariah Compliance team of Meezan Bank ensures compliance of funds under management of AMIM according to Shariah guidelines issued by the Shariah Advisor. The product development team at AMIM works proactively to introduce new Shariah-compliant investment structures. During the year AMIM launched Meezan Sovereign Fund-an open-end fund; its eighth fund under management, including two closed-end funds, five open-end funds and one voluntary pension scheme. Currently AMIM is working on the launch of other funds, such as Meezan Asset Allocation Fund and Meezan Capital Protected Fund - II.

Name of Fund	Type	Net Assets - Rs. million (December 31, 2010)	Annualized Return Since Inception
Al Meezan Mutual Fund (AMMF)	Closed-End Equity	1,637	16.44%
Meezan Islamic Fund (MIF)	Open-End Equity	4,487	17.93%
Meezan Balanced Fund (MBF)	Closed-End Balanced	1,413	14.18%
Meezan Islamic Income Fund (MIIF)	Open-End Income	3,023	9.06%
Meezan Cash Fund (MCF)	Open-End Money Market	6,304	10.16%
Meezan Sovereign Fund (MSF)	Open-End Income Fund	8,399	10.40%
Meezan Capital Protected Fund - I	Open-End Capital Protected Fund	686	8.38%
Meezan Tahaffuz Pension Fund	Voluntary Pension Scheme	324	Equity 6.9% Debt 9.0% Money Market 9.0%



Performance of Funds in 2010

Returns in %





Operations Review

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

Product Development and Shariah Compliance

Islamic banking and adherence to the Shariah rules go hand in hand. The foundation of strong Shariah footings is fundamental at Meezan Bank and to further strengthen this commitment a dedicated and full fledged Product Development & Shariah Compliance (PDSC) department was formally setup in March 2005 for centralization of research and product-development activities, Islamic banking training and Shariah Audit & Compliance functions. The department works under the guidance & supervision of the Bank's Shariah Advisor - Dr. Muhammad Imran Ashraf Usmani and the SSB.

□ Product Development and Research:

With its focus on providing innovative Shariah-compliant solutions, the Bank developed a mechanism for providing working capital financing as an alternative for bill discounting, using the concepts of Istisna and Tijarah. This has added to the Bank's diverse menu of available Shariah-compliant products.

In order to facilitate the development of Islamic Microfinance, the Bank has developed a financing product based on the concept of 'Wakalah' which will encourage the development of financing partnerships between Islamic banks and Microfinance institutions. Furthermore, several tailor-made, industry-specific solutions were offered for diverse working capital and long term needs of various SME & Corporate customers. These solutions were based on Islamic financing modes of Murabaha, Istisna, Tijarah, Ijarah, Diminishing Musharakah & Sukuk. The Bank also developed a financing product for laptops, based on the concept of Musawamah.

As per the guidelines of its SSB & SBP, the Bank had embarked on a project of translating its Islamic financing agreements into the Urdu language in 2009. This project has almost been completed and the Bank has issued Urdu translations of legal agreements of all major financing products. Based on the philosophy of continuous improvement the Bank has also refined the legal documentation of its financing agreements to incorporate updated Shariah guidelines and research. Focused research is being conducted for developing innovative custom-made financing solutions for sectors such as Gold/jewellery industry, ginneries, agriculture and the surgical goods industry.

On the Islamic structured finance side, the Bank developed Shariah-compliant structures for different corporate clients

Meezan Bank launches Meezan Business Plus

Meezan Bank launched a business account to fulfill the needs of businessmen who want to maintain a business account where they have the flexibility & convenience to perform their routine transactions without any additional charges for issuance of cheque books, pay orders etc



This product is designed to provide maximum benefits to our valued customers. The product structure of Meezan Business Plus is based on Mudarabah principle where customers get a host of free value-added services. It is a Shariah-compliant solution offering free services to the account holders as an alternative to the conventional banking current accounts.

Meezan Business Plus can be opened by individuals, sole proprietors, partnership or Limited companies.



including Hub Power Company Limited, Sapphire Electric Company Limited, Pak Arab Refinery Limited and Pak Telecom Mobile Limited.

Spearheading the process of development of an Islamic banking benchmark rate (IIBOR) a proposed alternative to KIBOR, Meezan Bank's team presented a comprehensive research paper on Islamic banking benchmark rate to SBP and other Islamic banks in the market. The initiative is under way for setting up of a separate page on Reuters and quoting of inter-bank financing rates by Islamic banks. Meezan Bank has also extended its expertise to the SBP and Ministry of Finance in developing the Shariah structure for the recently launched Government of Pakistan (Jinnah Terminal) Ijarah Sukuk. The launch of the Sukuk has greatly helped in reducing the excess liquidity issues of the Islamic banking industry.

Meezan Bank has also worked with SBP for a Shariah-compliant alternative scheme for Islamic long-term finance facility for exporters as well as other SBP-lead refinance schemes. Moreover, research was also done with SBP for developing Shariah-compliant secondary mortgage market in Pakistan through the creation of Pakistan Mortgage Refinance Company. The Bank also continued to play an active and leading role in the Islamic Banking subcommittee of Pakistan Banks Association and at several SBP task forces for promotion of Islamic banking in the country.

▣ **Retail Banking Products**

Meezan Bank developed a number of new deposit products to cater to the unique needs of different market segments. Among the products launched during this year were Meezan Business Plus, a Mudaraba-based account that offers an array of free services for businesses, Meezan Euro Savings Account, and Meezan Pounds Savings Account. The Bank also re-launched Labbaik-Meezan Bank's Hajj and Umrah travel product.

▣ **Internal Training**

Providing continuous training to employees of all levels for enhancing their knowledge in Islamic banking & Shariah-compliance matters is a key priority at Meezan Bank. A 3-tier approach has been adopted for Islamic banking training ranging from basic orientation for all new staff, specialized functional and product training for different departments and advance level programs for senior staff members. More than 85 Islamic banking training sessions were held during the year in which over 2100 employees participated throughout Pakistan.

The 5th Batch of Islamic Banker Certification Course - an extensive 4-month program, was successfully held simultaneously through video conferencing in four cities. A comprehensive advanced-level, 6-Day Islamic banking course was held in 5 Regions of the country in which PDSC's experts along with leading Shariah Advisors of various Islamic banks imparted training to participants. Furthermore, several self-training videos were developed for the employees.

▣ **External Training and Awareness initiatives**

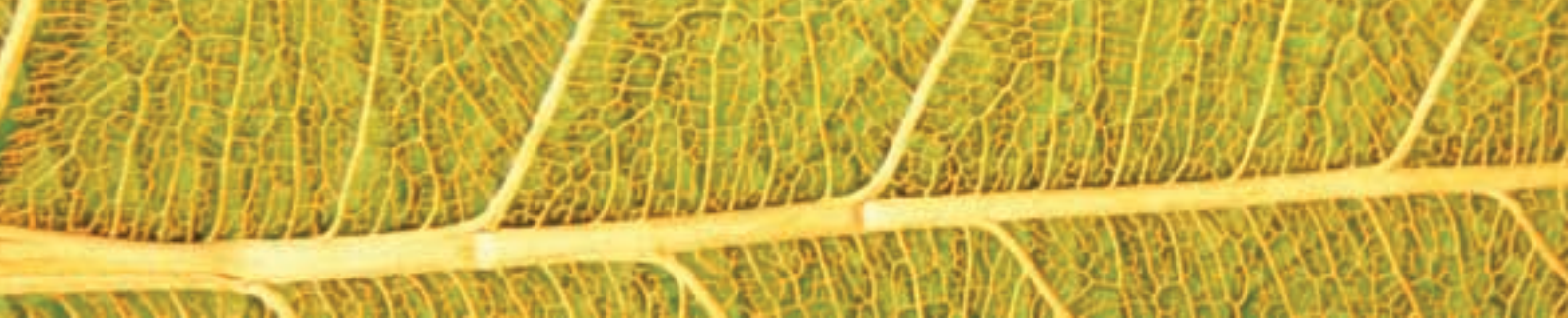
In line with its Vision to establish Islamic banking as banking of first choice; Meezan Bank continued its active role in conducting various training programs, workshops and seminars on Islamic banking both locally and internationally. 38 Islamic banking awareness seminars were held in 23 cities across Pakistan and were attended by more than 4,400 participants representing customers, general public, professionals, etc.

The Bank continued its support for promotion of Islamic banking in Pakistan to institutions including SBP, National Institute of Banking And Finance and Centre for Islamic Economics in conducting Islamic banking training sessions. The Bank also supported various Islamic banking courses and degree programs in different institutes including IBA - Karachi, Lahore University of Management Sciences, IBA - Sukkur, Institute of Business Management, PAF-KIET, Sheikh Zayed Islamic Center (University of Karachi) and Riphah International University (Islamabad). Joint training sessions and workshops were also held with Institute of Management Sciences (Peshawar), IBA - Karachi and International Islamic University (Islamabad). The Bank also developed and issued self-explanatory educational brochures related to Murabaha financing and Shariah - compliant import financing products.

▣ **Shariah-compliance and Audit**

Shariah-compliance is one of the most important aspects of Islamic banking and Meezan Bank has always adopted a policy of no compromise on Shariah principles. Shariah-compliance and audit at Meezan Bank start from opening of a branch and goes hand-in-hand at each step of product offering to the Bank's customers.

On the deposits side, the Bank ensures that concerned officers are adequately equipped with the basic concepts of Islamic banking and the structure of the various deposit products being offered by the Bank. On the financing side, before



establishing or renewing any banking relationship with a customer, their business activities are analyzed in detail to offer a product that best suits their business needs and cycle keeping in view their financing requirement. Customer-specific product process flows are designed and meetings, factory visits and random transaction reviews are also conducted to ensure Shariah-compliance at all stages.

In order to strengthen the controls on Murabaha transactions focus is given to direct payments to the supplier along with random physical inspections and invoice verifications. In Istisna and Tijarah transactions strong Shariah-compliance is ensured with 100% physical inspection for taking delivery of the goods purchased by the Bank for onward sale.

Shariah audit works in close liaison with Internal Audit and Compliance functions of the Bank to ensure Shariah-compliance through multiple cross-functional checks and provides feedback to the Compliance team for incorporation in its respective process flows.

□ Islamic Financial Advisory Services

The Islamic Financial Advisory arm of Meezan Bank assists financial institutions, Mutual Funds, Stock Exchanges and several other businesses in developing viable Shariah-compliant alternatives to conventional products by sharing its expertise, research and success stories.

Meezan Bank submitted the initial concept paper for the very first 'Islamic Counter' and 'Islamic Leverage System' at Karachi Stock Exchange (KSE). In the area of Islamic fund advisory, Meezan Bank continues to advise AMIM, NBP Fullerton Asset Management Company Limited (NAFA), KASB Funds Limited and AKD Investment Management Limited for the establishment and launch of various types of Shariah-compliant Mutual Funds and for matters related to re-composition of KMI - 30 Index (KSE Meezan Islamic Index) which is Pakistan's first ever Shariah-compliant Islamic Index. Meezan Bank also entered into 'Shariah Technical Services and Support' agreement with NAFA Riba Free Savings Fund.

Meezan Bank continued to provide advisory services for installment-based sales of consumer durables to United Sales (Pvt) Ltd, a subsidiary of Dawlance group, under the umbrella of Diyanat financing. The Bank has also agreed to provide Islamic Financial Advisory Services for conversion of Amrah Bank, Azerbaijan and talks are underway with various other institutes to provide Islamic Financial Advisory Services.

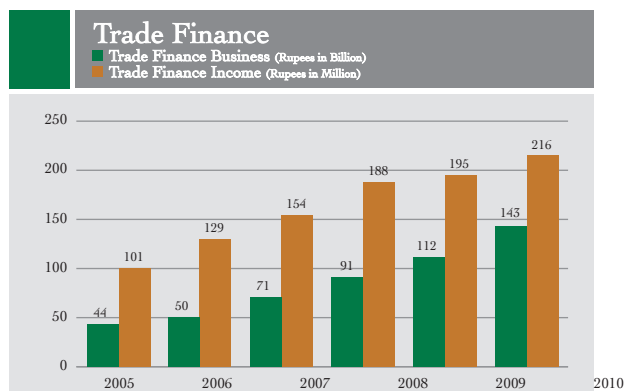
Operations

The Operations department is responsible for complete back-office processing for branch banking, Trade Finance, Credit Administration, Treasury, Capital Market, ADC and Mutual Funds. The primary function of the Operations department is to ensure that all transactions are accurately processed in line with SBP regulations, the Bank's Shariah guidelines and all related legal requirements.

One of the major projects currently being handled by the Operations department is the implementation of the Bank's new core banking application - T-24. Significant progress has been made on this project to date and over 176 branches have been migrated to the new system.

Trade Finance is an important unit of the Bank's Operations department. Alhamdulillah, during the year, the total volume of business handled by the unit crossed the figure of Rs. 143 billion. The Bank also offers an Islamic Export Refinance facility under an innovative Musharakah arrangement between Meezan Bank and the SBP.

The Credit Administration unit, an integral and important part of the Operations department is responsible for ensuring proper legal and security documentation as well as monitoring, accounting and reporting of all asset-based products of the Bank.



During the year, two new units were established under the umbrella of the Operations department.

□ **Home Remittance Unit**

Inward Remittances play a vital role in the economy of a country. The Bank, in its pursuit to tap the potential of this important business line, has rolled out a fully automated, end-to-end solution and a state-of-the-art remittance service to facilitate Home Remittances sent to Pakistan mainly by expatriate Pakistanis. The Bank's real-time online branch network enables it to provide convenient and efficient distribution of remittances to beneficiaries receiving funds in Pakistan.

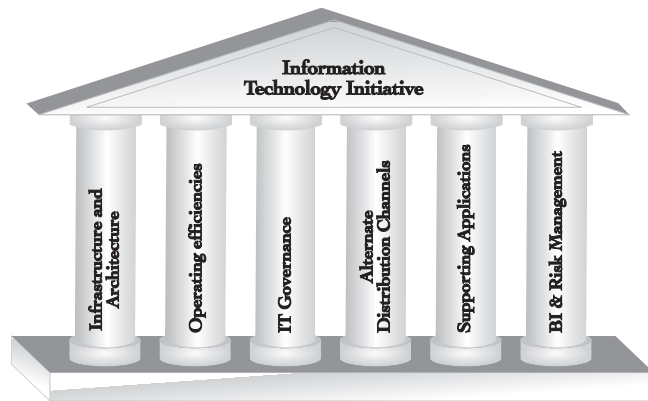
□ **Methods and Procedures Unit**

In light of the exponential growth in the physical network and business volume being handled by the Bank, there is a need to continuously improve processes and workflows so as to enhance control and efficiency. With this need in mind, a new unit has been established with the mandate to review the existing Standard Operating Procedures and develop and implement guidelines for improving and strengthening the internal control environment.

Operation manuals for the various functional areas that comes under the ambit of Operations have been reviewed and compiled as Meezan Instructions Manual (MIM) with a standardized corporate look, format and coding scheme to facilitate easy browsing, referencing and implementation at branches. MIM will be released in steps and it is envisaged that implementation of MIM for most of the banking areas will be completed by the end of 2011.

Information Technology

2010 was also a year of consolidation for Meezan Bank. Given that fact that the Bank has been growing exponentially, it was necessary to focus on strengthening the IT function under an organized approach to enable this department to continue providing seamless and efficient support to all business units. The Information Technology department developed a strategy based on the following six major areas; each area acts as a pillar to support all future IT initiatives of the Bank.





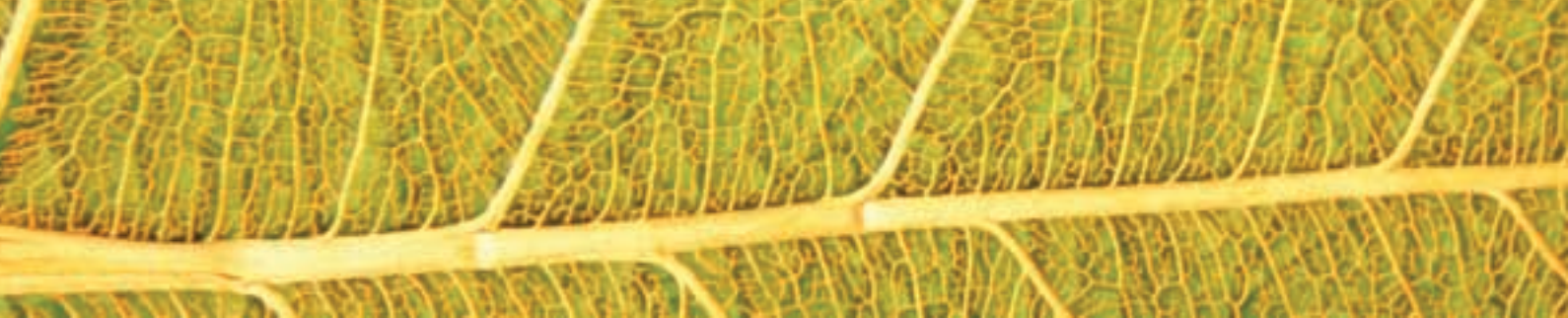
As a result of the significant increase in business volume, increased stress has been put on the Bank's communication infrastructure. Consequently, the Wide Area Network of the Bank has been completely revamped. Most branches have been provided with Fibre Optic connectivity with 100% redundancy to ensure continuous banking operations. In addition a new Disaster Recovery site has been set-up, that is currently in 'Warm' mode but will soon be upgraded into a full-fledged 'Hot' site.

Areas which were targeted for improving operational efficiency were the core banking application, Alternate Distribution Channels (ADC) and back-office automation. The number of branches that are now operating on the new core banking application reached 176. Back-office automation for Finance, Human Resource and Operations was also achieved and now the organization is getting familiar with the new echo system.

IT - Meezan Bank awards telecom network contract to Wateen and Multinet

Meezan Bank has embarked upon an aggressive strategy to improve its level of customer service by investing in sophisticated technology to link all its branches and offices nationwide through a reliable and stable telecom network. To achieve this, Meezan Bank has engaged the services of two renowned data operators, Wateen and Multinet, to connect all its branches and offices across the country using optical fiber.



The IT governance structure was strengthened by enforcing policy and procedures in the areas of Information Security, Quality Assurance and Service Management.

Enhancing the capability of ADC was one of the major challenges, as scalability of this area enables to enhance the Bank's customer base without using brick-and-mortar branches as well as providing new features to the existing customers.

Alternate Distribution Channels

ADC is responsible for all channels other than 'brick and mortar' branches, that allow customers to manage their accounts and conduct financial transactions on a 24/7 basis. These include ATMs, SMS Alerts, Call Centre, Internet Banking and Visa Debit Card.

The Bank's nationwide ATM network was further expanded in 2010 with the inclusion of 22 new ATMs, taking the total number of ATMs to 169 across Pakistan. This network processed over 4 million cash withdrawal transactions during the year, servicing both Meezan Bank and non-Meezan Bank customers.

Functionality of the Bank's ATM network was enhanced by adding 24/7 Utility Bill payments and mobile top-ups. Customers can now pay utility bills of KESC, PTCL, SSGC, SNGPL etc. using the Bank's ATMs without having to worry about branch timings or handling cash.

Meezan Bank's Visa Debit Card showed excellent customer acceptance and appreciation, with the card base standing at over 120,000 cards in the market and a total of 130,000 point-of-sale transactions. To enhance the usage of this card, the Bank partnered with recognized names such as KFC and Junaid Jamshed and offered complimentary meals and discounts to customers. Gold card customers also enjoyed complimentary access to CIP lounges at all airports in major cities of Pakistan.

Meezan Bank's Call Centre handled more than 865,000 calls during 2010. Customers can call the Bank 24/7 for their account information or for carrying out banking transactions such as issuance of pay orders, ordering of cheque books etc.

Over 12,000 new customers registered with Meezan Bank's Internet Banking service (<https://ebanking.meezanbank.com>) taking the grand total to over 40,000 internet banking users. Internet banking is a convenient, reliable and value added service where customers can avail banking services from the comfort of their home.

Meezan Bank's SMS Alert service acts as both a convenient utility and a security feature. 25,000 new customers availed this facility during the year, taking the total to over 60,000 customers. SMS Alert service plays a vital role in instantly updating customers on all account activity which also serves as a useful tool in allowing customers to identify any possible fraudulent activity in their accounts.

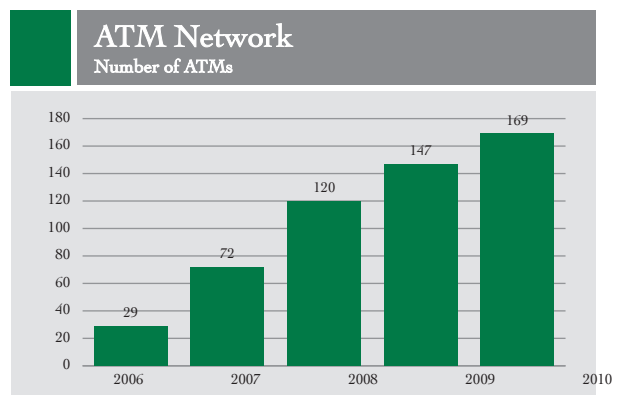
In order to take ADC to the next level of customer service, numerous new products and services are under process, a few of which are:

- Self Service Kiosk
- Visa Platinum
- Utility Bills Payment on Internet Banking
- SMS Pull Service etc.

Human Resources

The Bank's most valuable asset, its people continued to increase in 2010. The Bank closed the year with approximately 3,900 people compared to approximately 3,200 in the previous year. Additionally, the Bank has approximately 500 outsourced staff placed at branches across the country.

Implementation of the Oracle HRMS system was completed. Furthermore, the Self-Service module of Oracle HRMS was rolled out across the country and staff at all locations were trained on using this system through sessions organized jointly with the Training department. Substantial automation and simplification of Human Resources (HR)-related workflows has been achieved through this.





For the first time, a 360-degree evaluation of the Bank's senior management team was conducted in 2010. Insha'Allah this process will be devolved further into the organization in 2011 and 2012.

To ensure that the HR structure of the Bank evolves in synchronization with the growth of the organization, all job descriptions were reviewed and revised in a massive exercise. Furthermore, preparations were completed for the introduction of target-based performance evaluation for department heads, Regional Managers, Area Managers and Branch Managers and will be implemented during 2011.

The coming years will see substantial work in Organizational Development to underpin the continued growth of Meezan Bank into one of the largest banks in Pakistan; this would include job-evaluations across the organization.

Training & Development

Training & development of staff has always been a priority at Meezan Bank. New technical skills courses were designed and conducted for branch operations staff. These were developed and conducted by respective departments' specialists and comprised of multiple-day courses on account opening, Remittances, Clearing and cheque-books issuance etc. All these courses were conducted at the Bank's in-house training centers nationwide and this initiative will continue during 2011.

Another new initiative launched during the year was 'Meezan Teller Certification', a three-day intensive course for Cash Officers, designed in 2010, which incorporates training on technical cash sessions, SBP regulations and soft-skills such as corporate etiquettes, communication, teamwork and time management. On the Shariah-training side, the Training department, in collaboration with the PDSC team conducted 85 sessions on different aspects of Islamic banking across the country. Refresher sessions on the Bank's deposit products as well as introductory sessions for the Bank's upcoming asset product 'Laptop Financing' were held across the country.

The Training department conducted a total of 414 training sessions, comprising of 355 technical banking sessions and 59 soft skills sessions throughout the country and trained approximately 10,000 staff members across Pakistan.

In addition to the above, the Bank regularly sends its staff members to selected external training courses to keep them abreast with the latest developments in the banking sector, to enhance their soft-skills and to promote a culture of learning and sharing in the organization.

Keeping in mind the need for well-trained Tellers and the scarcity of resources in the banking sector who have the technical expertise and mindset required to deliver best customer service on this particular seat, the Bank plans to introduce a Trainee Tellers program during 2011, under which fresh graduates with the right academic and personal profile will be hired and given intensive, formal training for this important position in the branches. This initiative will help the Bank develop a resource pipeline for its expanding branch network that would have the relevant technical skills and personal outlook to best serve the Bank's customers from this seat.

Service Quality

To ensure the promotion and implementation of its Service Mission at all levels, the Bank has established a dedicated Service Quality department, which is a centralized unit comprising of a dedicated team of individuals who ensure that quality in service is delivered and maintained uniformly at all levels throughout the country.

The Bank has taken several initiatives in the area of service quality which have grown and evolved through the years. One such initiative is the Service Accountability Program that was initiated in 2008. This program focuses on identifying and measuring procedural bottlenecks in inter-departmental handshakes and focuses on improving internal work efficiencies. This program has greatly contributed to improvements in both external and internal customer-service levels.

The Customer Care Unit (CCU) which is an essential part of Service Quality continues to look into customer queries and strives for resolving customers issues on priority. The Dispute Resolution Unit, an addition to CCU, was established with the intention to treat customers' financial issue with special attention.

The initiative of conducting a customer satisfaction survey along with a mystery shopping exercise conducted through an external source continued during 2010.

The purpose of this exercise is to obtain an unbiased picture of the Bank's overall service performance and to work towards improvement of the service culture in order to make Meezan Bank one of the best service providers in the financial sector.



Status of Islamic Banking in Pakistan

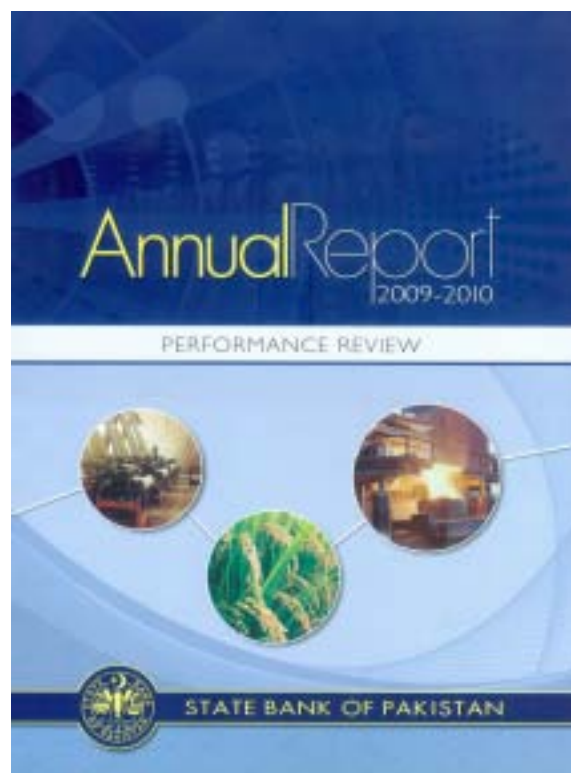
Excerpt from State Bank of Pakistan Annual Report 2009-10 (Section 3.4)

Islamic banking in Pakistan has shown tremendous growth since its re-launch in 2003. The total assets of Islamic Banking in Pakistan have reached Rs 411.1 billion in June 2010 compared to Rs 313 billion in June 2009—a growth of 31.1 percent. The deposits of Islamic banks have grown at even faster pace of 38.5 percent to reach Rs 329.8 billion in June 2010. The financing and investment portfolio grew at 21.5 percent reaching Rs 235.5 billion. As shown in Table 3.1, despite a continuous increase in size, the growth rates have maintained high levels since 2004, which is indicative of increasing acceptability of Islamic banking as a viable alternative to conventional banking. The share of the industry also increased to more than 6 percent with deposits reaching 6.4 percent of the total banking system.

Table 3.1: Trends in Islamic Banking in Pakistan
billion rupees, growth in percent

	Deposits	Financing & invest.	Total assets
Jun-04	13.2	13.1	18.8
Jun-05	37.8	37.2	54.0
Growth	188.0	184.0	187.0
Jun-06	59.7	57.9	87.6
Growth	58.0	56.0	62.0
Jun-07	107.4	89.2	157.9
Growth	80.0	54.0	80.0
Jun-08	163.1	163.4	229.6
Growth	52.0	83.0	45.0
Jun-09	238.2	193.8	313.0
Growth	46.0	18.6	36.3
Jun-10	329.8	235.5	411.1
Growth	38.5	21.5	31.3

P: Provisional Data



The number of Islamic banking institutions (IBIs) also increased to 19. Six are full-fledged Islamic banks and thirteen conventional banks have Islamic banking branches and windows. The branch network reached 667 branches. The growth in branches was shared evenly by the full-fledged Islamic banks and conventional banks having Islamic banking branches (see Table 3.2).

“The growth momentum despite slowdown in overall economic activity during the last couple of years gives optimism about the industry's ability to achieve 12 percent share in next 2-3 years...”

Table 3.2: Islamic Banking Players (end-June)
in number

	2003	2004	2005	2006	2007	2008	2009	2010
Islamic banks (operating)	1	1	2	4	6	6	6	6
a) Branches of Islamic banks	8	10	32	48	122	223	389	479
Conventional banks operating Islamic banking branches	0	5	9	11	13	12	12	13
b) Total standalone Islamic banking branches of conventional banks	0	10	30	39	61	103	139	188
Total Islamic banking branches (a+b)	8	20	62	87	183	326	528	667

The growth momentum despite slowdown in overall economic activity during the last couple of years gives optimism about the industry's ability to achieve 12 percent share in next 2-3 years as envisaged in the Strategic Plan for Islamic Banking Industry in Pakistan.

Alhamdulillah, Meezan Bank recognized
as the Best Islamic Bank in Pakistan



**‘Best Islamic Financial
Institution in Pakistan’**

for 2010 by
Global Finance Magazine,
New York

Islamic Finance news
Awards

———— **Poll 2010** ————

**‘Best Islamic Bank
in Pakistan’**

for 2010 by
Islamic Finance News
of REDmoney group,
Malaysia



Directors' Report to the Members

The Directors of Meezan Bank Limited are pleased to present the fourteenth Annual Report and audited financial statements, setting out the detailed financial results of the Bank together with the consolidated financial statements of the Group, including Al Meezan Investment Management Limited (its asset management arm), for the financial year ended December 31, 2010.

Economic Overview

The 2010 monsoon rains caused the worst floods in Pakistan's recorded history, affecting one fifth of the country and leaving millions homeless. The economic impact of the massive flooding is quite extensive and preliminary estimates suggest that economic costs could be quite significant. Notwithstanding the economic fall-out of the floods, exports have grown strongly and we have witnessed a substantial increase in workers home remittances. Total exports are expected to exceed US\$ 20 billion - a substantial increase over previous periods. Worker remittances have increased from US\$ 8 billion in 2009 to just under US\$ 10 billion in the current year. A large part of the recent increase in remittances has emanated from a policy initiative of the government in early 2009 called the Pakistan Remittance Initiative (PRI) and we would like to take this opportunity of congratulating the PRI team for producing such excellent results. Strong foreign exchange inflows helped control the Current Account deficit and also stabilize the Rupee exchange rate that has remained remarkably stable during the year. Total foreign exchange reserves crossed US\$ 17 billion on December 31, 2010.

Inflation, fueled mainly by food inflation and increase in the price of oil, continues to be a real worry. CPI in December 2010 crossed 15% with food running at over 20%. In an effort to control money supply, the State Bank of Pakistan (SBP) has tightened its monetary policy stance and increased the discount rate thrice during the year by a total of 150 basis points taking the discount rate to 14%. Going forward we expect the SBP to maintain a tight monetary stance.

The Stock markets continued to perform well during the year with the KSE 100 index registering an increase of 28% during the year while the Islamic Index - the KSE - Meezan Index grew by 38.6%. An interesting development that has contributed to the rise in the market index is strong foreign investors' interest in the Pakistan stock market stemming from a renewed interest in Emerging Markets. Total foreign investment in the stock market amounted to US\$ 601 million during the year.

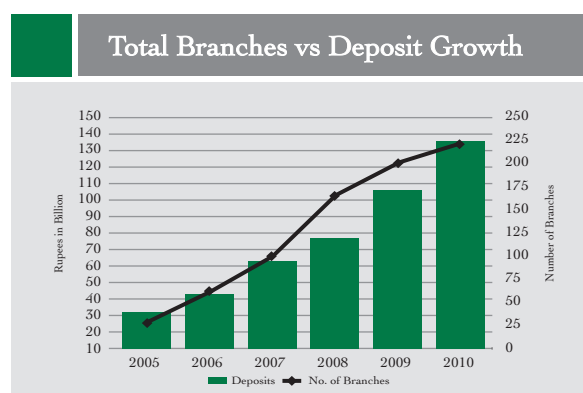
Operating Results

The Bank continued to move ahead with its branch expansion strategy and established 21 new branches during the year, bringing the total to 222 branches in 63 cities. This is a conscious decision to invest in the future of the Bank and will, Insha'Allah, yield results in the years to come.

Despite the significant investment in new branches as well as new technology initiatives, net profit after tax is up 61% from Rs. 1,025 million to Rs. 1,650 million. This performance is even more impressive when one considers the fact that this is the second consecutive year in which Meezan Bank has registered profit growth of over 60%. Assets have increased by Rs 30 billion resulting in impressive growth of 25% from total assets as at December 31, 2009.

Deposit growth has also been consistently strong, increasing from Rs. 100 billion to Rs. 131 billion. This growth of 31% is once again substantially higher than the average growth in deposits for the banking sector as a whole. The growth has been achieved notwithstanding the fact that average cost of deposits has been maintained at levels very close to the previous year cost. The Bank continues to maintain sufficient liquidity, which is in line with the conservative policy adopted by the management.

A significant development during this year has been the issuance of Ijarah Sukuk by the Government of Pakistan. Meezan Bank worked proactively with the Ministry of Finance and SBP in this process and two auctions were conducted in last quarter of 2010. Meezan Bank participated actively in these auctions and invested Rs. 22.2 billion. This Sukuk satisfied a dire need of the Islamic banking industry and will enable Islamic banks to manage their liquidity in a more efficient and productive manner.



The Bank maintained a cautious approach to financing activities and grew its financing portfolio by 30% maintaining a low average ADR of 45% during the year. The profit after tax has been arrived at after making specific provisions amounting to Rs. 677 million and general provision amounting to Rs. 650 million during the period ended December 31, 2010. The general provision has been made adopting prudent approach and to strengthen the asset quality against potential non-performing financings. This additional provision has increased coverage ratio to 89% of the non-performing financing portfolio.

The Trade Finance business volume handled by the Bank also grew by 28% from Rs. 112 billion in 2009 to Rs. 143 billion in 2010. This business is supported by a growing network of correspondent banking relationships around the world. Non-funded income which mainly includes fee and exchange income on foreign exchange transactions have also increased to Rs. 2,056 million from Rs. 1,332 million in the corresponding period last year - an increase of 54%. This reflects the strong performance by all the business segments.

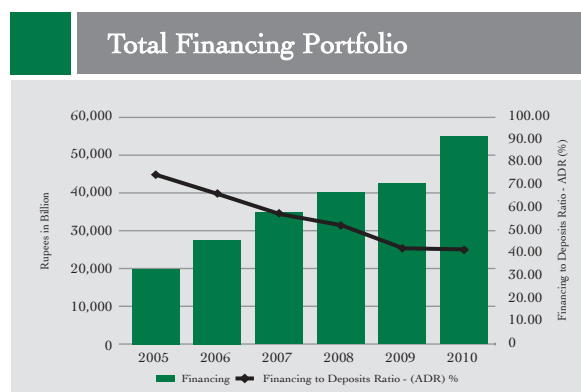
The Bank revenues have increased from Rs. 5.198 billion to Rs. 6.662 billion, a growth of 28%. Administrative costs have increased by 26% primarily on account of additional costs associated with new branches added to the network. This investment has, however, resulted in strong growth in deposits.


The key business results achieved in 2010 are as under:

	2010	2009	Growth
Branch Network	222 Branches	201 Branches	10% ↑
Deposit	Rs. 131 Billion	Rs. 100 Billion	31% ↑
Profit After Tax	Rs. 1.65 Billion	Rs. 1.025 Billion	61% ↑
Trade Finance Business (Import and Export)	Rs. 143 Billion	Rs. 112 Billion	28% ↑

Financial Results

	Rs. in million	
PROFIT AND LOSS ACCOUNT	2010	2009
Total returns on financings, investments and placements	12,290	10,102
Total returns to depositors	(6,606)	(4,970)
Net spreads before provisions	5,684	5,132
Fee, commission, forex and other income	2,056	1,332
Dividends	322	190
Gross Core banking income	8,062	6,654
Operating expenditure	(4,536)	(3,458)
Core banking income before provisions	3,526	3,196
Provision against non-performing financings and placements	(1,450)	(1,444)
Capital gain / (loss)	50	(12)
Profit before tax	2,126	1,740





The Islamic banking industry continues to grow in Pakistan and five full-fledged Islamic banks and thirteen Islamic windows of conventional banks are presently operating in Pakistan. Islamic banks now account for over 6.4% (2009: 4.80%) of the total banking industry. This augurs well for the Islamic banking sector and we are confident that Islamic banks will further increase their market share in the coming years.

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

Earning Per Share

Due to increase in profitability, the Earning per Share increased from Rs. 1.62 to Rs. 2.36 per share, reflecting an increase of 46%.

Dividend

The Board has approved a 15% Bonus Shares payout (2009: 5%) for 2010 continuing the Bank's unbroken payout record since the Bank's date of listing on the Stock Exchange. This will increase the Bank's paid up capital to Rs. 8 billion. Accordingly, the Bank will meet SBP minimum capital requirement for 2011 of Rs 8 billion a year in advance.

Corporate and Financial Reporting Framework

The Board 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 SBP. 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 accounts 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 judgement.
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 that are reviewed and monitored throughout the year to indicate and evaluate 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 un-audited accounts as at December 31, 2010 amounted to Rs. 401.83 million. The value of investments of Gratuity Fund amounted to Rs. 107.43 million based on un-audited accounts as at December 31, 2010.
10. The purchase and sale of shares 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 regulations relevant for the year ended December 31, 2010 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management Framework

The Bank manages risk through a framework of sound principles which include robust organizational structure as well as risk assessment and monitoring process that are closely aligned with the Bank's strategy. The Risk Management Department is mandated to implement this framework as a function independent of commercial lines of business.



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

- 1. Risk Management Committee**
- 2. Audit Committee**

The Risk Management Committee is responsible for reviewing and guiding risk policies and procedures and control over risk management. The Audit Committee monitors compliance with the best practices of the Code of Corporate Governance and determines appropriate measures to safeguard the Bank's assets.

The Board has delegated the authority to monitor and manage different risks to specialized committees comprising of senior management team members with relevant experience and expertise. These committees meet regularly to deliberate on matters pertaining to various risk exposures under their respective supervision; the committees include:

- 1. Credit Committee**
- 2. Asset Liability Management Committee**

The Credit Committee is responsible for approving, monitoring and ensuring that financial transactions are within 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.

The Asset Liability Management Committee is responsible for reviewing and recommending all market risk and liquidity risk policies and ensuring that sound risk measurement systems are established and comply 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 commodity Murabaha, Sukuks and placements in foreign exchange. Treasury Middle Office monitors and ensures that the Bank's exposures are within 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. 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 SBP are being complied with in order to manage compliance and operational risks.

Reporting on Internal Controls

Keeping in view SBP's Guidelines on Internal Controls and the critical role that internal controls have in the execution of the bank's business, a dedicated Internal Controls Unit (ICU) has been established under the Finance department. The ICU has been staffed with a dedicated team of professional accountants and is responsible for aiding all business and support units of the Bank in designing, implementing and maintaining a sound internal control system on an on-going basis.

The ICU is in the process of completing various stages in accordance with the SBP prescribed Internal Controls roadmap. It is pertinent to mention that the work being performed by the unit has been aligned closely with the Institute of Chartered Accountants of Pakistan's prescribed "Guidelines for Special Review of the Banks' Internal Control Programmes under the SBP Internal Control Guideline" (applicable to external auditors). This methodology shall enormously facilitate the Bank in obtaining clean ICFR review reports from the external auditors in future.

For the year ended December 31, 2010 the requirements of SBP are currently being complied with and the Bank will endeavor to meet the regulatory timelines for submission of the prescribed report.

Credit Rating

We are pleased to inform that during the year JCR-VIS, the credit rating company has upgraded the Bank's long-term entity rating from A+ (Single A Plus) to AA- (Double A Minus) with stable outlook. The rating indicates sound performance indicators of the Bank. The short-term rating has been maintained at A-1.

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2010 is annexed with the report.

Directors

During the year, two directors, Mr. Mazhar Sharif and Mr. Jassar Dakheel Al-Jassar resigned and Mian Muhammad Younis and Mr. Mohammad Abdul Aleem were appointed by the Board as Directors to fill the casual vacancies. The Board welcomes the new Directors and wishes to place on record its appreciation for the services rendered by the retiring Directors.

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 has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Bank for the year ending December 31, 2011.

Future Outlook and strategy

Meezan Bank is committed to its Vision of establishing Islamic banking as banking of first choice. The priority is to ensure that Islamic banking products and services are available across the length and breadth of Pakistan; this will be achieved by:

- 1. Growing the branch network:** The Bank intends to renew its aggressive branch growth strategy and add 53 new branches during the year. This will take the total branch network of the Bank to 275 giving it excellent network capability critical for the effective market penetration of a commercial bank.
- 2. Deepen the existing and add new Alternate Delivery Channels:** 50 new ATMs will be added to the existing network of 169 ATMs. Plans are underway to up-grade the Bank's 24 hour Call Centre and additional functionality including out-bound campaign-management will be added. A major new initiative will be launch of the Bank's mobile banking platform. The intention is to substantially increase customer outreach and also support the financial inclusion program of the SBP.
- 3. Improve systems and controls:** Significant focus is being given to improvement of systems and controls in the Bank. As a part of this initiative, an internal control unit has already been set-up. In addition, substantial investment is being made in new software applications including state of the art KYC and AML software, among others.
- 4. Improve training and development:** As the Bank expands, sourcing and retaining the right quality of human resource is an increasingly significant challenge. Accordingly, the Bank will build on its existing training and development infrastructure, balancing Shariah-based training and branch banking training.

Acknowledgement

The landmark achievement of Meezan Bank, in a short span of 9 years, would not have been possible without the relentless efforts of the entire Meezan Bank team. We wish to sincerely thank each one of them for their hard-work and commitment. May Allah Almighty bestow His blessings on them and their families.

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

On behalf of the Board.



Ebrahim Bin Khalifa Al-Khalifa
Chairman



Irfan Siddiqui
President & CEO

February 11, 2011



Annexure to the Directors' Report for the year ended December 31, 2010

The purchase and sale of shares 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 at January 01, 2010	Bonus Shares alloted during the year	Number of shares as at December 31, 2010
NAME OF DIRECTORS			
H.E.Sheikh Ebrahim Bin Khalifa Al-Khalifa	4,447,335	222,366	4,669,701
Mr. Naser Abdul Mohsen Al-Marri	4,447,335	222,366	4,669,701
Mr. Rana Ahmed Humayun	889,293	44,464	933,757
Mr. Mohammad Abdul Aleem (Note 1)	-	-	128,355
Mr. Irfan Siddiqui	146,611	7,330	153,941

Note 1: Shares held at the time of becoming Director of the Bank.

COMPANY SECRETARY

Mr. Tasnimul Haq Farooqui (Note 2)	-	-	177
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Note 2: Shares held at the time of becoming Company Secretary of the Bank.

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

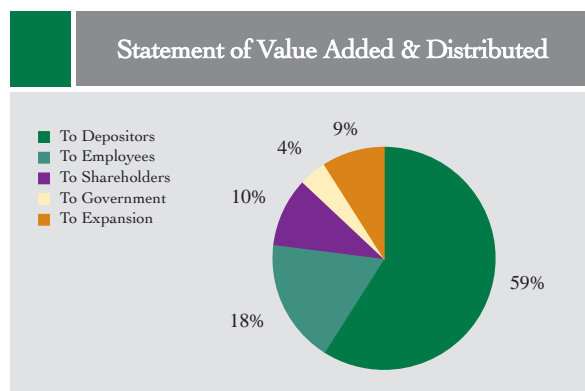
NAME OF DIRECTOR	Meetings Attended
H.E.Sheikh Ebrahim Bin Khalifa Al Khalifa - Chairman	4
Mr. Naser Abdul Mohsen Al- Marri - Vice Chairman	4
Mr. Jassar Dakheel Al-Jassar*	1
Mr. Rana Ahmed Humayun	4
Mr. Mohammed Azzaroog Rajab	4
Mr. Ahmed Abdul Rahim Mohamed	4
Mr. Nawal Ahmed	3
Mr. Alaa A. Al-Sarawi	4
Mr Mazhar Sharif**	1
Mian Muhammad Younis**	3
Mr. Mohammad Abdul Aleem*	1
Mr. Irfan Siddiqui- President & CEO	4
Mr. Ariful Islam	4

* Mr. Jassar Dakheel Al- Jassar resigned on August 15, 2010 and Mr. Mohammad Abdul Aleem was appointed in his place.

** Mr. Mazhar Sharif resigned on March 28, 2010 and Mr. Muhammad Younis was appointed in his place.

Statement of Value Added and Distributed

	2010 Rupees in '000	%	2009 Rupees in '000	%
Value Added				
Profit / return on financings, investments and placements-net of provision	10,794,073	96.9	8,570,259	99.7
Fee, commission and brokerage income	615,752	5.5	529,260	6.2
Dividend income	321,898	2.9	189,973	2.2
Income from dealing in foreign currencies	1,381,044	12.4	752,904	8.7
Gain on sale of securities and other income	156,336	1.4	125,667	1.5
	13,269,103		10,168,063	
Administrative and other expenses	(2,125,173)	(19.1)	(1,563,947)	(18.3)
	11,143,930	100.0	8,604,116	100.0
Value allocated as follows:				
to depositors/ financial institutions				
Return on deposits and other dues expensed	6,606,474	59.3	4,969,916	57.7
to employees				
Salaries, allowances and other benefits	2,017,611	18.1	1,555,186	18.1
to shareholders				
Dividend - bonus shares	1,047,383	9.4	332,502	3.9
to Government				
Income tax	477,372	4.3	714,372	8.3
to expansion				
Depreciation and amortisation	392,885	3.5	339,291	3.9
Retained in business	602,206	5.4	692,849	8.1
	995,091	8.9	1,032,140	12.0
	11,143,930	100.0	8,604,116	100.0



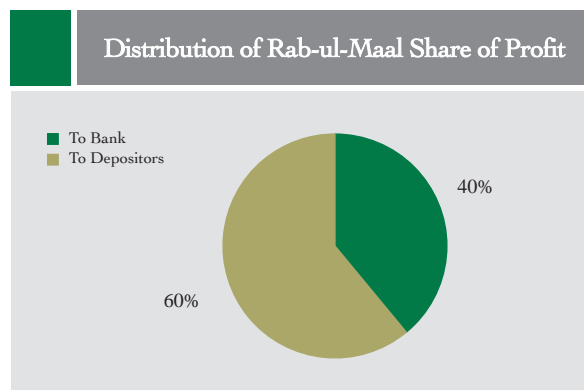


Allocation of Income and Expenses to Remunerative Depositors' Pool

For the year ended December 31, 2010

	2010	2009
	Rupees in '000	
Income from financing activities	5,933,284	5,226,529
Income from investments	2,901,104	1,986,795
Income from placements with financial institutions	3,592,507	3,039,724
Other income attributable to pool	1,034,925	592,266
Total Income	13,461,820	10,845,314
Less: Administrative expenses directly attributable to pool (Note)	(194,276)	(182,093)
Less: Profit distributed to other special Pools (including IERS and special musharakah pool)	(560,975)	(393,096)
Gross Distributable Income	12,706,569	10,270,125
Mudarib (Bank) share of profit before Hiba	(6,333,901)	(5,135,063)
Less: Hiba from Bank's share to depositors	1,281,696	1,118,601
Net Mudarib (Bank) share of profit	(5,052,205)	(4,016,462)
Rab-ul-Maal share of profit	7,654,364	6,253,663
Rab-ul-Maal share of profit is distributed as follows:		
Remunerative depositors' share in mudarabah pool	6,045,499	4,576,820
Bank equity in mudarabah pool	1,608,865	1,676,843
	7,654,364	6,253,663

Note: Administrative and operating expenses are paid by the Bank and not charged to the depositors' pool as per the guidelines of mudarabah.



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 ninth year of Islamic commercial banking for Meezan Bank. 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 (SSB) and/or Shariah Advisor. During the year, the SSB of Meezan Bank and its Executive Committee held 2 meetings to review various products, concepts, transactions, processes and their Shariah-compliance, referred to them by the Shariah Advisor.

As part of the Shariah Compliance framework a full fledged Product Development & Shariah Compliance (PDSC) department is working under my supervision for centralization of product Development activities, new product research, Islamic banking training and Shariah audit & compliance functions.

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

1. Research & New Product Development: With the focus on providing innovative Shariah compliant solutions to customers, the Bank has developed a mechanism for working capital financing using the concepts of Istisna and Tjjarah as an alternative for bill discounting. The Bank has also developed a financing product for laptops, based on the concept of Musawamah. During the year, in order to facilitate the development of Islamic Microfinance industry, the Bank has developed a financing product based on the concept of 'Wakalah' which will encourage the development of financing partnerships between Islamic banks and Microfinance Banks. This product though developed has not been executed yet.

As per the guidelines of the SSB of Meezan Bank and the State Bank of Pakistan (SBP) the Bank had embarked on a project of translating its Islamic financing agreements into the Urdu language in 2009. This project has almost been completed and the Bank has issued Urdu translations of legal agreements of all major financing products.

Meezan Bank has also extended its expertise to the SBP and Ministry of Finance in developing the Shariah structure for the recently launched Government of Pakistan Ijarah Sukuk. The launch of these Sukuk has greatly helped in reducing the excess liquidity issues of the Islamic banking industry.

Among the products launched during this year were Meezan Business Plus, a Mudarabah based account that offers a range of free services for business, Meezan Euro Savings Account and Meezan Pounds Savings Account. Meezan Bank also refined and restructured many products such as Meezan Bachat Account and Foreign Currency Savings Accounts.

Spearheading the process of development of Islamic banking benchmark rate (IIBOR) a proposed alternative to KIBOR, Meezan Bank team presented a comprehensive research paper to the SBP and other Islamic banks and windows. The initiative is under way for setting up of a separate page on Reuters and quoting of inter-bank financing rates by Islamic Banks.

Meezan Bank has also worked with SBP for a Shariah-compliant alternative scheme for Islamic long-term finance facility for exporters and other SBP lead refinance schemes. Moreover, research was also done with SBP for Developing Shariah-compliant secondary Mortgage Market in Pakistan through the creation of Pakistan Mortgage Refinance Company (PMRC).

During the year, Meezan Bank re-launched its Labbaik Hajj & Umrah product with two variants namely Labbaik Travel Aasaan and Labbaik Saving Aasaan. Labbaik Travel Aasaan allows customers to perform Hajj & Umrah immediately either by making full payment of the selected package or by making part payment in advance and the remaining amount in easy monthly installments.

2. Training & Development: During the year 85 Islamic banking training sessions were held in which 2117 employees participated throughout Pakistan. The 5th batch of Islamic banker certification course - an extensive 4-month program, was successfully held for the first time simultaneously through video conferencing in four cities namely Karachi, Islamabad, Lahore and Multan. A comprehensive advanced-level, 6-day Islamic banking course was held in 5 regions of the country in which PDSC's experts along with leading Shariah Advisors of various Islamic banks imparted training to participants. Furthermore, self-training methodology was reshaped and encouraged by development and launch of



various Islamic banking training videos and conduction of branch wise Islamic banking FAQs sessions.

During the year, 38 Islamic banking awareness seminars were successfully held in 23 cities across Pakistan and were attended by over 4,400 participants representing the customers, general public and professionals.

The Bank continued its support for development of Islamic banking in Pakistan to institutions including National Institute of Banking And Finance (NIBAF) and Centre for Islamic Economics (CIE) in conducting Islamic banking training sessions. The bank supported various Islamic banking courses and degree programs in different institutes including IBA - Karachi, LUMS, IBA - Sukkur, Institute of Business Management, PAF-KIET, Sheikh Zayed Islamic Center (University of Karachi) and Riphah International University (Islamabad). During the year under review, joint training sessions and workshops were also held with Institute of Management Sciences (Peshawar), IBA (Karachi) and International Islamic University (Islamabad).

Keeping in view the continuous increase in number of branches and employees, the focus on training and development needs well be further enhanced and special training shall be conducted for Branch Managers, Area Managers, Regional Managers and departmental heads.

- 3. Shariah Advisory:** In order to share our successful experiences and to promote the cause of Islamic banking, the Islamic Financial Advisory arm of Meezan Bank assists financial institutions, Mutual Funds, Stock Exchanges and several other businesses in developing viable Shariah-compliant alternate solutions by sharing the accumulated expertise, research and success stories.

During the year, Meezan Bank, being part of the KSE's Index Committee, submitted the concept paper for very first 'Islamic Counter' and 'Islamic Leverage System' at Karachi Stock Exchange (KSE). In the area of Islamic Fund Advisory, Meezan Bank continue to advise Al Meezan Investment Management Limited, NBP Fullerton Asset Management Company Limited, KASB Funds Limited and AKD Investment Management Limited for the establishment & launch of various types of Shariah-compliant Mutual Funds and for matters related to re-composition of KMI - 30 Index (KSE Meezan Islamic Index) which is Pakistan's first ever Shariah-compliant Islamic index.

Review of Assets

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

Murabahah transactions (including Islamic Export Refinance Scheme) constitute around 44% of the total financing portfolio which is lower than that of last year which was 47%, while the share of Istisna and Musharakah increased from 8% & 23% to 11% & 26% respectively. However, Ijarah transactions share moved downward from 17% to 13%. These ratios suggest that the percentage of Murabaha & Ijarah in the overall financing figures has lowered while there is a positive change in the figures of other modes of financing. The Bank's total financing portfolio reached Rs. 60.54 billion as of December 31, 2010. All these transactions were executed using Shariah-compliant financing agreements.

Review of Liabilities

On the liability side, the Bank offered different Shariah-compliant deposit products based on the mode of Mudarabah & Qard. The total deposits of the Bank reached Rs.131.1 billion as at December 31, 2010. During the year, the bank accepted deposits on the modes of Musharakah for short-term liquidity management from inter-bank market and corporate clients.

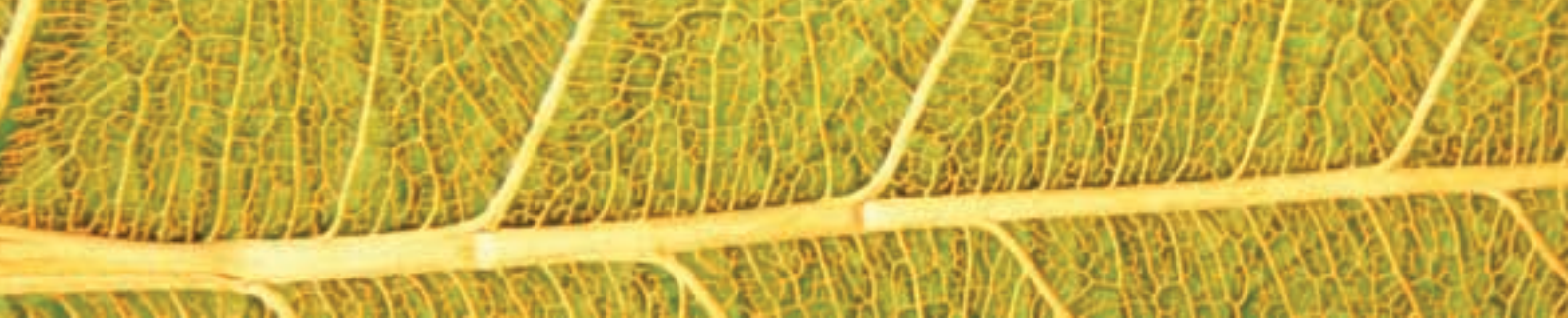
Throughout the year, the process of the allocation of assets and funds to various deposit pools; announcement of overall profit sharing ratios for Mudarabah based deposits; monthly allocation of the weightages and distribution of income to deposit accounts was monitored and reviewed in accordance with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

Shariah Audit & Compliance Reviews

To ensure that all the products and services being offered by the Bank strictly adhere to conjunctions of Shariah, the Bank's PDSC department actively monitored various operational activities of the Bank throughout the year. During the year, credit approvals, restructuring of financing facilities, customer specific transaction process flows, text of LGs and security documents were reviewed to ensure Shariah-compliance while offering financing products to the customers.

During the year, specific transactional process flow for 725 SME/Commercial customers and 350 Corporate customers were developed/updated covering Murabaha, Diminishing Musharakah, Istisna, Tijarah and Ijarah. In association over 1040 credit approvals and security documents, together with 10 restructuring cases were reviewed.

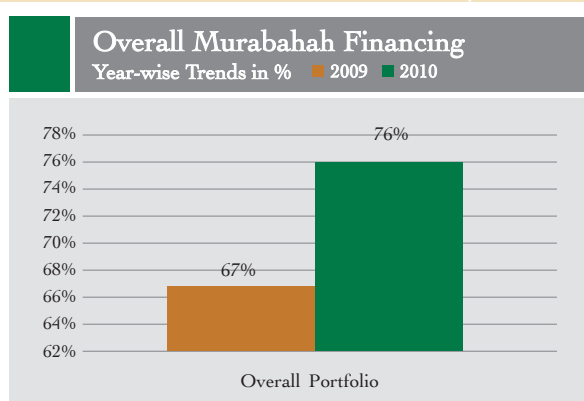
As per the direction of SSB to increase direct payments in Murabahah, it is a matter of satisfaction that the Bank has increased the overall percentage of direct payments. In the year 2010, a significant growth of 13% was registered in terms of direct payment for Murabahah financing as the overall percentage of direct payment was increased to 76% in the year 2010 against 67% in the year 2009.



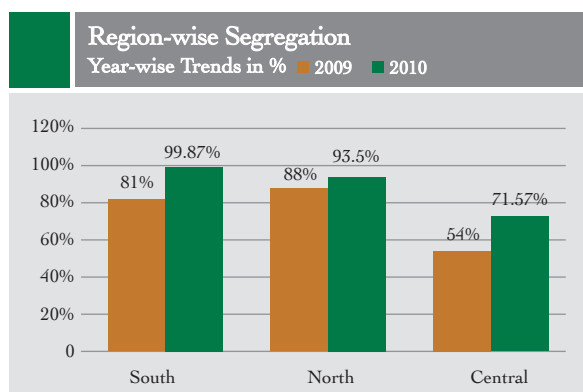
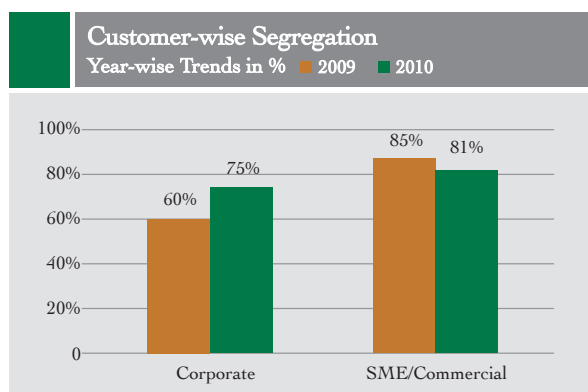
In customer wise break-up, a persistent upward trend was witnessed in the corporate side where as a slight fall was observed in SME/Commercial side. In SME/Commercial segment the percentage of direct payment has decreased from around 85% in the year 2009 to 81% in the year 2010. For Corporate customers, a great deal of improvement was observed as the percentage of direct payment jumped from 60% in the year 2009 to around 75% in the year 2010.

Summary of Direct Payment in Murabahah Financing for Meezan Bank

MURABAHAH FINANCING - DIRECT PAYMENT	2009	2010	Growth
Overall Portfolio	67%	76%	13%



Customer Wise Segregation	2009	2010	Growth
Corporate	60%	75%	25%
SME/Commercial	85%	81%	-5%
Region Wise Segregation			
SOUTH - I		100%	
SOUTH - II	81%	99.6%	23%
SOUTH - III		100%	
NORTH	88%	93.5%	6%
FAISALABAD		79%	
LAHORE	54%	87%	33%
MULTAN		49%	



(In order to make the data in the above graphs comparable, the data for South and Central Regions for the year 2010 is the average of their respective sub-regions.)

Moreover, in Istisna and Tijarah transactions physical inspection is done in 100% of the cases to take the possession of the goods purchased.

In addition to the above, compliance measures, this year Shariah audit & compliance review of 198 branches was conducted in order to get the first hand knowledge of the activities being carried out at these branches. These audited branches constitute around 98% of the total branch network of the bank at the start of the year 2010.

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

- Invoices and other related purchase evidences were verified by confirmations and suppliers existence was also confirmed by visiting the suppliers premises on sample basis
- Genuine purchase evidences were provided to execute Murabaha transactions and Murabaha disbursements were not availed to set off previous balances with the supplier
- Agreements for Murabahah, Ijarah, Diminishing Musharakah, Istisna, Tijarah and Bai Salam.
- Declarations, description of Assets, relevant purchase invoices, sequence and order of the documents and time difference between purchases and declaration in Murabahah.
- Murabahah Monitoring Sheets & Delayed Declaration Reports.
- Purchase deeds, treatment of ownership related cost & recovery of rentals in Ijarah transactions.
- Ownership ratio in Diminishing Musharakah for housing and issuance of timely unit sale receipts.
- Investment made in stock with reference to the stock screening criteria.
- Import Finance transactions and related documentation.
- Extensive reviews of client payment, purchase cycle and periodic assessment of client's processes.
- Other related documents and procedures followed by different functional areas.
- Profit sharing ratio, profit weightages, pool working, asset & deposit allocation for deposit products.

During the year, an amount of Rs 64.5 million was credited as an income in a foreign currency NOSTRO account maintained by the bank's treasury in one particular bank without the approval of Shariah Advisor. This amount was decided to be impermissible by the Shariah Advisor and hence transferred to charity. Process is being redefined to ensure that all activities of treasury department are in strict compliance to Shariah guidelines and prior approvals are taken for any such transactions by relevant approving authorities.

Another major issue observed in some of the branches was incorrect use of Murabaha to settle for credit purchases and also invoices which were fabricated. A detailed Shariah review is under process, the finalization of which will decide on the permissibility or otherwise of the income accrued of Rs 49.8 million on such transactions. Pending finalization we have created a provision of Rs 49.8 million. Moreover, an amount of Rs. 0.343 million was disbursed in charity account while a provision of Rs.1.876 million was also created for the fiscal year 2010 to eliminate the non-compliant portion and purify the dividend income earned from the investment made in the Shariah-compliant stocks by the bank.

In addition to the above, as a normal course, the bank transferred an amount of Rs 41 million to charity account on account of non timely payment by the customers, in various financial transactions.

Murabaha Monitoring System (MMS):

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

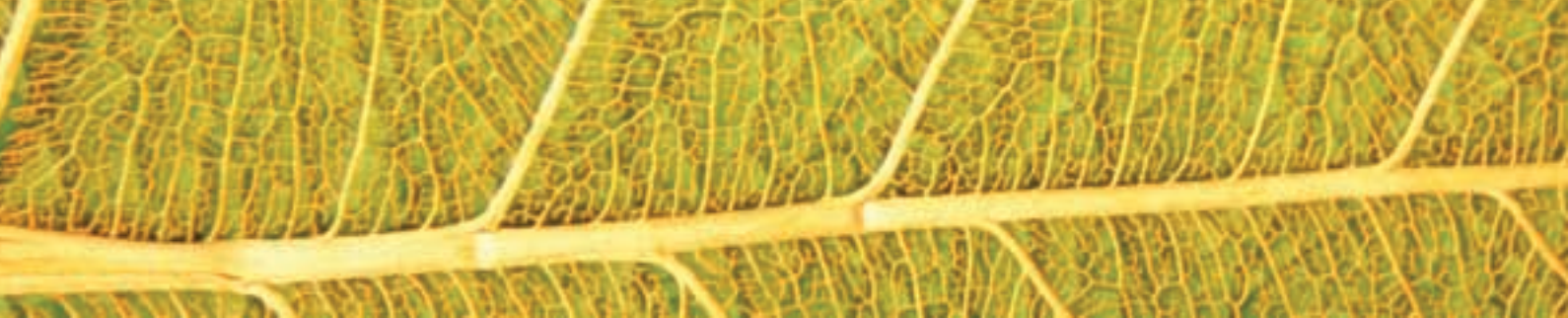
Charity

During the year, an amount of Rs. 106.309 million was transferred to the Charity account and an amount of Rs. 137.633 million was disbursed from charity saving account after the approval of the Shariah Advisor. Details of charity are available in note # 18.4. Moreover, as per the directive of SSB a charitable foundation by the name of Ihsan Trust has been established to ensure effective utilization and disbursement of charity funds.

Recommendation:

Based on the review of various transactions we recommend that:

- Due care regarding the mindset and commitment towards the cause of Islamic banking should be taken during the process of hiring of new staff. Moreover, a proper testing system should also be introduced whereby every new Branch Manager, Operations Manager and departmental head has to go through an Islamic Banking test and that person is only allowed to hold his/her position after successful completion of this test.



- Additional checks and balances should be put in place to avoid loss of income due to Non-Shariah-compliance. In this regard, all control clusters of the bank be made responsible to ensure that all Shariah related guidelines are adhered to in true letter and spirit.
- In view of growing branch network and induction of new employees, the Bank should continue its focus on employees training related to the Islamic banking products and services offered by the bank with specific focus on front line staff.
- The Corporate, Commercial & SME department and all regions of the Bank shall organize special training workshops for the executives of their financing clients and continue the practice of conducting customer awareness seminars.
- It is emphasized that the Bank should try to initiate execution of Musharakah transactions using the approved models of Running Musharakah facility and transaction-based Musharakah with its customers.
- To strengthen the Shariah-compliance framework in the Bank, the scope of external audit shall also include the review of Bank's activities in light of the guidelines given by the SSB, Shariah Advisor, PDSC and SBP guidelines for Shariah compliance issued from time to time.
- The Bank needs to strengthen its IT systems and ensure that all guidelines and recommendations by the Shariah Advisor are timely implemented.
- In order to have strong systems and controls for profit distribution and pool management, the bank should accelerate the implementation process of IT based pool management, asset allocation and profit distribution system.

Conclusion

As per the charter of the Bank, it is mandatory on all of the management & employees to ensure application of Shariah principles and guidelines issued by the SSB and Shariah Advisor and to ensure Shariah-compliance in all activities of the Bank. The prime responsibility for ensuring Shariah-compliance of Bank's operations thus lies with the management.

Based on the extensive reviews of sample cases for each class of transaction, related documentation, processes, the profit distribution mechanism for the depositors and management's representation made in this regard, in our opinion, the affairs, activities and transactions, performed by the Bank during the year comply with the rules & principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Supervisory Board, Shariah Advisor of Meezan Bank and SBP guidelines related to Shariah-compliance. The non-compliant income identified during the review is being transferred to the charity account.

May Allah bless us with the best Tawfeeq to accomplish His 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: Safar 07, 1432 H / January 13, 2011

تجاویز

متحدہ ملوک کا جائزہ لینے کی بنیاد پر ہم درج ذیل امور تجویز کرتے ہیں۔

- نئے ملازمین کو ملازمت فراہم کرتے ہوئے ان میں اسلامی بنکاری کے مقاصد تک پہنچنے کے عزم و ہمت کو خصوصی طور پر مد نظر رکھنا ضروری ہے۔ نیز ہر نئے برانچ مینیجر، آپریشن مینیجر اور ڈپارٹمنٹل ہیڈ کیلئے اسلامی بنکاری سے متعلق امتحان ترتیب دیا جائے، اور مدہ گورنر بالا افریکو کو متعلقہ منصب اس وقت دیا جائے جب وہ اس امتحان میں کامیاب ہو جائیں۔
- شریعت کی خلاف ورزی کے نتیجے میں آمدنی میں نقصان سے بچنے کیلئے اضافی نگرانی اور کنٹرولز کے طریقہ کار وضع کئے جائیں۔ چنانچہ بینک کے کنٹرولرز سے متعلق تمام افریقا اس بات کے ذمہ دار ہوں کہ وہ شرعی ہدایات کی روح اور مقصدیت کو سامنے رکھتے ہوئے ان ہدایات کی خلاف ورزی سے اجتناب کرانے کی ہر ممکن کوشش کریں۔
- بینک کی روز افزوں معتد بہ ترقی، انکی برانچز اور ملازمین کی تعداد میں اضافہ کی بناء پر اسلامی بنکاری کی پروڈکٹس اور بینک کی طرف سے پیش کردہ خدمات کے بارے میں ملازمین (اور خصوصاً فرنٹ آفس کے ملازمین) کا معیار معلومات مزید بڑھانا اور انکی مزید تربیت کا انتظام کرنا نہایت اہم ہے، بینک کو چاہئے کہ اس جانب اپنی توجہ برقرار رکھے۔
- کارپوریٹ، گورنمنٹ اور ایس ایم ای ڈیپارٹمنٹس اور بینک کے تمام علاقہ جات (Regions)، اپنے جموئی گاہکوں کے لئے خصوصی تربیتی پروگرام منقاد کریں، نیز گاہکوں کی آگاہی کیلئے شروع کئے گئے سیمیناروں کا سلسلہ جاری رکھیں۔
- بینک کو چاہئے کہ منظور شدہ رینک مشارک اور Transaction Based Musharkah کو استعمال کرتے ہوئے ملوک و مشارک شروع کرنے کی کوشش کرے۔
- بینک کے معاملات میں شرعی اعتبار سے مزید مضبوطی لانے کیلئے یہ ضروری ہے کہ بیرونی آڈیٹر کے دائرہ کار میں یہ بات بھی شامل کی جائے کہ وہ بینک کے معاملات کے بارے میں اس بات کا جائزہ لے لے کہ آیا یہ معاملات شریعہ ایڈوائزر، شریعہ سپروائزر اور اسٹیٹ بینک کی طرف سے دیکھا گیا ہے یا نہیں۔
- بینک کو چاہئے کہ وہ اپنے IT سسٹم کو مزید مضبوط کرے اور اس بات کی یقین دہانی کرانے کہ شریعہ ایڈوائزر کی طرف سے دی گئی تمام ہدایات کو فوری طور پر نافذ کیا جائے۔
- نفع کی تقسیم اور پول منجمنٹ کیلئے مضبوط نظام اور کنٹرولز کو قائم کرنے کیلئے بینک کو یہ بھی چاہئے کہ IT کی بنیاد پر کی جانے والی پول منجمنٹ، مختلف اثاثوں کی (مختلف پوز کی طرف) نسبت اور نفع کی تقسیم کے نظام کو جلد از جلد نافذ عمل بنائے۔

خلاصہ کلام

بینک کے چارٹر کے تحت تمام انتظامیہ اور ملازمین کیلئے ضروری ہے کہ وہ شریعہ سپروائزر اور شریعہ ایڈوائزر کی طرف سے جاری کردہ بینک کے تمام معاملات سے متعلق ہدایات پر عمل درآد کو یقینی بنائیں۔ بینک کے معاملات کے شریعت کے مطابق ہونے کی بنیاد پر مدداری بینک کی انتظامیہ پر عائد ہوتی ہے۔

بینک کی طرف سے انجام کردہ مختلف ملوک و ان کی متعلقہ دستاویزات، اسکے طریقہ کار، ڈیپازٹرز کو تقسیم ہونے والے نفع کا طریقہ کار، اور ان کے متعلق انتظامیہ کی دی گئی راتے کے جائزہ کی بنیاد پر ہماری راتے میں وہاں سال میں بینک کی طرف سے کئے گئے ملوک و اسلامی شریعہ کے ان اصولوں اور ہدایات کے مطابق ہیں جو میزان بینک کے شریعہ سپروائزر اور شریعہ ایڈوائزر اور اسٹیٹ بینک آف پاکستان کی طرف سے جاری کی گئی ہیں۔ اس جائزے کے دوران جو غیر شرعی آمدنی پائی گئی وہ چینی میں منتقل کی جا رہی ہے۔

اللہ تعالیٰ سے دعا ہے کہ وہ ہماری رہنمائی ان راہوں کی طرف کرے جو انکی رضا کا باعث ہوں ہمیں دنیا اور آخرت میں کامیابوں سے نوازے اور ہماری غلطیوں اور خطاؤں سے درگزر فرمائے۔ آمین۔

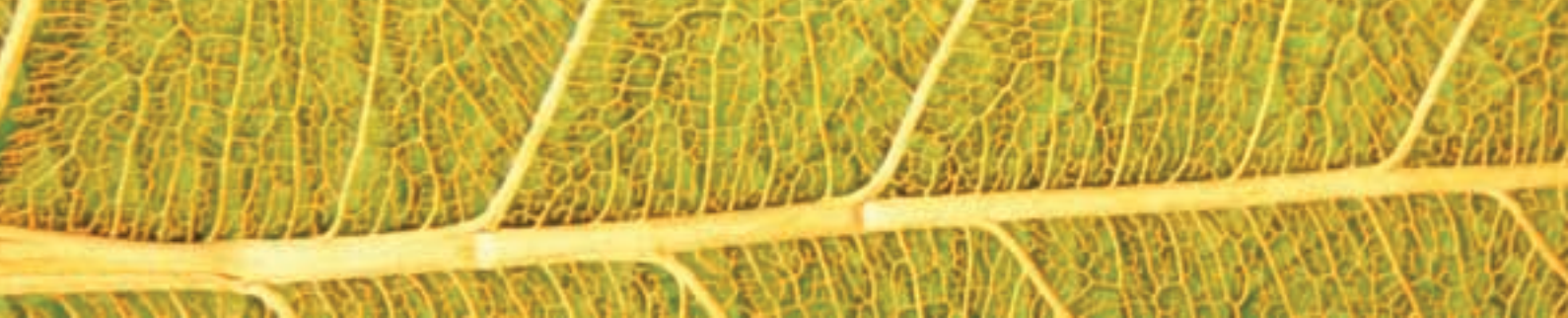
والسلام علیکم ورحمۃ اللہ وبرکاتہ



ڈاکٹر محمد عمران عثمانی

ممبر شریعہ سپروائزر بورڈ، وشریعیٹ ڈائریکٹر

مورخہ: ۷ صفر، ۱۴۳۲ھ / 13 جنوری 2011ء



مزید برآں اصصناع اور تھارہ کے حدود میں اثاثوں کے قبضہ کیلئے 100% مواقع پر خریدی گئی اشیاء کا شخص معائنہ (Physical Inspection) کیا گیا۔

مذکورہ بالا اقدامات کے ساتھ ساتھ اس سال بینک کی 198 برانچوں کا شریعہ آڈٹ کیا گیا تاکہ ان برانچوں میں ہونے والے حدود کی براہ راست جانچ پڑتال کی جاسکے۔ 2010ء کی ابتداء میں موجود برانچوں میں سے تقریباً 98% برانچوں کا آڈٹ کر لیا گیا۔

بینک کی مجموعی طور پر شرقی قوانین کی مطابقت اور شریعہ ایڈوائزر اور شریعہ سپروائزر کی طرف سے دی گئی ہدایات پر عمل کو جانچنے کے لئے آڈٹ کیا گیا۔ جس کے دوران درج ذیل امور کو بطور تقاسم پر لکھا گیا:

- انوائس اور خریداری کے دیگر ثبوت کی جانچ پڑتال کی گئی ہو، نیز سپلائر کے مقام کا معائنہ کر کے اس کے موجود ہونے کی بھی تصدیق کی گئی ہو
- عقدہ مراہجہ کی انہام دہی کے وقت اصلی ثبوت خریداری فراہم کئے گئے ہوں، اور سپلائر کی سابقہ ادیب الا ادارہ کی ادا انگلی مراہجہ کی قبولیت سے نہ کی جائے
- مراہجہ، اجارہ، مشارکہ متناقصہ، اصصناع، تھارہ اور قلع سلم کے معاہدات
- ڈیکلریشن، اثاثوں کی تفصیلات، متعلقہ خریداری کی رسیدیں، دستاویزات کے نفاذ کی ترتیب، مراہجہ میں بینک کی طرف سے کی جانے والی خریداری اور گاجک کی طرف سے کی جانے والی خریداری میں مدت کا فرق کتنا ہے۔
- مراہجہ موئیرنگ فیس اور تاخیر سے موصول ہونے والی ڈیکلریشن۔
- پرچیز ڈیڈ (رسید خریداری) ملکیت سے متعلق اخراجات کی تفصیلات، حدود و اجارہ میں اجرتیں وصول کرنے کا طریقہ کار۔
- مشارکہ متناقصہ کی بنیاد پر کی گئیں قبولی معاہداری (House Financing) میں ملکیت کا تناسب اور وقت پر خریداری کی رسیدوں کا اجراء۔
- اسٹاک ایکسیج میں اسکریننگ سے متعلق ہدایات کی کس حد تک اتباع کی گئی۔
- ایپورٹ فائنانس ٹرانزیکشنز اور متعلقہ دستاویزات۔
- گاجکوں کی ادائیگیوں، پرچیز سائیکل، اور گاجک کے طرق قبول کا دیکھا فوٹا جائزہ۔
- دیگر متعلقہ دستاویزات اور ان کی حلیہ کا طریقہ کار۔
- قلع کی شرح کا تناسب، قلع کے اوزان، پوز کا طریقہ کار، ڈیپازٹ پروڈکٹس کیلئے اثاثوں اور ڈیپازٹس کی تعیین۔

دوران سال 64.5 ملین روپے ایک مخصوص بینک کے فارن کرنسی NOSTRO اکاؤنٹ میں بطور آمدنی وصول پائے۔ یہ اکاؤنٹ میزان بینک کی خریداری کی طرف سے شریعہ ایڈوائزر کی منظوری کے بغیر اس بینک میں قائم کیا گیا تھا۔ اس رقم کے بارے میں شریعہ ایڈوائزر کی طرف سے یہ فیصلہ کیا گیا کہ یہ شرعاً ناجائز ہے چنانچہ یہ رقم چھپنی میں منتقل کر دی گئی۔ آئندہ خریداری ڈیپازٹس کے تمام معاملات مکمل طور پر شرقی قوانین کے مطابق ہوں اور متعلقہ منظور یوں کے بعد یہ معاملات انہام پائیں، اس کی تعیین دہانی کیلئے طریقہ کار کو مزید واضح کیا جا رہا ہے۔

اس سال دوسرا بڑا قافلہ ڈیکر معالجہ بعض برانچوں میں دیکھا گیا وہ ادوار خریداریوں کی ادائیگیوں کیلئے مراہجہ کے ذریعہ حاصل شدہ رقم کا لٹلا استعمال تھا، نیز انوائس میں بھی تبدیلی کر دی گئی تھی۔ اس معاملہ کا شرقی اعتبار سے قصصی جائزہ لیا جا رہا ہے، جس کے بعد حتمی طور پر ان معاملات کے ذریعہ کمائے گئے 49.831 ملین روپوں کے جواز یا عدم جواز کا فیصلہ کیا جائے گا۔ جب تک حتمی طور پر اس رقم کا فیصلہ نہیں ہو جاتا اس وقت تک کیلئے 49.831 ملین روپوں کو بینک کی آمدنی سے الگ کر دیا گیا ہے۔ مزید برآں 1.876 ملین روپے چھپنی اکاؤنٹ میں دے دئے جانے کی بھی ہدایت کر دی گئی ہے تاکہ اسٹاک ایکسیج میں جائزہ میرز کی سرمایہ کاری پر جو ذریعہ حاصل ہوا اس میں سے سو دی رقم کو الگ کر دیا جائے۔

ماہل میں ذکر کردہ رقم کے علاوہ سمرز کی طرف سے متعدد قبولی حدود میں تاخیر سے ادائیگی کی مدت میں حاصل شدہ 41.77 ملین روپے چھپنی اکاؤنٹ میں منتقل کر دئے گئے۔

مراہجہ موئیرنگ سسٹم

حدود مراہجہ کی مسلسل نگرانی کیلئے ایک کپیڈ ٹرانزڈیکٹام قائم کیا گیا ہے جس کے مطابق وہ تمام برانچوں جو مراہجہ کی بنیاد پر قبول فراہم کرتی ہیں، اسکے لئے یہ ضروری ہے کہ ہر مراہجہ سے متعلق بنیادی معلومات پر مشتمل شیٹ برانچ / ڈیپارٹمنٹل مینجمنٹ کے جائزے کے بعد ہر دو ہفتہ میں شریعہ ڈیپارٹمنٹ (PDSC) کو ارسال کی جائے تاکہ تمام حدود مراہجہ کی حلیہ میں غلطی سے محفوظ رہا جاسکے۔ حدود اصصناع اور تھارہ کیلئے بھی ایسی نظام مرتب کیا جانا چاہئے۔

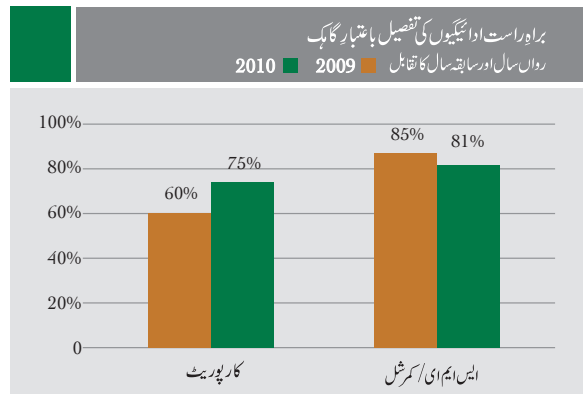
چھپنی / صدقات و خیرات

۲۰۱۰ء سال میں کل 106.309 ملین روپے چھپنی اکاؤنٹ میں منتقل کئے گئے۔ کل 137.633 ملین روپے شریعہ ایڈوائزر سے منظوری کے بعد چھپنی سیکٹرز کا ڈیکس سے ادا کیے گئے۔ چھپنی سے متعلق تفصیلات نوٹ نمبر 18.4 میں مذکور ہیں۔ شریعہ سپروائزر کی بورڈ کی ہدایات کے مطابق ایک دفعہ ایڈوائزر اور احسان ٹرسٹ کے نام سے قائم کیا جانے والا ہے تاکہ چھپنی فنڈز کا درست اور موثر استعمال ہو سکے۔

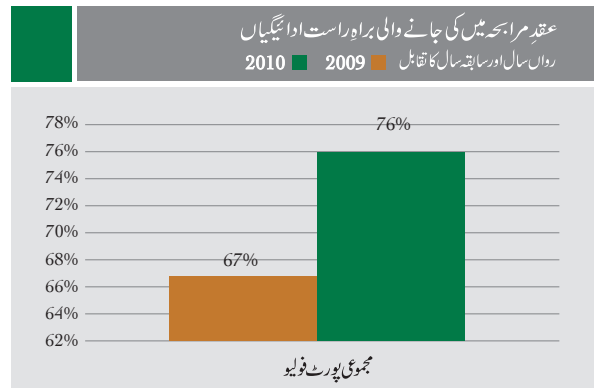
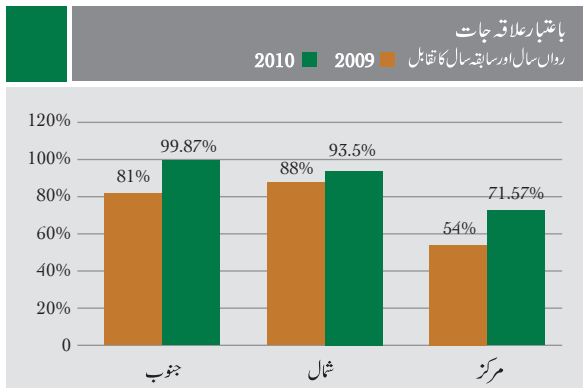
کارپوریٹ کسٹمرز کی براہ راست ادائیگیوں کے تناسب میں کافی اضافہ ہوا ہے، چنانچہ اس سیکٹر میں براہ راست ادائیگیوں کا تناسب 2009ء میں 60% تھا جو 2010ء میں بڑھ کر 75% ہو گیا۔

عقدِ مراجمہ میں براہ راست ادائیگیوں کا خلاصہ

شرح ترقی	2010	2009	عقدِ مراجمہ میں کی جانے والی براہ راست ادائیگیاں
13%	76%	67%	مجموعی پورٹ فولیو



شرح ترقی	2010	2009	با اعتبار گاہک
25%	75%	60%	کارپوریٹ
-5%	81%	85%	ایس ایم ای / کمرشل
			با اعتبار علاقہ جات (Regional)
			جنوب I-
23%	99.6%	81%	جنوب II-
	100%		جنوب III-
6%	93.5%	88%	شمال
			فیصل آباد
33%	79%	54%	لاہور
	87%		ملتان
	49%		



ڈیٹا کو ساہ ماہانہ سے قابل موازنہ بنانے کے لیے ساہ ماہ اور سینٹرل ریجن کے اعداد و شمار کو ان کے متعلقہ ذیلی ریجنز کے اوسط کے اعتبار سے درج کیا گیا ہے۔



دوران سال پاکستان بھر میں 23 شہروں میں اسلامی بینکاری کی ترویج و تھپتھپ کیلئے 38 سہارا زبھی منعقد کئے گئے جن میں 4400 سے زائد عوام و خواص نے شرکت کی۔ بینک کے سطح نظر مسلسل یہ بات رہتی ہے کہ وہ پاکستان میں اسلامی بینکاری کی مزید ترقی کیلئے معاون ثابت ہو۔ اس سلسلے میں بینکس انشٹیٹیوٹ آف بینکنگ اینڈ فنانس (NIBAF) اور مرکز الاقتصاد الاسلامی (CIE) جیسے اداروں کی مختلف ٹریننگ سیشنز میں بینک نے معاونت کی۔ بینک نے مختلف اداروں میں اسلامی بینکنگ کے شعبہ کو ریمز اور ڈگری پروگرامز منعقد کرائے۔ ان اداروں میں IBA، LUMS، IBA، SUKKER، ICBMPAF، KIET، IM، سائنسز (پشاور) اور انٹرنیشنل اسلامک یونیورسٹی (اسلام آباد) شامل ہیں۔ دوران سال IBA (کراچی) سائنسز (پشاور) اور انٹرنیشنل اسلامک یونیورسٹی (اسلام آباد) کے ساتھ مشترکہ ٹریننگ سیشنز اور ورکشاپس کا بھی انعقاد کیا گیا۔

بینک کے ملازمین اور اس کی برانچوں کی تعداد چونکہ مسلسل بڑھ رہی ہے لہذا بینک کو ملازمین کی تربیت اور رہنمائی پر مسلسل توجہ مرکوز رکھنی چاہئے۔ برانچ مینجمنٹ، ایمر یا مینجمنٹ، ریجنل مینجمنٹ اور ڈیپارٹمنٹل مینجمنٹ کیلئے خصوصی تربیت کا انتظام ہونا چاہئے۔

3- شریعہ ایڈوائزری

اپنے کامیاب تجربوں میں دوسروں کو شریک کرنے اور اسلامی بینکاری کے مقاصد میں دوسروں کو شریک کرنے کے مقصد کو سامنے رکھتے ہوئے میزان بینک کا اسلامی قومی مشاورت کا شعبہ متعدد میدانوں میں فنڈز، سٹاک ایکچینج اور دیگر اداروں کو قومی عمل شرعاً جائز طریقہ کار پر توجہ دینے میں مدد کرتا ہے۔

دوران سال میزان بینک، جو کہ KSE انڈیکس کیمپلی کا حصہ بھی ہے، نے پہلے اسلامی کارڈ اور اسلامی لیورینج سسٹم کے بارے میں کراچی اسٹاک ایکچینج کو ایک تحقیق جمع کرائی۔ رواں سال میزان بینک بدستور لیون انونٹس مینٹ لمیٹڈ (AI Meezan)، NBP، قرضن ایسٹ مینٹ کیمپلی لمیٹڈ (NAFA)، اور KASB اسٹاک فنڈز لمیٹڈ، AKD انونٹس مینٹ لمیٹڈ کو مختلف انواع کے شریعہ مینٹ فنڈز کو چلانے اور KMI-30 انڈیکس (KSE Meezan Islamic Index) (جو کہ پاکستان کا پہلا شریعہ مینٹ اسٹاک انڈیکس ہے) کی تیاری کے لئے مشاورت فراہم کرتا رہا۔

انٹاٹوں کا جائزہ

موجودہ سال میں میزان بینک نے اہل ذمہ کی طور پر مراہم، اجارہ، مشارکہ، متعلقہ، اصحابہ، اجارہ اور مسلم کی بنیاد پر قومی سہولیات فراہم کیں۔ میزان بینک میں ہونے والے مقروضہ مراہم (شہول اسلامک ایکسپورٹ ریٹائننگ سسٹم) بینک کے مجموعی قومی حصہ کا 44% ہیں، جبکہ ساہتہ برس یہ مقدار 47% تھی۔ دوسری طرف مشارکہ اور اصحابہ کے مقروضہ مقدار بینک کے مجموعی قومی مقروضہ کے مقابلہ میں باترتیب 23% اور 8% سے بڑھ کر 11% اور 26% ہو چکی ہے، جبکہ مقروضہ اجارہ کی مقدار 17% سے کم ہو کر 13% فیصد ہو چکی ہے۔ ان اعداد و شمار سے یہ واضح ہوتا ہے کہ قومی مقروضہ کے مجموعے میں مقروضہ مراہم اور اجارہ کا تناسب کم ہو گیا ہے، جبکہ دیگر طریق قومی میں مثبت تبدیلی ہوئی ہے۔ بینک کا مجموعی قومی پورٹ فولیو (برمطابق 31 دسمبر، 2010) 60.54 ارب تک پہنچ چکا ہے۔ بینک کے یہ تمام قومی مقروضہ ان معاہدات کو استعمال کرتے ہوئے کئے گئے جو شرعی اعتبار سے درست ہیں۔

ڈیپازٹس کا جائزہ

بینک نے اپنی ڈیپازٹ سائینڈ پر کی ایسی شرعاً جائز ڈیپازٹ پر وڈ کسٹس وضع کی ہیں جو مقصد مضارہ اور قرض یعنی ہیں۔ برمطابق 31 دسمبر 2010 بینک کا مجموعی ڈیپازٹ 131.1 ارب روپے تک پہنچ چکا ہے۔ اس سال بینک نے دیگر بینکوں اور کارپوریشنوں سے مشارکہ کی بنیاد پر قومی المیعا مدت کیلئے رقم وصول کی ہیں۔

رواں سال میں بینک کی ڈیپازٹ سائینڈ سے متعلق درج ذیل امور اہم ہونے لگے:

مختلف انٹاٹوں اور فنڈز کو مختلف پہلوں کی طرف منسوب کرنا، مضارہ کی بنیاد پر جمع شدہ رقم کے مجموعی طے کے تناسب کا اعلان کرنا، ماہانہ اوزان مضمین کرنا، مراہم یا اداروں میں طے تقسیم کرنا وغیرہ۔

شریعی آڈٹ اور کیمپلائنس

بینک کی تمام پروڈکٹس اور خدمات کے شرعی طور پر جائز ہونے کی یقین دہانی کے لئے PDSC ڈیپارٹمنٹ بینک کے مختلف افعال کی عملی طور پر پورے سال نگرانی کرتا رہا ہے۔ رواں سال میں قومی کی منظوریاں، قومی سہولیات کی ازسرنو تجدید، ہر برک ایکٹ کیلئے مقروضہ کی عملیہ کا الگ طریقہ کار، اور طہناتی دستاویزات کا شرعی اعتبار سے جائزہ لیا گیا تاکہ انہیں کو دی جانے والی قومی سہولیات شرعی اعتبار سے درست ہوں۔

دوران سال چھوٹے اور درمیانے درجے کے (SME / Commercial) کے 725 گا بکوں اور 350 کارپوریشنوں کے مخصوص طرز (Process Flows) کا جائزہ لیا گیا اور ضروری ترامیم کی گئیں جن کے مطابق مراہم، مشارکہ، متعلقہ، اصحابہ، اجارہ اور اجارہ کے مقروضہ کو استعمال کرتے ہوئے قومی سہولیات فراہم کی گئیں۔ 1040 سے زائد قومی منظوریاں اور طہناتی دستاویزات، بشمول 10 رٹرننگ کیمپلائنس کیمپلائنس کیمپلائنس لیا گیا۔

بینک کے شریعی پروڈکٹس اور خدمات کے شرعی طور پر جائز ہونے کی یقین دہانی کے لئے PDSC ڈیپارٹمنٹ بینک کے مخصوص طرز (Process Flows) کا جائزہ لیا گیا اور ضروری ترامیم کی گئیں جن کے مطابق مراہم، مشارکہ، متعلقہ، اصحابہ، اجارہ اور اجارہ کے مقروضہ کو استعمال کرتے ہوئے قومی سہولیات فراہم کی گئیں۔ 1040 سے زائد قومی منظوریاں اور طہناتی دستاویزات، بشمول 10 رٹرننگ کیمپلائنس کیمپلائنس کیمپلائنس لیا گیا۔

بینک کے شریعی پروڈکٹس اور خدمات کے شرعی طور پر جائز ہونے کی یقین دہانی کے لئے PDSC ڈیپارٹمنٹ بینک کے مخصوص طرز (Process Flows) کا جائزہ لیا گیا اور ضروری ترامیم کی گئیں جن کے مطابق مراہم، مشارکہ، متعلقہ، اصحابہ، اجارہ اور اجارہ کے مقروضہ کو استعمال کرتے ہوئے قومی سہولیات فراہم کی گئیں۔ 1040 سے زائد قومی منظوریاں اور طہناتی دستاویزات، بشمول 10 رٹرننگ کیمپلائنس کیمپلائنس کیمپلائنس لیا گیا۔

بینک کے شریعی پروڈکٹس اور خدمات کے شرعی طور پر جائز ہونے کی یقین دہانی کے لئے PDSC ڈیپارٹمنٹ بینک کے مخصوص طرز (Process Flows) کا جائزہ لیا گیا اور ضروری ترامیم کی گئیں جن کے مطابق مراہم، مشارکہ، متعلقہ، اصحابہ، اجارہ اور اجارہ کے مقروضہ کو استعمال کرتے ہوئے قومی سہولیات فراہم کی گئیں۔ 1040 سے زائد قومی منظوریاں اور طہناتی دستاویزات، بشمول 10 رٹرننگ کیمپلائنس کیمپلائنس کیمپلائنس لیا گیا۔

شریعی ایڈوائزرز رپورٹ

الحمد لله رب العالمین، والصلاة والسلام علی خاتم الأنبیاء والمرسلین،
محمد المصطفی الامین، وعلی آلہ وأصحابہ أجمعین، وبعد:

الحمد لله، ہر مطالعہ سال میزبان بینک لمیٹڈ کا اسلامی تجارتی بینکاری کا نوواں سال ہے۔ اس سال بینک نے شریعی ایڈوائزری بورڈ/شریعی ایڈوائزری کی منظوری کے بعد نئی اور متنوع الاقسام پر پروڈکٹس متعارف کرائیں۔ رواں سال میں شریعی ایڈوائزری کی طرف سے میزبان بینک کی مختلف جدید پروڈکٹس، متنوع طریقہ عمل اور نئے عملی انعقاد کو چیک کرنے کا طریقہ کار شریعی سپروائزرزری بورڈ کے فوراً اور جائزے کیلئے پیش کیا گیا، چنانچہ اس سلسلے میں میزبان بینک کے شریعی سپروائزرزری بورڈ اور ایگزیکٹو کمیٹی کے دو اجلاس منعقد ہوئے۔

مقودہ کی جانچ پڑتال کے طریقہ کار کو مزید موثر بنانے کیلئے ایک مستقل شعبہ ”پروڈکٹ ڈیولپمنٹ اینڈ شریعی کمپلائنس (PDSC)“ میری زیر نگرانی کام کر رہا ہے۔ جس کے نتیجے میں نئی پروڈکٹس کی تیاری، ان کی شرعی اعتبار سے تحقیق و تفتیش، اسلامی بینکاری کی تربیت اور شریعی آڈٹ کا کام زیادہ موثر اور منظم طریقہ سے انجام دیا جا رہا ہے۔

رواں سال میں بینک میں درج ذیل اہم امور انجام پائے۔

1- نئی پروڈکٹس کی تیاری اور تحقیق

بینک نے کسٹمرز کی درگت کھولنے کی ضرورت کو پورا کرنے کیلئے اصحان اور چھارہ کی بنیاد پر ایک طریقہ کار ترتیب دیا ہے جو بل ڈسکاؤنٹنگ کا متبادل ہے۔ بینک نے ”مسادہ“ کی بنیاد پر لیپ ٹاپس کیپچرنگ کی جوئی کی بھی ایک پروڈکٹ متعارف کی ہے۔ ماگروفا ٹرانسنگ انڈسٹری کی ترویج کیلئے بینک نے دوران سال ”کالہ“ کی بنیاد پر ایک پروڈکٹ وضع کی جس کے نتیجے میں امید کی جاتی ہے کہ اسلامی بینکوں اور ماگروفا ٹرانس بینکوں کے درمیان جوئی شراکت دار یا رائج ہوں گی۔ یہ پروڈکٹ اگرچہ بنائی جا چکی ہے لیکن ابھی تک اس کی بنیاد پر کوئی عقد نہیں کیا گیا۔

میزبان بینک کے شریعی سپروائزرزری بورڈ اور اسٹیٹ بینک پاکستان کی ہدایات کے مطابق بینک نے 2009 میں اپنے تمام جوئی مقودہ کا ترجمہ کرنا شروع کیا اور یہ کام اس سال تقریباً مکمل ہو گیا اور اسی سال بینک نے یہ ترامیم جاری بھی کر دیے۔

میزبان بینک نے حال ہی میں جاری ہونے والے پاکستانی حکومت کے جاری کردہ چارہ سلوک کے طریقہ کار سے متعلق شرعی رہنمائی بھی فراہم کی۔ ان سلوک کے اجراء نے اسلماک بینکنگ انڈسٹری میں رائج زائد لیکویٹی (سیولٹی) کی کمی میں معاونت کی۔

رواں سال متعارف کرائی جانے والی پروڈکٹس میں میزبان بینک بھی شامل ہے۔ اس اکاؤنٹ کی بنیاد مضامین پر ہے جس میں بزنس کوئی مفت خدمات فراہم کی جاتی ہیں۔ اس کے علاوہ ”میزبان بورڈ سیوننگز اکاؤنٹ“ اور ”میزبان پاور سیوننگز اکاؤنٹ“ بھی متعارف کرائے گئے۔ مزید برآں دیگر پروڈکٹس (مثلاً میزبان بچت اکاؤنٹ اور میزبان قارن کرنسی سیوننگز اکاؤنٹ) میں بہتری لائی گئی۔

میزبان بینک کی ٹیم نے اسلامی بینکنگ بیجنگ مارک ریٹ کی تیاری سے متعلق ایک تحقیقی مقالہ اسٹیٹ بینک پاکستان اور دیگر اسلامی بینکوں اور اسلامی بینک ونڈ کو پیش کیا۔ اس کے نتیجے میں ریولوزیو اسلامی بینکوں کا ایک الگ صفحہ قائم ہو جانے کا نیز اسلامی بینک اپنے رٹس علیحدہ طور پر کر سکیں گے۔

برآمد کنندگان کیلئے طویل المدتی جوئی سہولت کو پورا کرنے کیلئے میزبان بینک نے اسٹیٹ بینک پاکستان کے ساتھ کام کیا۔ اس کے علاوہ اسٹیٹ بینک کی دیگر پلاننگز ٹرانس ایکسپوز کی تیاری میں بھی میزبان بینک معاون ہوا۔ نیز پاکستان مورٹج ریٹنگ ٹرانس کمپنی کو قائم کر کے مورٹج فنانسنگ کی شرعا جائز سیکنڈری مارکیٹ کے قیام کے لیے اسٹیٹ بینک کے ساتھ مشترکہ تحقیق جاری ہے۔

اس سال میزبان بینک نے ایچ جی و عمرہ و اسکیم میزبان بینک دو اقسام کے ساتھ دوبارہ لانچ کی۔ ایک ”لیک ٹریول آسان“، دوسرا ”لیک سیونگ آسان“۔ لیکن ٹریول آسان کے ذریعے قیمت کی فوری ادائیگی یا قیمت کے ایک جزوی فوری ادائیگی اور پھر رقم کو ہسٹوں میں ادا کر کے کسٹمرز اور عمرہ کے مہارک سفر کی سعادت حاصل کر سکتا ہے۔

2- ٹریڈنگ اور ڈیولپمنٹ

اس سال کے دوران میزبان بینک میں اندرونی طور پر منعقد ترقیاتی اجلاس کی تعداد 85 رہی جس میں پورے پاکستان سے 2117 ملازمین نے شرکت کی۔ اسلماک بینکر سرٹیفکیٹ کورس (جو کہ چار ماہ کا اسلامی بینکاری کا جامع کورس ہے) پانچویں مرتبہ منعقد ہوا جس میں بینک وقت چار شہروں کراچی، لاہور، اسلام آباد اور ملتان میں بذریعہ ویڈیو کانفرنسنگ ٹریڈنگ کا انعقاد کیا گیا۔ ایک اور چھ روزہ اسلامی بینکنگ کا جامع کورس ملک کے پانچ رجسٹرڈ (Regions) میں منعقد ہوا، جس میں شریعی ڈیولپمنٹ (PDSC) کے ماہرین سمیت مختلف اسلامی بینکوں کے نامور علماء کرام نے ٹریڈنگ کی خدمات فراہم کیں۔ مزید برآں متعدد اسلامی بینکنگ سے متعلق ٹریڈنگ کی ویڈیو تجارت کی گئیں اور برائوں میں موعوم پچھتے جانے والے سوالات کے جوابات کے لئے خصوصی اجلاس کا انعقاد کیا گیا۔

Statement of Sources and Uses of Charity Fund

For the year ended December 31, 2010

	2010	2009
	————— Rupees in '000 —————	
Opening balance as at January 01	118,233	78,169
Additions during the year		
- Received from customers on delayed payments	41,077	43,362
- Dividend purification	343	1,142
- Non-shariah compliant income	64,889	6,666
- Profit on Charity saving account	1,818	3,499
	108,127	54,669
Less: Distribution of Charity		
- Education	(2,283)	(1,900)
- Health	(200)	(3,537)
- Relief, welfare & disaster recovery	(135,000)	(7,000)
- Social welfare	(150)	(2,168)
	(137,633)	(14,605)
Closing balance as at December 31	<u>88,727</u>	<u>118,233</u>

Note :

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



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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 ("the Bank") to comply with the Listing Regulations of the Karachi Stock Exchange where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 31 December 2010.

Date: 11 FEB 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co. is a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with the PwC International Cooperative "KPMG Network" of independent member firms affiliated with the PwC International Cooperative "KPMG Network" of independent member firms.



Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2010

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 nine 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 NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred in the Board during the year were duly filled after obtaining prior approval from 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 of the Board. 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 all relevant laws, rules and regulations 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. The Board appointed new Company Secretary in its meeting held on October 22, 2010. Except to that, there was no new appointment of the CFO or Head of Internal Audit during the year ended December 31, 2010.
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 Bank maintains a list of related parties which is updated on a regular basis. All transactions with the related parties alongwith their pricing methods have been separately disclosed in the quarterly accounts approved by the Board after recommendation of the Audit Committee.
14. 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.



15. The Bank has complied with all the corporate and financial reporting requirements of the Code.
16. 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.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank and 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.
18. 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.
19. 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, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

A blue handwritten signature of Irfan Siddiqui.

Irfan Siddiqui
President & CEO

February 11, 2011

Statement of Internal Controls

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

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

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

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

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

During the year under review, we have endeavored to follow the guidelines issued by the State Bank of Pakistan on Internal Controls and to incorporate these guidelines in the Bank's existing internal controls system for evaluation and management of significant risks and we will endeavor to further improve our internal control system during 2011 - Inshallah.

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

On behalf of the Board



Ariful Islam
Chief Operating Officer



Irfan Siddiqui
President & CEO

February 11, 2011



Notice of Annual General Meeting

Notice is hereby given that the 15th Annual General Meeting of the Members of Meezan Bank Limited will be held Insha-Allah on Monday, March 28, 2011 at 10:00 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 14th Annual General Meeting held on March 24, 2010.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank and Consolidated Audited Accounts of the Bank for the year ended December 31, 2010 together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors of the Bank for the year ending December 31, 2011 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. 1,047,382,570/- out of free reserves of the Bank for the issue of bonus shares be capitalized and applied for the issue of 104,738,257 ordinary shares of Rs. 10/- each and allotted as fully paid bonus shares to those members of the Bank whose names appear in the Register of members of the bank on March 28, 2011 in the ratio of 15 ordinary shares for every 100 ordinary shares held (15%) and that such new shares shall rank pari passu in all respect with the existing ordinary shares.
 - b) Members entitled to fraction of shares as a result of their holding shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.
 - c) For the purpose of giving effect to the foregoing, the President/Chief Executive or the Company Secretary be and are hereby individually authorized to take any and all actions which may 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, 2010 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, 2010, be and is hereby approved.”

6. 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 5, 2011

By Order of the Board

Tasnimul Haq Farooqui
Company Secretary



Notes:

- i) The Members' Register will remain closed from March 19, 2011 to March 28, 2011 (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) of the Notice pertaining to the special businesses to be transacted at the Annual General Meeting of the Bank to be held on March 28, 2011.

I) Issue of Bonus Shares

In order to meet the requirements of State Bank of Pakistan to increase the paid up capital of the commercial banks to Rs.8 billion by December 31, 2011, the Board of Directors of the Bank are of the view that Bank's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 1,047,382,570 for the issue of 104,738,257 bonus shares of Rs. 10/- each in the ratio of 15 ordinary shares of every 100 ordinary shares held i.e. 15%.

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.

CURRENT 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 an associated company against the approval accorded by the shareholders of the Bank in the 12th Annual General Meeting held on March 27, 2008 for investment of Rs. 870,000 in subscription of 8,700 Right Shares of Rs. 100 each at par of Blue Water (Pvt.) Ltd, an associated company, the Bank has not invested any amount as the Right Shares has not yet been issued by the associated investee company due to slow down in domestic real estate markets.

There is no major change in the financial position of the above associated investee company since the date of passing the resolution in the 12th Annual General Meeting held on March 27, 2008.



Financial Statements

Auditors' Report to the Members	68
Statement of Financial Position	69
Profit and Loss Account	70
Statement of Comprehensive Income	71
Cash Flow Statement	72
Statement of Changes in Equity	73
Notes to and forming part of the Financial Statements	74



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Chartered Accountants
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Internet : www.kpmg.com.pk

Auditors' Report to the Members


We have audited the annexed statement of financial position of **Meezan Bank Limited** ("the Bank") as at 31 December 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended 31 December 2010, in which are incorporated the unaudited certified returns from the branches except for 18 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 the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these 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 financings covered more than 60% of the total financings of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the statement of financial position and the related 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 statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2010 and its true balance of profit, its comprehensive income, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 11 FEB 2011
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain



Statement of Financial Position

As at December 31, 2010



	Note	2010	2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	12,780,806	8,387,432
Balances with other banks	8	9,939,660	5,260,467
Due from financial institutions	9	10,511,855	34,486,875
Investments	10	54,966,907	23,290,309
Financings	11	54,195,163	41,709,656
Operating fixed assets	12	3,066,100	2,416,375
Deferred tax assets	17	342,175	204,172
Other assets including inventories	13	8,949,759	8,413,810
		154,752,425	124,169,096
LIABILITIES			
Bills payable	14	1,767,370	1,249,210
Due to financial institutions	15	5,829,296	8,468,425
Deposits and other accounts	16	131,070,328	100,333,051
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities		-	-
Other liabilities	18	5,005,440	4,933,951
		143,672,434	114,984,637
NET ASSETS		11,079,991	9,184,459
REPRESENTED BY			
Share capital	19	6,982,550	6,650,048
Reserves	20	1,380,010	1,050,092
Unappropriated profit		2,377,563	1,390,395
		10,740,123	9,090,535
Surplus on revaluation of investments	21	339,868	93,924
		11,079,991	9,184,459
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 42 form an integral part of these financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director

Profit and Loss Account

For the year ended December 31, 2010



	Note	2010	2009
Rupees in '000			
Profit / return earned on financings, investments and placements	23	12,290,549	10,102,060
Return on deposits and other dues expensed	24	6,606,474	4,969,916
Net spread earned		5,684,075	5,132,144
Provision against non-performing financings (net)	11.9	1,330,057	1,430,536
Provision for diminution in value of investments and impairment	10.9	46,862	88,640
Provision against off balance sheet obligations	18.3	37,682	-
Provision against amounts due from financial institutions	9.4	81,875	12,625
Bad debts written off directly		-	-
		1,496,476	1,531,801
Net spread after provisions		4,187,599	3,600,343
OTHER INCOME			
Fee, commission and brokerage income		615,752	529,260
Dividend income		321,898	189,973
Income from dealing in foreign currencies		1,381,044	752,904
Capital gain on sale of investments - net	25	97,155	76,160
Other income	26	59,181	49,507
Total other income		2,475,030	1,597,804
		6,662,629	5,198,147
OTHER EXPENSES			
Administrative expenses	27	4,460,804	3,530,161
Other provisions / write offs / (reversals)		18,306	(73,484)
Other charges	28	56,559	1,747
Total other expenses		4,535,669	3,458,424
		2,126,960	1,739,723
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		2,126,960	1,739,723
Taxation - Current	29	1,025,135	1,440,374
- Prior years		(332,808)	-
- Deferred		(214,955)	(726,002)
		477,372	714,372
PROFIT AFTER TAXATION		1,649,588	1,025,351
Rupees			
Basic and diluted earnings per share	30	2.36	1.62

The annexed notes 1 to 42 form an integral part of these financial statements.

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Bin Khalifa Al-Khalifa
Chairman

Irfan Siddiqui
President and
Chief Executive

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Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director



Statement of Comprehensive Income

For the year ended December 31, 2010



	2010	2009
	Rupees in '000	
Profit for the period	1,649,588	1,025,351
Other comprehensive income	-	-
Comprehensive income transferred to equity	1,649,588	1,025,351
Components of comprehensive income not transferred to equity		
Surplus on revaluation of investments	322,896	528,835
Deferred tax on revaluation of investments	(76,952)	(68,792)
Total comprehensive income	1,895,532	1,485,394

The annexed notes 1 to 42 form an integral part of these financial statements.

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Chairman

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President and
Chief Executive

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Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director

Cash Flow Statement

For the year ended December 31, 2010



Note 2010 2009
Rupees in '000

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	2,126,960	1,739,723
Less: Dividend income	(321,898)	(189,973)
	1,805,062	1,549,750
Adjustments for non-cash charges		
Depreciation	359,075	307,438
Amortization	33,810	31,853
Provision against non-performing financings (net)	1,330,057	1,430,536
Provision for diminution in the value of investments and impairment		
- on associates - unlisted	16,699	-
- on others	30,163	88,640
Provision against amounts due from financial institutions	81,875	12,625
Gain on sale of property, equipment and others	(18,910)	(13,123)
	1,832,769	1,857,969
	3,637,831	3,407,719
(Increase) / decrease in operating assets		
Due from financial institutions	23,893,145	(16,391,500)
Held for trading securities	-	151,096
Financings	(13,815,564)	(3,611,461)
Other assets including inventories	(453,313)	(4,285,713)
	9,624,268	(24,137,578)
Increase / (decrease) in operating liabilities		
Bills payable	518,160	192,193
Due to financial institutions	(2,639,129)	4,459,929
Deposits and other accounts	30,737,277	30,099,176
Other liabilities	645,596	239,361
	29,261,904	34,990,659
	42,524,003	14,260,800
Income tax paid	(1,266,434)	(294,450)
Net cash flow from operating activities	41,257,569	13,966,350

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in		
- held to maturity securities	16,848	568,481
- available for sale securities	(25,960,610)	(9,042,992)
- listed associated undertakings	(5,456,802)	-
Dividends received	239,262	185,317
Investments in operating fixed assets	(1,054,418)	(892,838)
Sale proceeds of property and equipment disposed off	30,718	30,810
Net cash flow from investing activities	(32,185,002)	(9,151,222)

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from right issue	-	1,724,087
Net increase in cash and cash equivalents	9,072,567	6,539,215
Cash and cash equivalents as at January 1	31	7,108,684
Cash and cash equivalents as at December 31	31	13,647,899

The annexed notes 1 to 42 form an integral part of these financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director



Statement of Changes in Equity

For the year ended December 31, 2010



	Capital reserves			Revenue reserves	Unappropriated profit	Total
	Share capital	Statutory reserve	Reserve for issue of bonus shares	General reserve		
Rupees in '000						
Balance as at January 01, 2009	4,925,961	778,256	-	66,766	570,114	6,341,097
Total Comprehensive income for the year						
Profit after taxation for the year	-	-	-	-	1,025,351	1,025,351
Transactions with owners recognised directly in equity						
Issue of right shares	1,724,087	-	-	-	-	1,724,087
Transfer to statutory reserve	-	205,070	-	-	(205,070)	-
Balance as at December 31, 2009	6,650,048	983,326	-	66,766	1,390,395	9,090,535
Total Comprehensive income for the year						
Profit after taxation for the year	-	-	-	-	1,649,588	1,649,588
Transactions with owners recognised directly in equity						
Transfer to reserve for issue of bonus shares	-	-	332,502	-	(332,502)	-
Issue of bonus shares	332,502	-	(332,502)	-	-	-
	332,502	-	-	-	(332,502)	-
Transfer to statutory reserve	-	329,918	-	-	(329,918)	-
Balance as at December 31, 2010	6,982,550	1,313,244	-	66,766	2,377,563	10,740,123

The annexed notes 1 to 42 form an integral part of these financial statements.

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

Irfan Siddiqui
President and
Chief Executive

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Mohammad
Abdul Aleem
Director



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



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 two hundred and twenty two branches as at December 31, 2010 (2009: two hundred and one branches - including thirty five sub-branches). Its registered office is situated at 3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi, Pakistan.

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, Tijarah and Export Refinance under Islamic Export Refinance Scheme as briefly explained in note 6.3.

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

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

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Bank's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on the Bank's financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Bank.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 judgement in classification of investments in accordance with the Bank's policy (notes 6.4 and 10).
- (b) Provision for non-performing financings (notes 6.3.3 and 11.9).
- (c) Determination of forced sale value of underlying securities of non performing financings (note 11.9.2).
- (d) Impairment of investments in equity instruments of associates and non associate entities (notes 6.4.7, 6.4.8 and 10).
- (e) Staff retirement benefits (notes 6.10 and 33).
- (f) Depreciation and amortization methods of operating fixed assets (notes 6.5.3 and 12).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.2, 6.9, 17 and 29).

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

3.2 Through Finance Act, 2010, certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for financings & off balance sheet items in doubtful and loss categories will now be allowed upto 5% of total gross financing for consumer & SMEs (as defined in SBP Prudential Regulations).

The provision for financings and off balance sheet items in doubtful and loss categories other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross financings. Provision in excess of prescribed limits of financings other than consumer and SME categories would be allowed to be carried forward to subsequent years.

Further, a new Rule 8(A) has been introduced in the Seventh Schedule to allow the amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 667 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 the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by SBP differ, the provisions of and the directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by SBP shall prevail.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



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 these Standards 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 Functional and Presentation Currency

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

5.3 Rounding off

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

6.2 Revenue recognition

- i) Profit on Murabaha and Commodity Murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.
- ii) The Bank follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir.
- iii) Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognised as income on accrual basis.
- iv) Profit on Diminishing Musharakah financings are recognised on accrual basis.
- v) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- vi) Profit on Tijarah and Istisna financings are recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds by the Bank.
- vii) Profit on Sukuks is recognised on accrual basis.
- viii) Commission on letters of credit, acceptances and guarantees is recognised on receipt basis, except for commission on guarantees in excess of Rs. 50,000 which is recognised over the period of the guarantee. Fee and brokerage income are recognised when earned.
- ix) Dividend income is recognised when the Bank's right to receive dividend is established.
- x) Return on deposits is recognised on receipt basis except for return on fixed deposits which is recognised on accrual basis.
- xi) Consistent with prior years, profit required to be suspended in compliance with the prudential regulations issued by SBP is recorded on receipt basis.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



6.3 Financings

Murabaha

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

Ijarah

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

Istisna

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

Tijarah

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

Diminishing Musharakah

In Diminishing Musharakah based financing, the Bank enters into a Musharakah based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payment agreement for the utilization of the Bank's Musharakah share by the customer.

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

6.3.3 Provision against non-performing financings

The Bank determines provisions against financings on a prudent basis in accordance with the requirements of Prudential Regulations issued by SBP.

Non-performing financings are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Bank determines write-offs in accordance with the criteria prescribed by SBP vide BPRD Circular No. 6 of 2007 dated June 05, 2007.

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 them 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, 2010



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 and strategic investments are stated at cost less impairment, if any.
- Unquoted securities including investments in associates and subsidiaries are stated at cost less impairment, if any.
- Investments in securities categorized as 'held to maturity' are carried at amortized cost less impairment.

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 recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment. Investments other than those classified as held for trading and investments in subsidiaries or associates, are initially recognised at fair value including transaction costs associated with such investments. Investments classified as held for trading are initially recognised at fair value.

6.4.5 Cost of investment is determined on moving average basis

6.4.6 Premium or discount on acquisition of investments is amortized through the profit and loss account over the remaining period till maturity.

6.4.7 Impairment loss is recognised whenever there is objective evidence of impairment and the carrying amount of an investment exceeds its expected recoverable amount. An impairment loss is recognised in income currently.

6.4.8 The Bank reviews the carrying value of its investments in associates for impairment at each reporting date if there are any indicators of impairment. The indicators include significant decline in market value of investment, prolonged decline in market value of investment, significant changes with an adverse impact on the entity, increase in market interest rates, carrying amount of net assets are in excess of its market capitalization etc. Considering the fact that these investments are held for long term and there are certain restrictions on their disposal for the purposes of determining significant or prolonged decline in fair value a higher threshold of upto 40% and for prolonged a threshold of upto 12 months may be used. However, the use of higher threshold should be justifiable in view of other factors present for the entity. The amount of impairment loss would be determined based on the higher of value in use and fair value less costs to sell.

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. Items of fixed assets costing Rs. 10,000 or less are not capitalized and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in income currently.

6.5.2 Intangible assets

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

6.5.3 Depreciation / amortization

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

6.5.4 Capital work-in-progress

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



6.5.5 Useful lives and residual values

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

6.5.6 Maintenance and normal repairs

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

6.5.7 Impairment

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

6.6 Ijarah Assets (IFAS 2)

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

- Depreciation

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

- Ijarah Rentals

Ijarah rentals outstanding are disclosed in 'Other Assets' on the Balance Sheet at amortized cost.

- Impairment

Impairment of Ijarah Asset is determined on same basis as that of Operating Fixed Assets.

Impairment of Ijarah Rentals are determined in accordance with Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Financings'.

6.7 Inventories

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

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

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



6.8 Deposits

Deposits are generated on the basis of two modes Qard & Modaraba.

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

No profit or loss is passed to current account depositors.

Profit realized in Investment Pools are distributed in pre-agreed profit sharing ratio.

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

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

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

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

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

6.9 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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



6.10 Staff retirement benefits

Defined benefit plan

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

The scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2010. The Projected Unit Credit method was used for actuarial valuation.

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

Defined contribution plan

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

6.11 Compensated absences

The Bank recognizes liability in respect of employees compensated absences in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2010, on the basis of Projected Unit Credit method.

6.12 Dividend and reserves

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

6.13 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 contracts other than contracts with SBP at the year end are reported in Rupees at exchange rates prevalent on the balance sheet date.

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

6.14 Provisions and contingent assets and liabilities

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

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

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



6.15 Offsetting

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

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

6.16 Segment reporting

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

6.16.1 Business segments

Corporate Financing

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

Trading and Sales

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

Retail Banking

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

Commercial Banking

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

Agency Services

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

Payment and Settlement

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

6.16.2 Geographical segments

The bank operates only in Pakistan.

6.17 Impairment

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



	Note	2010	2009
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		3,069,819	2,654,834
- foreign currencies		490,477	461,880
With the State Bank of Pakistan in			
- local currency current accounts	7.1	6,586,351	3,969,496
- foreign currency current accounts	7.1	792,647	641,169
With the National Bank of Pakistan in			
- local currency current accounts		1,841,512	660,053
		<u>12,780,806</u>	<u>8,387,432</u>

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

	Note	2010	2009
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		1,455,966	665,584
- on deposit accounts / term deposit receipts	8.1	7,350,000	-
Outside Pakistan			
- on current accounts		1,115,963	4,578,659
- on deposit accounts	8.2	17,731	16,224
		<u>9,939,660</u>	<u>5,260,467</u>

8.1 The return on these balances ranges from 12.75 % to 13.05% per annum and will mature between January 2011 to March 2011.

8.2 The return on these balances is around 0.29% (2009: 0.1% to 1.4%) per annum.

	Note	2010	2009
Rupees in '000			
9. DUE FROM FINANCIAL INSTITUTIONS			
Commodity Murabaha	9.1	1,094,501	34,499,500
Bai Muajjal	9.1	7,966,079	-
Wakalah	9.2	45,775	-
Modaraba	9.1	1,500,000	-
		<u>10,606,355</u>	<u>34,499,500</u>
Provision against non-performing amounts due from financial institutions	9.4	(94,500)	(12,625)
		<u>10,511,855</u>	<u>34,486,875</u>

9.1 The average return on these products is 12.89% (2009: 12.33%) per annum and will mature between January 2011 to June 2011.

9.2 The average return on this product is 0.9% per annum and will mature in June 2011.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



	Note	2010	2009
Rupees in '000			
9.3 Particulars of due from financial institutions			
In local currency		10,466,080	34,486,875
In foreign currency		45,775	-
		<u>10,511,855</u>	<u>34,486,875</u>
9.4 Provision against amounts due from financial institutions			
Opening balance		12,625	-
Charge for the year		81,875	12,625
Less: Reversals		-	-
		<u>81,875</u>	<u>12,625</u>
Closing balance		<u>94,500</u>	<u>12,625</u>

10. INVESTMENTS

10.1 Investments by types	Note	2010			2009		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
Rupees in '000							
Available for sale securities	10.4	45,986,851	-	45,986,851	20,026,241	-	20,026,241
Held to maturity securities	10.5	1,150,000	-	1,150,000	1,166,848	-	1,166,848
		<u>47,136,851</u>	<u>-</u>	<u>47,136,851</u>	<u>21,193,089</u>	<u>-</u>	<u>21,193,089</u>
In related parties							
Subsidiary (unlisted)	10.6	63,050	-	63,050	63,050	-	63,050
Associates (listed)	10.7	7,476,963	-	7,476,963	2,020,161	-	2,020,161
Associates (unlisted)	10.8	274,280	-	274,280	274,280	-	274,280
Investments at cost / carrying value		<u>54,951,144</u>	<u>-</u>	<u>54,951,144</u>	<u>23,550,580</u>	<u>-</u>	<u>23,550,580</u>
Less: Provision for diminution in value of investments and impairment	10.9	(434,014)	-	(434,014)	(387,152)	-	(387,152)
Investments (net of provision)		<u>54,517,130</u>	<u>-</u>	<u>54,517,130</u>	<u>23,163,428</u>	<u>-</u>	<u>23,163,428</u>
Surplus on revaluation of available for sale securities	21	449,777	-	449,777	126,881	-	126,881
Total investments at market value		<u>54,966,907</u>	<u>-</u>	<u>54,966,907</u>	<u>23,290,309</u>	<u>-</u>	<u>23,290,309</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



	Note	2010	2009
Rupees in '000			
10.2 Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuk		32,446,557	10,368,686
Fully paid up ordinary shares			
- Listed companies		1,032,031	943,419
- Unlisted companies		313,272	191,050
WAPDA First Sukuk Certificates	10.2.1	1,258,708	1,257,625
WAPDA Second Sukuk Certificates		1,750,000	1,750,000
PIA Sukuks		1,500,000	1,500,000
Sukuk Certificates		5,211,350	4,831,840
Preference shares		146,280	146,280
Global Sukuk Bonds		2,915,086	438,056
Units of open-end funds		8,168,661	1,914,425
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)		897	897
Certificates of a closed-end fund		208,302	208,302
Total investments at cost / carrying value		<u>54,951,144</u>	<u>23,550,580</u>
Less: Provision for diminution in value of investments and impairment	10.9	(434,014)	(387,152)
Investments (net of provision)		<u>54,517,130</u>	<u>23,163,428</u>
Surplus on revaluation of available for sale securities	21	449,777	126,881
Total investments at market value		<u><u>54,966,907</u></u>	<u><u>23,290,309</u></u>

10.2.1 The Bank purchased 22,000 certificates (12,000 on June 24, 2009 and 10,000 on June 29, 2009) of WAPDA-I Sukuk through a market based transaction for a cash consideration of Rs. 110.346 million (Rs. 60.53 million and Rs. 49.815 million) having face value of Rs. 110 million. These Certificates were available in the seller's CDC account and on completion of the transaction were transferred to the Bank's CDC account. The periodic Ijarah rentals due since October 22, 2009 were not paid to the Bank as there was certain discrepancy in the Central Depository Register. The Bank through a legal notice has clarified the position that the Bank has purchased the aforesaid Sukuk Certificates from the market for a valuable consideration when these Sukuks were already entered in the Central Depository Register of seller's account.

The Bank has already filed a suit in Sindh High Court for the recovery of the dues. The legal counsel of the Bank contends that the Sukuk Certificates were transferred through CDC account of the seller, the Bank is the legitimate and bonafide holder of the Sukuk Certificates from the date of acquisition and the case will be decided in the Bank's favour.

10.3 Investments in subsidiary and associates, except for Meezan Islamic Income Fund and Meezan Sovereign 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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



10.4 Quality of available for sale securities

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

Name of the investee company/fund	Note	2010		2009		2010		2009	
		Number of shares/ units/certificates		Cost		Market value	Entity rating long term/ short term	Market value	Entity rating long term/ short term
						Rupees in '000		Rupees in '000	
Ordinary Shares									
Automobile parts and accessories									
Agriauto Industries Limited	10.4.1	324,000	324,000	20,352	20,352	24,689	Unrated	19,521	Unrated
Cement									
Attock Cement Pakistan Limited		200,737	150,736	8,811	5,535	12,668	Unrated	7,838	Unrated
D.G. Khan Cement Company Limited		115,000	-	3,068	-	3,470	Unrated	-	Unrated
Lucky Cement Company Limited		1,092,326	30,000	75,589	2,025	82,787	Unrated	1,987	Unrated
Automobile assembler									
Indus Motor Company Limited		738	35,738	106	5,121	186	Unrated	7,023	Unrated
Pak Suzuki Motor Company Limited		30,700	90,200	2,618	7,804	2,143	Unrated	8,024	Unrated
Power generation and distribution									
The Hub Power Company Limited		1,500,000	3,843,000	46,652	114,141	48,633	AA+/A1+	119,440	Unrated
Oil and gas marketing									
Pakistan State Oil Company Limited		494,446	298,608	144,138	86,189	145,951	AA+ / A1+	88,818	AAA / A1+
Shell Pakistan Limited		-	281	-	49	-	Unrated	70	Unrated
Oil and gas exploration									
Pakistan Oilfields Limited		531,676	465,460	120,911	103,018	157,355	Unrated	107,414	Unrated
Oil and Gas Development Company Limited		621	526,700	84	52,199	106	AAA / A1+	58,258	AAA / A1+
Pakistan Petroleum Limited		904,490	744,742	139,117	135,375	196,410	Unrated	141,196	Unrated
Fertilizer									
Fauji Fertilizer Bin Qasim Limited		2,482,500	3,052,500	79,644	67,407	88,700	Unrated	79,762	Unrated
Fauji Fertilizer Company Limited		1,445,543	1,395,542	151,733	146,291	181,936	Unrated	143,643	Unrated
Paper and board									
Packages Limited		250,783	263,229	46,826	49,516	32,253	AA / A1+	37,905	AA / A1+
Chemicals									
ICI Pakistan Limited		505,489	325,814	66,286	45,094	72,912	Unrated	54,896	Unrated
Lotte Pakistan PTA Limited		978,530	-	12,896	-	13,406	Unrated	-	Unrated
Textile composite									
Nishat Mills Limited		-	346,095	-	17,059	-	-	24,192	A+ / A1
Technology and communication									
Pakistan Telecommunication Company Limited (A)		2,801,100	2,476,100	67,539	62,064	54,397	Unrated	43,703	Unrated
Refinery									
Pakistan Refinery Limited		-	10,000	-	1,202	-	Unrated	1,207	Unrated
National Refinery Limited		99,936	-	19,780	-	27,361	Unrated	-	Unrated
Jute									
Thal Limited		9,200	42,000	579	3,172	1,198	Unrated	3,565	Unrated
Miscellaneous									
Tri-Pack Films		223,616	174,416	25,302	19,806	27,317	A+/A1	17,965	Unrated
Sukuk Certificates									
WAPDA First Sukuk Certificates	10.4.2	22,000	22,000	108,708	107,625	114,257	Govt. Guaranteed	113,889	Govt. Guaranteed
WAPDA Second Sukuk Certificates	10.4.3	350,000	350,000	1,750,000	1,750,000	1,760,850	Govt. Guaranteed	1,760,850	Govt. Guaranteed
Pakistan International Airlines - at cost	10.4.4	300,000	300,000	1,500,000	1,500,000	1,500,000	Govt. Guaranteed	1,500,000	Govt. Guaranteed
Dawood Hercules Chemicals Limited - at cost	10.4.5	20,000	20,000	904,800	1,000,000	904,800	Unrated	1,000,000	Unrated
Century Paper and Board Mills Limited - at cost	10.4.6	125,000	125,000	500,000	625,000	500,000	A+	625,000	Unrated
Sui Southern Gas Company Limited - at cost	10.4.7	200,000	200,000	500,002	833,334	500,002	AA	833,334	Unrated
Engro Fertilizers Limited - at cost	10.4.8	150,000	150,000	750,000	750,000	750,000	AA-	750,000	Unrated

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



Name of the investee company / fund	Note	2010	2009	2010	2009	2010	2009	2010	2009
		Number of shares/ units/certificates		Cost		Market value	Entity rating long term/ short term	Market value	Entity rating long term/ short term
		Rupees in '000				Rupees in '000			
Sitara Chemicals Industries Limited - at cost	10.4.9	29,600	29,600	37,000	74,000	37,000	AA-	74,000	Unrated
Quetta Textile Mills Limited - at cost	10.4.10	30,000	30,000	145,000	150,000	145,000	BBB+	150,000	Unrated
Arzoo Textile Mills Limited - at cost	10.4.11	10,000	10,000	50,000	50,000	50,000	Unrated	50,000	Unrated
Sitara Peroxide Limited - at cost	10.4.12	30,000	30,000	140,625	150,000	140,625	Unrated	150,000	Unrated
Liberty Power Tech Ltd - at cost	10.4.13	16,680,930	6,775,060	1,668,093	677,506	1,668,093	AA-	677,506	Unrated
Eden Builders Limited - at cost	10.4.14	14,400	14,400	58,500	72,000	58,500	A	72,000	Unrated
Maple Leaf Cement Factory Limited - at cost	10.4.15	40,000	40,000	199,830	200,000	199,830	BB+	200,000	Unrated
Maple Leaf Cement Factory Limited - at cost	10.4.16	1,500	-	7,500	-	7,500	BB+	-	-
Amreli Steel Limited - at cost	10.4.17	50,000	50,000	250,000	250,000	250,000	A-	250,000	Unrated
GOP Sukuk									
Ijarah Sukuk First	10.4.18	16,295	16,295	1,629,500	1,629,500	1,655,898	Govt. Guaranteed	1,645,681	Govt. Guaranteed
Ijarah Sukuk Second	10.4.19	20,000	20,000	2,000,000	2,000,000	2,025,000	Govt. Guaranteed	2,025,000	Govt. Guaranteed
Ijarah Sukuk Third	10.4.20	30,000	31,250	3,007,924	3,136,950	3,045,000	Govt. Guaranteed	3,188,583	Govt. Guaranteed
Ijarah Sukuk Fourth	10.4.21	35,950	35,950	3,599,256	3,602,236	3,595,000	Govt. Guaranteed	3,595,336	Govt. Guaranteed
Ijarah Sukuk Fifth	10.4.22	129,500	-	12,954,969	-	12,982,375	Govt. Guaranteed	-	-
Ijarah Sukuk Sixth	10.4.22	92,500	-	9,254,908	-	9,305,450	Govt. Guaranteed	-	-
Units of open-end funds									
United Islamic Saving Fund		7,946,976	-	800,000	-	807,715	Unrated	-	-
IGI Islamic Income Fund		1,099,617	-	100,000	-	110,521	Unrated	-	-
Atlas Islamic Fund		-	195,662	-	102,566	-	Unrated	95,554	Unrated
Sukuk									
Abu Dhabi Sukuk	10.4.23	5,000,000	5,000,000	428,183	421,208	421,235	A2	399,095	Unrated
Central Bank of Bahrain International Sukuk	10.4.24	10,000,000	-	919,697	-	957,269	A	-	-
Islamic Development Bank Trust Services Sukuk	10.4.25	6,500,000	-	557,227	-	585,750	AAA	-	-
Malaysia Sukuk Global	10.4.26	6,750,000	-	580,579	-	602,352	A3	-	-
Qatar Islamic Bank Sukuk	10.4.27	5,000,000	-	429,400	-	429,637	A	-	-
Others									
Haleeb Foods Limited - at cost		2,786,000	-	122,222	-	122,222	Unrated	-	-
S.W.I.F.T. SCRL - at cost		5	5	897	897	897	Unrated	897	Unrated
				45,986,851	20,026,241	46,406,656		20,123,153	

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

10.4.2 The paid up value of these sukuk is Rs. 5,000 per certificate. The return on Sukuk - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 35 basis points. These sukuk will mature in 2012. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.

10.4.3 The paid up value of these sukuk is Rs. 5,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates is six monthly Karachi inter-bank offer rate minus 25 basis points. These sukuk will mature in 2017.

10.4.4 The paid up value of these sukuk is Rs. 5,000 per certificate. The return on Sukuk - PIA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 175 basis points. These bonds will mature in 2014. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.

10.4.5 The paid up value of these sukuk is Rs. 45,240 per certificate. The tenure of these certificates is 5 years, with principal receivable in 2010-2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 120 basis points.

10.4.6 The paid up value of these sukuk is Rs. 4,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 135 basis points.

10.4.7 The paid up value of these sukuk is Rs. 2,500 per certificate. The tenure of these certificates is 5 years, with principal receivable in 2009-2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 80 basis points.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



- 10.4.8 The paid up value of these sukuks is Rs. 5,000 per certificate. 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 offer rate plus 150 basis points.
- 10.4.9 The paid up value of these sukuks is Rs. 1,250 per certificate. 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 offer rate plus 170 basis points.
- 10.4.10 The paid up value of these sukuks is Rs. 4,833 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010 - 2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.11 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 years, with principal receivable in 2009 - 2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to year 2 and plus 175 basis points from year 3 to year 6.
- 10.4.12 The paid up value of these sukuks is Rs. 4,687 per certificate. The tenure of these certificates is 8 years, with principal receivable in 2012 - 2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.13 The paid up value of these sukuks is Rs. 100 per certificate. The tenure of these certificates is 12 years, with principal receivable in 2011 - 2020. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.4.14 The paid up value of these sukuks is Rs. 4,062 per certificate. The tenure of these certificates is 5.5 years, with principal receivable in 2010 - 2014. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 230 basis points.
- 10.4.15 The paid up value of these sukuks is Rs. 4,996 per certificate. The tenure of these certificates is 11 years, with principal receivable in 2010 - 2018. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.16 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 2 years, with principal receivable in March 2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.17 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2012 - 2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 250 basis points.
- 10.4.18 The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market T-Bills plus 45 basis points. These certificates will mature in 2011.
- 10.4.19 The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus 75 basis points. These certificates will mature in 2011.
- 10.4.20 The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2012.
- 10.4.21 The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills minus 5 basis points. These certificates will mature in 2012.
- 10.4.22 The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The tenure of these certificates is 3 years, with principal receivable in 2013. The profit rate on these certificates is calculated on the basis of six months weighted average yield of six months market T-Bills.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



- 10.4.23** The paid up value of these sukuks is US\$ 1 and will mature in 2011. The profit is calculated on the basis of London inter-bank offer rate plus 40 basis points. These securities are held through a custodian.
- 10.4.24** The paid up value of these sukuks is US\$ 1 and will mature in 2014. The profit coupon is 6.25 percent per annum. These securities are held through a custodian.
- 10.4.25** The paid up value of these sukuks is US\$ 1 and will mature in 2014. The profit coupon is 3.17 percent per annum. These securities are held through a custodian.
- 10.4.26** The paid up value of these sukuks is US\$ 1 and will mature in 2015. The profit coupon is 3.93 percent per annum. These securities are held through a custodian.
- 10.4.27** The paid up value of these sukuks is US\$ 1 and will mature in 2015. The profit coupon is 3.86 percent per annum. These securities are held through a custodian.

10.5	Held to maturity securities	Note	2010	2009	2010	2009
Name of the investee entities			Number of Certificates		Cost Rupees in '000	
Sukuk / certificates						
	Qatar Global Sukuk (Sukuk - Qatar)		-	200,000	-	16,848
	WAPDA First Sukuk Certificates (Sukuk - WAPDA)	10.5.1	230,000	230,000	1,150,000	1,150,000
					<u>1,150,000</u>	<u>1,166,848</u>

- 10.5.1** 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 offer rate plus a fixed credit spread of 35 basis points. These bonds will mature in 2012. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.

10.6 Subsidiary (unlisted)

Particulars	Note	2010	2009	2010	2009	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
		Number of Shares		Rupees in '000		%	Rupees		
Al Meezan Investment Management Limited (ordinary shares)	10.6.1	3,250,000	2,762,500	63,050	63,050	65	202.62	June 30, 2010	Mr. M. Shoaib
				<u>63,050</u>	<u>63,050</u>				

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



10.7 Associates (listed)

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

Name of the investee entity	Note	2010	2009	Percentage of direct equity holding %	2010	2009
		Number of shares / certificates / units			Cost Rupees in '000	
Ordinary Shares of closed end mutual fund						
Al-Meezan Mutual Fund Limited		5,561,607	5,561,607	4.04	46,957	46,957
Certificate of closed end fund						
Meezan Balanced Fund		16,134,468	16,134,468	13.44	161,345	161,345
Units of open end funds						
Meezan Islamic Fund	10.7.1	8,996,011	7,242,403	Open end fund	380,525	380,525
Meezan Islamic Income Fund		17,642,001	23,466,113	Open end fund	888,136	1,181,334
Meezan Capital Protected Fund	10.7.4	5,634,892	5,035,119	Open end fund	250,000	250,000
Meezan Sovereign Fund		113,186,089	-	Open end fund	5,750,000	-
					<u>7,476,963</u>	<u>2,020,161</u>

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

10.7.2 The above associates are incorporated in Pakistan.

10.7.3 Investments in listed associates have a market value of Rs. 7,530 million (2009: Rs. 1,906 million).

10.7.4 Meezan Capital Protected Fund forms part of strategic investment of the Bank and cannot be sold for two years from the last date of purchase of such securities.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



10.8 Associates (unlisted)

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

Particulars	2010	2009	2010	2009	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
	Number of shares / Certificates		Rupees in '000		%	Rupees		
Plexus (Private) Limited	1,499,980	1,499,980	15,000	15,000	50	3.41	June 30, 2010	Mr. Abdul Rehman
Faysal Management Services (Private) Limited note 10.8.1	540,000	540,000	54,000	54,000	30	101.82	Dec. 31, 2010	Mr. Nauman Ansari
Blue Water (Private) Limited note 10.8.2	90,000	90,000	9,000	9,000	30	102.40	June 30, 2009	Mr. Shuja-ul-Mulk Khan
Falcon Greenwood (Private) Limited							June 30, 2009	Mr. Abbas Khan
Ordinary shares note 10.8.2	250,000	250,000	25,000	25,000	25	95.37	-	-
Preference shares note 10.8.3	1,432,800	1,432,800	143,280	143,280	N/A	N/A	-	-
Advance against issue of Preference Shares	-	-	3,000	3,000	N/A	N/A	-	-
Pak Kuwait Takaful Co. Limited	2,500,000	2,500,000	25,000	25,000	6.25	9.69	Dec. 31, 2009	Mr. Imtiaz Ahmed Bhatti
Total			<u>274,280</u>	<u>274,280</u>				

10.8.1 The nominal value of these shares is Rs. 100 each. These shares cannot be sold without the prior approval of SECP in accordance with circular No. 10 of 2006 dated June 16, 2006, in addition to mandatory holding period of 5 years from the last date of purchase of these shares.

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

10.8.3 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.

10.8.4 The above associates are incorporated in Pakistan.

10.9 Provision for diminution in value of investments and impairment

	2010			2009		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	298,512	88,640	387,152	298,512	-	298,512
Charge for the year						
- on associates (unlisted)	16,699	-	16,699	-	-	-
- on available for sale investments	-	30,163	30,163	-	88,640	88,640
	<u>16,699</u>	<u>30,163</u>	<u>46,862</u>	<u>-</u>	<u>88,640</u>	<u>88,640</u>
Closing balance	<u>315,211</u>	<u>118,803</u>	<u>434,014</u>	<u>298,512</u>	<u>88,640</u>	<u>387,152</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



10.9.1	Provision in respect of type and segment	Note	2010	2009
			Rupees in '000	
	Associates - unlisted			
	Fully paid up-ordinary shares		28,165	11,466
	Associates - listed			
	Certificates		67,954	67,954
	Units		219,092	219,092
			287,046	287,046
	Other - Available for sale Investments			
	Fully paid up-ordinary shares		29,972	29,972
	Sukuks		88,831	58,668
			118,803	88,640
			434,014	387,152

11. FINANCINGS

In Pakistan

- Murabaha financings	11.1	19,321,616	14,529,212
- Net investment in Ijarah	11.2	4,193,128	6,527,339
- Net book value of assets / investment in Ijarah under IFAS-2		3,467,234	1,498,191
- Financing under Islamic Export Refinance	11.3	4,887,546	4,581,948
- Diminishing Musharakah financings - housing		2,680,995	3,003,063
- Diminishing Musharakah financings - others		13,096,430	7,541,277
- Musharakah financings		70,531	80,531
- Istisna financings	11.4	6,565,529	3,729,059
- Tijarah financings	11.5	1,468,736	665,260
- Labbaik (Qard for Hajj and Umrah)		4,547	3,959
- Financings against bills - Salam		744,180	601,802
- Financings against bills - Murabaha		100,717	434,864
- Staff financings	11.6	580,105	443,101
- Loans and running finances		865,015	598,594
Gross financings		58,046,309	44,238,200
Less: Provision against non-performing financings	11.9	(3,851,146)	(2,528,544)
Financings net of provision	11.7	54,195,163	41,709,656

	Note	2010	2009
Rupees in '000			
11.1	Murabaha receivable - gross	20,754,483	15,337,094
	Less: Deferred murabaha income	(811,019)	(340,948)
	Profit receivable shown in other assets	(621,848)	(466,934)
	Murabaha financings	19,321,616	14,529,212
11.1.1	Murabaha Sale Price	20,754,483	15,337,094
	Murabaha Purchase Price	(19,321,616)	(14,529,212)
		1,432,867	807,882

11.1.2 Net book value of assets / investment in Ijarah under IFAS-2 is net of depreciation of Rs. 960 million (2009: Rs. 158 million).



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



11.2 Net investment in Ijarah

	2010				2009			
	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	1,504,997	2,264,784	12,847	3,782,628	2,453,678	4,344,128	241,268	7,039,074
Residual value	1,097,254	1,027,304	4,737	2,129,295	642,547	895,116	22,973	1,560,636
Minimum Ijarah payments	2,602,251	3,292,088	17,584	5,911,923	3,096,225	5,239,244	264,241	8,599,710
Less: Profits for future periods	(915,280)	(797,868)	(5,647)	(1,718,795)	(626,377)	(1,423,120)	(22,874)	(2,072,371)
Present value of minimum Ijarah payments	1,686,971	2,494,220	11,937	4,193,128	2,469,848	3,816,124	241,367	6,527,339

	2010	2009
	Rupees in '000	
11.3 Receivable under Islamic Export Refinance Scheme - gross	4,996,493	4,700,829
Less: Deferred income	(50,350)	(56,657)
Profit receivable shown in other assets	(58,597)	(62,224)
Receivable under Islamic Export Refinance	4,887,546	4,581,948
11.4 Istisna Financings - gross	6,596,552	3,734,307
Less: Deferred income	(7,708)	(460)
Profit receivable shown in other assets	(23,315)	(4,788)
Istisna financings	6,565,529	3,729,059
11.5 Tijarah Financings - gross	1,485,243	672,424
Less: Deferred income	(6,984)	(1,445)
Profit receivable shown in other assets	(9,523)	(5,719)
Tijarah financings	1,468,736	665,260

11.6 This includes Rs. 96 million (2009 : Rs. 92 million) representing mark up free financings to staff advanced under the Bank's Human Resource Policies.

	2010	2009
	Rupees in '000	
11.7 Particulars of financings - net		
11.7.1 In		
- local currency	51,103,879	40,409,902
- foreign currencies	3,091,284	1,299,754
	54,195,163	41,709,656
11.7.2 Short-term (for upto one year)	32,095,399	25,203,080
Long-term (for over one year)	22,099,764	16,506,576
	54,195,163	41,709,656



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



- 11.8 Financings include Rs. 4,318 million (2009: Rs. 3,649 million) which have been placed under non-performing status as detailed below:

Category of classification	2010				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	282,831	-	282,831	50,731	50,731
Doubtful	755,177	-	755,177	287,478	287,478
Loss	3,280,315	-	3,280,315	2,774,688	2,774,688
	4,318,323	-	4,318,323	3,112,897	3,112,897

Category of classification	2009				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	548,010	-	548,010	86,268	86,268
Doubtful	917,677	-	917,677	364,108	364,108
Loss	2,183,476	-	2,183,476	1,992,906	1,992,906
	3,649,163	-	3,649,163	2,443,282	2,443,282

- 11.9 Particulars of provision against non-performing financings:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	2,443,282	85,262	2,528,544	994,749	103,440	1,098,189
Charge for the year	926,331	652,987	1,579,318	1,577,295	-	1,577,295
Less: Reversals	(249,261)	-	(249,261)	(128,581)	(18,178)	(146,759)
	677,070	652,987	1,330,057	1,448,714	(18,178)	1,430,536
Amount written off - note 11.10	(7,455)	-	(7,455)	(181)	-	(181)
Closing balance	3,112,897	738,249	3,851,146	2,443,282	85,262	2,528,544

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

The Bank has also maintained a general provision of Rs. 650 million against financings made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of the Prudential Regulations.

- 11.9.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing financings. Had the benefit of FSV not been availed by the Bank, the specific provision against non-performing financings would have been higher and consequently profit before taxation and financings (net of provisions) as at December 31, 2010 would have been lower by approximately Rs.233 million. The accumulated benefit availed as at December 31, 2010 amounts to Rs. 557 million. The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



11.9.3 Particulars of provision against non-performing financings:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	3,090,952	738,249	3,829,201	2,421,695	85,262	2,506,957
In foreign currencies	21,945	-	21,945	21,587	-	21,587
	<u>3,112,897</u>	<u>738,249</u>	<u>3,851,146</u>	<u>2,443,282</u>	<u>85,262</u>	<u>2,528,544</u>

		Note	2010	2009
			Rupees in '000	
11.10	Particulars of write offs			
11.10.1	Against provision	11.9	7,455	181
	Directly charged to profit and loss account		-	-
			<u>7,455</u>	<u>181</u>
11.10.2	Write offs Rs. 500,000 and above		7,455	-
	Write offs below Rs. 500,000		-	181
			<u>7,455</u>	<u>181</u>

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

In term of sub-section(3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2010 is given as Annexure - 1.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



11.11 Particulars of financings to directors, associated companies etc.

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

	Note	2010	2009
Rupees in '000			
Balance at the beginning of the year		460,290	342,270
Additions / disbursements during the year		223,000	182,970
Deletions / repayments during the year		(80,234)	(64,950)
Balance at the end of the year	11.11.1	603,056	460,290

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

	Note	2010	2009
Rupees in '000			
Balance at the beginning of the year		143,834	368,827
Additions / disbursements during the year		400,000	58,127
Deletions / repayments during the year		(473,303)	(283,120)
Balance at the end of the year	11.11.2	70,531	143,834

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

	Note	2010	2009
Rupees in '000			
Balance at the beginning of the year		-	-
Additions / disbursements during the year		1,246,345	-
Deletions / repayments during the year		(227,828)	-
Balance at the end of the year	11.11.3	1,018,517	-

11.11.1 The maximum total amount of financings including temporary financings granted during the year were Rs. 223 million (2009: Rs. 183 million). The maximum amount has been calculated by reference to the month end balance.

11.11.2 This represents a Musharakah facility outstanding at year end from Blue Water (Private) Limited (an associated company) amounting to Rs. 71 million (2009: Rs. 71 million). The Musharakah facility is secured against equitable mortgage over property.

11.11.3 This represents a Murabaha facility outstanding at year end to Al Meezan Investment Management Limited amounting to Rs. 200 million and different financing facilities to Haleeb Foods Limited amounting to Rs 818 million.

11.11.4 Loans and financings to executives and a director

	Executives		Director	
	2010	2009	2010	2009
Rupees in '000				
Opening balance	251,840	167,773	298	430
Financings disbursed during the year	99,110	97,880	-	-
Financings repaid during the year	(29,099)	(13,813)	(132)	(132)
Closing balance	321,851	251,840	166	298



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



	Note	2010	2009
		Rupees in '000	
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	852,774	304,045
Tangible assets			
Property and equipment	12.2	2,109,193	2,017,113
		2,961,967	2,321,158
Intangible assets	12.4	104,133	95,217
		3,066,100	2,416,375
12.1 Capital work-in-progress			
- Advances to suppliers and contractors for building renovation		722,248	208,588
- Advances for computer hardware		7,588	14,771
- Advances for purchase of vehicles		12,348	6,354
- Advances for computer software		27,151	48,450
- Advances for other office machines		57,256	25,836
- Advances for furniture and fixtures		26,183	46
		852,774	304,045



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



12.2 Property and equipment

	2010							
	COST			DEPRECIATION			Net book value as at December 31, 2010	Rate of depreciation %
	As at January 1, 2010	Additions / (disposals)	As at December 31, 2010	As at January 1, 2010	Charge / (on disposals)	As at December 31, 2010		
	Rupees in '000							
Land and buildings - note 12.3.1	683,565	13,211	696,776	26,650	8,100	34,750	662,026	5
Leasehold improvements	861,336	159,545	1,020,881	193,550	91,803	285,353	735,528	10
Furniture and fixtures	141,984	20,905	162,889	39,137	15,491	54,628	108,261	10
Electrical, office and computer equipments	846,337	166,112 (5,469)	1,006,980	440,452	182,355 (4,990)	617,817	389,163	20 and 33
Vehicles	294,736	103,190 (39,249)	358,677	111,056	61,326 (27,920)	144,462	214,215	20
	2,827,958	462,963 (44,718)	3,246,203	810,845	359,075 (32,910)	1,137,010	2,109,193	
	2009							
	COST			DEPRECIATION			Net book value as at December 31, 2009	Rate of depreciation %
	As at January 1, 2009	Additions / (disposals)	As at December 31, 2009	As at January 1, 2009	Charge / (on disposals)	As at December 31, 2009		
	Rupees in '000							
Land and buildings - note 12.3.1	510,092	173,473	683,565	18,796	7,854	26,650	656,915	5
Leasehold improvements	666,401	201,070 (6,135)	861,336	121,879	73,712 (2,041)	193,550	667,786	10
Furniture and fixtures	119,845	22,768 (629)	141,984	26,233	13,253 (349)	39,137	102,847	10
Electrical, office and computer equipments	689,434	159,364 (2,461)	846,337	283,310	159,358 (2,216)	440,452	405,885	20 and 33
Vehicles	261,192	70,160 (36,616)	294,736	81,343	53,261 (23,548)	111,056	183,680	20
	2,246,964	626,835 (45,841)	2,827,958	531,561	307,438 (28,154)	810,845	2,017,113	



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



12.3 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, 2009						
Cost	510,092	666,401	119,845	689,434	261,192	2,246,964
Accumulated depreciation	18,796	121,879	26,233	283,310	81,343	531,561
Net book value	491,296	544,522	93,612	406,124	179,849	1,715,403
Year ended December 31, 2009						
Additions	173,473	201,070	22,768	159,364	70,160	626,835
Net book value of disposals	-	(4,094)	(280)	(245)	(13,068)	(17,687)
Depreciation charge	(7,854)	(73,712)	(13,253)	(159,358)	(53,261)	(307,438)
Net book value as at December 31, 2009	656,915	667,786	102,847	405,885	183,680	2,017,113
Year ended December 31, 2010						
Additions	13,211	159,545	20,905	166,112	103,190	462,963
Net book value of disposals	-	-	-	(479)	(11,329)	(11,808)
Depreciation charge	(8,100)	(91,803)	(15,491)	(182,355)	(61,326)	(359,075)
Net book value as at December 31, 2010	662,026	735,528	108,261	389,163	214,215	2,109,193

12.3.1 The cost of land and building are separately identifiable and the depreciation is charged at 5% per annum only on total building costs.

12.3.2 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs. 346 million (2009: Rs. 243 million).

Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



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						
Honda City	560	504	56	240	MBL Policy	Mr. Ismail Aswani (Employee)
Honda City	936	858	78	335	MBL Policy	Mr. Muhammad Abid (Employee)
Honda City	885	885	-	266	MBL Policy	Mr. Shabbir Hamza (Employee)
Honda City	933	887	46	345	MBL Policy	Mr. Iqbal Ahmed (Employee)
Honda City	885	885	-	266	MBL Policy	Mr. M. Shoaib Qureshi (Employee)
Honda City	933	918	15	345	MBL Policy	Mr. Nisar Ahmed Kiani (Employee)
Honda City	839	713	126	817	Negotiation	Mr. Arif Aslam Khan
Honda City	856	399	457	1,006	Negotiation	Mr. Zubair Abbasi
Honda City	949	902	47	740	Negotiation	Mr. Zahid Qadri
Honda City	929	542	387	801	Negotiation	Mr. Waseem Mirza
Honda Civic	1,275	1,275	-	382	MBL Policy	Mr. Anwar ul Haq (Employee)
Honda Civic	1,067	1,031	36	970	Negotiation	Mr. Kamran
Mercedes	5,866	5,866	-	2,916	Negotiation	Mr. Syed Riaz Ahmed
Suzuki Alto	469	461	8	183	MBL Policy	Mr. Muhammad Ather (Employee)
Suzuki Alto	458	221	237	250	MBL Policy	Mr. Muhammad Hisham (Employee)
Suzuki Alto	523	192	331	555	Negotiation	Mr. Kashif Siddique
Suzuki Alto	470	180	290	520	Negotiation	Mr. Javed Hashim
Suzuki Alto	470	180	290	550	Negotiation	Mr. Kashif Siddique
Suzuki Alto	586	68	518	578	Negotiation	Mr. Kashif Siddique
Suzuki Alto	470	196	274	539	Negotiation	Mr. Rizwan Siddiqui
Suzuki Alto	518	199	319	539	Negotiation	Mr. Rizwan Siddiqui
Suzuki Alto	474	221	253	491	Negotiation	Mr. M. Ali Akbar Khan
Suzuki Alto	518	199	319	552	Negotiation	Mr. Hassan Mehmood
Suzuki Alto	469	422	47	452	Negotiation	Mr. Hassan Mehmood
Suzuki Alto	477	262	215	361	MBL Policy	Mr. Mukarram Hassan (Ex - Employee)
Suzuki Cultus	567	378	189	305	MBL Policy	Mr. Kashif Usmani (Employee)
Suzuki Cultus	573	239	334	547	Negotiation	Mr. Muhammad Ilyas
Suzuki Cultus	573	239	334	580	Negotiation	Mr. Sadiq Nazam
Suzuki Cultus	590	246	344	580	Negotiation	Mr. Nadeem ul Haq
Suzuki Cultus	663	199	464	631	Negotiation	Mr. Nadeem ul Haq
Suzuki Cultus	560	457	103	477	Negotiation	Mr. Mian Tariq Masood
Suzuki Cultus	560	476	84	541	Negotiation	Mr. Faisal Hafeez
Suzuki Cultus	560	299	261	577	Negotiation	Mr. Taimur Hussain
Suzuki Cultus	603	241	362	633	Negotiation	Mr. Shamama Nabi
Suzuki Cultus	560	504	56	629	Negotiation	Mr. Imran Khan
Suzuki Cultus	590	305	285	567	Negotiation	Mr. Rashid
Suzuki Cultus	560	504	56	482	Negotiation	Mr. Ghulam Mustafa
Suzuki Cultus	608	193	415	541	Negotiation	Mr. M. Ali Akbar Khan
Suzuki Cultus	586	225	361	655	Negotiation	Mr. Pervez Akhtar
Suzuki Cultus	642	246	396	637	Negotiation	Mr. Bilal Ahmed Khan
Suzuki Cultus	588	235	353	655	Negotiation	Mr. Feroz Akhtar
Suzuki Cultus	567	378	189	537	Negotiation	Mr. Akram Mughal
Suzuki Cultus	598	309	289	632	Negotiation	Mr. Ghulam Mustafa
Suzuki Cultus	560	504	56	438	Negotiation	Mr. Bilal Ahmed Khan
Suzuki Cultus	560	504	56	526	Negotiation	Mr. M. Ali Akbar Khan
Suzuki Cultus	565	311	254	562	Negotiation	Mr. Kamran Sadiq
Suzuki Cultus	560	327	233	479	Negotiation	Mr. Imran Khan
Suzuki Cultus	560	476	84	528	Negotiation	Mr. Irshad Awan
Toyota Corolla	1,319	308	1,011	1,182	Negotiation	Mr. Khurram Imtiaz
Toyota Corolla	849	849	-	801	Negotiation	Mr. Muhammad Aslam
Toyota Corolla	913	502	411	554	MBL Policy	Mr. Rizwan Qamer Lari (Ex - Employee)
	39,249	27,920	11,329	30,275		

Electrical, office and computer equipments

PABX System	59	41	18	2	Negotiation	Mansha Brothers
Computer Monitors	382	381	1	14	Negotiation	Mr. Ahmed
Computer Systems	4,068	4,068	-	66	Negotiation	Mr. Ahmed
Security Camera Systems	112	19	93	112	Negotiation	Fakhar International
Security Camera Systems	54	33	21	-	Discarded / Write off	
Air Conditioners	159	146	13	28	Negotiation	Qadri Air Conditioning Services
Air Conditioners	86	46	40	21	Negotiation	Wind World
UPS Systems	549	256	293	200	Negotiation	Power Technology
	5,469	4,990	479	443		
	44,718	32,910	11,808	30,718		



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



12.4 Intangible assets

	COST			AMORTISATION			Net book value as at December 31, 2010	Rate of amortisation %
	Opening balance as at January 1, 2010	Additions during the year	Closing balance as at December 31, 2010	Opening balance as at January 1, 2010	Amortisation during the year	Closing balance as at December 31, 2010		
	Rupees in '000							
Computer software	173,914	42,726	216,640	78,697	33,810	112,507	104,133	20
2009	141,728	32,186	173,914	46,844	31,853	78,697	95,217	

12.5 Intangible assets - Movement of net book value

	Year ended December 31, 2009				Year ended December 31, 2010		
	Net book value as at January 1, 2009	Addition during the year	Amortisation charge for the year	Net book value as at December 31, 2009	Addition during the year	Amortisation charge for the year	Net book value as at December 31, 2010
	Rupees in '000						
Computer software	94,884	32,186	31,853	95,217	42,726	33,810	104,133

13. OTHER ASSETS INCLUDING INVENTORIES

	Note	2010	2009
Rupees in '000			
Profit / return accrued in local currency		2,069,082	2,255,721
Profit / return accrued in foreign currency		13,238	3,903
Advances, deposits, advance rent and other prepayments	13.1	416,672	379,731
Dividends receivable		91,214	8,578
Stamps		3,821	4,992
Inventories	13.2	2,461,097	2,523,969
Advances against Murabaha		2,494,424	2,478,410
Advances against future Ijarah		396,437	272,885
Advances against Diminishing Musharakah		718,123	-
Security deposits		16,968	14,126
Unrealised gain on forward foreign exchange contracts - net	13.3	19,813	17,923
Non-Banking assets acquired in satisfaction of claims	13.4	234,917	330,432
Prepaid exchange risk fee		66	111
Advance against Pre-IPO IGI Islamic Income Fund		-	100,000
Others		50,919	41,756
Provision against other assets	13.5	8,986,791	8,432,537
		(37,032)	(18,727)
		8,949,759	8,413,810

13.1 This includes prepaid rent and prepaid insurance aggregating Rs. 193.679 million (2009: Rs. 201.847) and Rs. 139.543 million (2009: Rs. 119.710 million) respectively which are being amortized over a period of one year.

13.2 This represents goods purchased for Murabaha, Istisna and Tjjarah which remained unsold at the balance sheet date.

13.3 This is net off loss on forward foreign exchange contracts of Rs. 233 million (2009: Rs. 13 million).

13.4 The market value of the non-banking assets acquired in satisfaction of claims is Rs. 248.64 million.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



	Note	2010	2009
		Rupees in '000	
13.5 Provision against other assets			
Opening balance		18,727	92,211
Charge for the year		30,000	8,727
Reversals during the year		(11,695)	(82,211)
Closing balance		37,032	18,727
14. BILLS PAYABLE			
In Pakistan		1,767,370	1,249,210
Outside Pakistan		-	-
		1,767,370	1,249,210
15. DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		5,745,493	8,326,198
Outside Pakistan		83,803	142,227
		5,829,296	8,468,425
15.1 Particulars of due to financial institutions with respect to currencies			
In local currency		5,745,493	8,326,198
In foreign currencies		83,803	142,227
		5,829,296	8,468,425
15.2 Details of due to financial institutions secured / unsecured			
Secured			
Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme	15.2.1	4,678,884	4,819,166
Unsecured			
Overdrawn nostro accounts		83,803	142,227
Other Musharakah / Modarabas		1,066,609	3,507,032
		5,829,296	8,468,425
15.2.1			
These Musharakah are on a profit and loss sharing basis maturing between January 1, 2011 to July 04, 2011 and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 5,800 million (2009: Rs. 5,000 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2011.			
15.3 Particulars of due to financial institutions		2010	2009
		Rupees in '000	
Short - term		5,829,296	8,468,425
Long - term		-	-
		5,829,296	8,468,425



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



16. DEPOSITS AND OTHER ACCOUNTS

	Note	2010	2009
Rupees in '000			
Customers			
- Fixed deposits		44,517,241	32,351,628
- Savings deposits		48,406,231	36,357,769
- Current accounts - non-remunerative		36,970,326	28,666,058
- Margin		649,920	525,275
		<u>130,543,718</u>	<u>97,900,730</u>
Financial institutions			
- Remunerative deposits		512,706	2,419,546
- Non-remunerative deposits		13,904	12,775
		<u>526,610</u>	<u>2,432,321</u>
		<u>131,070,328</u>	<u>100,333,051</u>
16.1 Particulars of deposits			
In			
- local currency		124,387,769	94,892,303
- foreign currencies		6,682,559	5,440,748
		<u>131,070,328</u>	<u>100,333,051</u>

17. DEFERRED TAX ASSETS

Debit / (credit) balances arising on account of:

Profit and loss account

Provision against non-performing financings		966,539	655,500
Excess of accounting book values over tax written down values of owned assets		(160,927)	(181,977)
Excess of Ijarah financings over tax written down values of Ijarah assets		(505,619)	(395,181)
Provision for diminution / impairment in value of investments		48,698	56,249
Provision against amounts due from financial institutions		33,075	-
Income not accrued due to non-culmination of financings		57,357	-
Other staff benefits		-	92,277
Provision against non-banking assets acquired in satisfaction of claims and other assets		12,961	10,261

Equity

Surplus on revaluation of available for sale investments		(109,909)	(32,957)
		<u>342,175</u>	<u>204,172</u>

18. OTHER LIABILITIES

Return on deposits and other dues			
- payable in local currency	18.1	989,421	740,869
- payable in foreign currencies		11,034	5,529
Unearned commission		13,940	15,608
Accrued expenses	18.2	596,975	471,935
Current taxation (provision less payments)		910,560	1,484,667
Unclaimed dividends		851	851
Payable to defined benefit plan	33.3	52,138	40,347
Provision against off-balance sheet obligations	18.3	39,282	1,600
Security deposits against Ijarah		2,220,005	2,050,209
Charity payable	18.4	78,406	18,170
Others		92,828	104,166
		<u>5,005,440</u>	<u>4,933,951</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



18.1 This includes Rs. 115.971 million (2009: Rs. 60.315 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.

18.2 This includes Rs. 2.520 million (2009: Rs. 1.388 million) in respect of payable to Al Meezan Investment Management Limited (Subsidiary).

18.3 Provision against off-balance sheet obligations	Note	2010	2009
Rupees in '000			
Opening balance		1,600	1,600
Charge for the year		37,682	-
Closing balance		39,282	1,600

18.4 Reconciliation of charity payable

Balance as at January 1		18,170	8,820
Additions during the year		106,309	51,170
Less: Transferred to charity savings account (included in deposits and other accounts)	18.4.2	(46,073)	(41,820)
Balance as at December 31		78,406	18,170

18.4.1 Charity paid through saving account during the year is Rs. 137.633 million (2009: Rs.14.605 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organizations:

	Note	2010	2009
Rupees in '000			
AKUH		1,590	-
Al Shifa Trust		200	-
Ihsan Trust	18.4.1.1	135,000	-
Rippah International University		692	-
SOS Children, Villages of Sindh		150	-
Afzal Memorial Thalassemia Foundation		-	235
Alamgir Welfare Trust International		-	1,738
Children Cancer Foundation Pakistan Trust		-	300
Chipa Welfare Association		-	200
CPLC - IDP Fund		-	1,000
Dar-us-Shifa Dialysis Centre		-	200
IBA-National Talent Hunt Program		-	759
Idara Al Khair Welfare Society		-	434
Islamic Relief		-	5,000
Marie Adelaide Leprosy Centre		-	250
Murshid Hospital & Health Care Centre		-	250
Muslim Aid Trust Pakistan		-	1,000
Pakistan Myasthenic Welfare Organization		-	102
Saylani Welfare Trust		-	300
Sindh Institute of Urology and Transplantation		-	500
The Citizen Foundation		-	450
The Indus Hospital		-	1,300

18.4.1.1 One member of the Shariah Advisory Board of the Bank is the trustee of the Donee.

18.4.2 The balance in Charity's saving account is Rs. 10 million (2009: Rs. 100 million).

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



19. SHARE CAPITAL

19.1 Authorized capital

2010	2009	Note	2010	2009
(Number of Shares)			Rupees in '000	
<u>1,100,000,000</u>	<u>1,100,000,000</u>	Ordinary shares of Rs. 10 each	<u>11,000,000</u>	<u>11,000,000</u>

19.2 Issued, subscribed and paid-up capital

2010	2009		2010	2009
(Number of Shares)			Rupees in '000	
456,353,635	456,353,635	Ordinary shares	4,563,536	4,563,536
241,901,418	208,651,178	Fully paid in cash	2,419,014	2,086,512
-	-	Issued as bonus shares	-	-
-	-	Issued for consideration other than cash	-	-
<u>698,255,053</u>	<u>665,004,813</u>		<u>6,982,550</u>	<u>6,650,048</u>

20. RESERVES

Statutory reserve	20.1	1,313,244	983,326
General reserve		66,766	66,766
		<u>1,380,010</u>	<u>1,050,092</u>

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. SURPLUS ON REVALUATION OF INVESTMENTS

	2010	2009
	Rupees in '000	
Quoted shares	190,055	45,808
Other securities	259,722	81,073
	449,777	126,881
Less: Deferred tax liability	(109,909)	(32,957)
	<u>339,868</u>	<u>93,924</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Guarantees favouring - Government	375,630	390,415
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Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



22.2 Transaction related contingent liabilities	Note	2010	2009 Rupees in '000
Guarantees favouring			
- Government		1,759,371	2,465,304
- Banks		62,504	66,516
- Others		3,152,438	2,397,480
		4,974,313	4,929,300
22.5 Trade related contingent liabilities			
Import letters of credit		10,298,610	8,906,958
Acceptances		2,636,888	2,507,973
		12,935,498	11,414,931
22.4 Commitments in respect of forward exchange contracts			
Purchases		18,714,911	13,095,711
Sales		19,884,501	14,967,063
22.5 Commitments for the acquisition of operating fixed assets		214,921	29,485
22.6 Commitments in respect of financings		27,946,183	25,982,480
22.7 Other commitments			
Bills for collection (inland)		44,813	97,687
Bills for collection (foreign)		4,248,264	2,127,779
		4,293,077	2,225,466
23. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS			
On financings to:			
- Customers		5,824,187	5,090,510
On investments in			
- Available for sale securities		2,738,136	1,793,337
- Held to maturity securities		151,181	177,194
On deposits with financial institutions		3,577,045	3,041,019
		12,290,549	10,102,060
24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
Deposits and other accounts		6,045,499	4,576,820
Other short term Musharakahs / Modarabas	24.1	560,975	393,096
		6,606,474	4,969,916

24.1 This includes Rs. 376.212 million (2009: Rs. 221.427 million) paid / payable to SBP under Islamic Export Refinance Scheme.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



25. CAPITAL GAIN ON SALE OF INVESTMENTS	Note	2010	2009
Rupees in '000			
Shares - listed		91,653	69,706
Government sukuku / certificates		5,502	6,454
		97,155	76,160
26. OTHER INCOME			
Gain on termination of Ijarah financings		17,012	17,273
Gain on termination of diminishing musharakah financings		8,768	14,095
Gain on sale of property, equipment and others		18,910	13,123
Others		14,491	5,016
		59,181	49,507
27. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	35 & 27.1	1,907,629	1,468,178
Charge for defined benefit plan	33.4	52,138	40,347
Contribution to defined contribution plan	34	57,844	46,661
Non - executive directors' fees	35	4,432	18,465
Rent, electricity, taxes, insurance, etc.		721,260	525,537
Depreciation	12.2	359,075	307,438
Amortization	12.4	33,810	31,853
Communication		171,754	129,835
Stationery and printing		106,371	86,192
Repairs and maintenance		123,138	87,009
Security charges including cash transportation charges		159,513	121,692
Local transportation and car running		94,961	58,499
Fees, subscription and clearing charges		82,379	75,985
Entertainment		14,235	11,501
Office supplies		46,111	35,480
Hardware and software maintenance		66,866	36,099
Advertisement and publicity		37,157	46,146
Travelling		30,994	27,334
Service charges	27.2	3,318	3,317
Brokerage, commission and bank charges		60,176	44,133
Legal and professional charges	27.3	15,617	23,358
Auditors' remuneration	27.4	7,097	4,853
Workers Welfare Fund	27.5	79,914	86,302
Takaful and tracker expenses on Ijarah		196,440	191,118
Donations	27.6	5,926	-
Others		22,649	22,829
		4,460,804	3,530,161

27.1 This includes remuneration to Shariah Advisor amounting to Rs. 3.6 million (2009: Rs. 3.5 million).

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

27.3 This includes remuneration to Shariah Board amounting to Rs. 1 million (2009: Rs. 1.153 million).



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



27.4 Auditors' remuneration

	2010	2009
	Rupees in '000	
Audit fee	2,000	1,800
Fee for interim review	575	500
Special certifications and sundry advisory services	4,004	2,040
Out of pocket expenses	518	513
	7,097	4,853

27.5 This represents accrual for contribution to Workers Welfare Fund as per the amendments made vide Finance Act, 2008 in the Workers Welfare Fund Ordinance, 1971.

27.6 These donations were paid to the flood victims.

28. OTHER CHARGES

	2010	2009
	Rupees in '000	
Penalties imposed by the State Bank of Pakistan	56,559	1,747

29. TAXATION

Current		
- for the year	1,025,135	1,440,374
- for prior years	(332,808)	-
	692,327	1,440,374
Deferred		
- for the year	(342,233)	(726,002)
- for prior years	127,278	-
	477,372	714,372

29.1 Relationship between tax expense and accounting profit

Profit before taxation	2,126,960	1,739,723
Effects of:		
- Tax calculated at the applicable rate of 35%	744,436	608,903
- Income chargeable to tax at reduced rate	(89,642)	(40,001)
- Prior year reversals	(205,530)	-
- Permanent differences	28,108	145,470
Tax charge for the year	477,372	714,372



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



29.2 The assessing officer had subjected to tax, the gain on foreign currency deposits claimed as exempt in the return of income of assessment year 2001-2002 and tax year 2003. The Appellate Tribunal Inland Revenue (ATIR) had decided the matter in favour of the Bank in respect of assessment year 2001-2002. The department has appealed against the decision of ATIR in the High Court, decision on which is still pending. The appeal for the Tax Year 2003 is pending before ATIR.

The amount of tax levied by the assessing officer on such gain aggregated to Rs. 151.798 million, whereas the net tax liability for the aforesaid assessment years and other relevant assessment years after considering relief for the related expenditure amounts to approximately Rs. 41 million. The management is confident that even at the superior judicial forum the Bank's position will be sustained. However, the Bank has made adequate provision in this respect.

The tax department has not accepted the Bank's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The orders to this effect have already been framed for the tax years 2003 to 2008. The total additions made in tax years 2003 to 2008 under this head amounts to Rs. 999.863 million, representing additional liability of Rs. 379.682 million.

The Bank has challenged the matter relating to tax year 2003 in an appeal on the issue with ATIR. The issue of allocation of expenses is expected to be decided on the basis of facts of the case with the effect that financial and administrative expenses identifiable (not being those allocated on gross receipt basis) to earning, in relation to cost of assets on which exempt income is generated, will be allocated to exempt income.

The Bank's appeals for tax years 2004 to 2008 with Commissioner Inland Revenue (A) have recently been decided against the Bank by the CIR(A) on the above issue and appeals are being filed before the ATIR.

CIR(A) in his order for tax year 2003 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. The appeal effect order for tax year 2003 has been received resulting in tax liability of Rs. 14.162 million in respect of allocation of expenses; which may require re-consideration on facts of the case. Although, the Bank has made adequate provision in this respect, the management is confident that the ultimate outcome of the appeal would be in favour of the Bank inter alia on the basis of the advice of the tax consultants and the relevant law and the facts of the case.

Note **2010** **2009**
Rupees in '000

30. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year		1,649,588	1,025,351
			(Number)
Weighted average number of ordinary shares		698,255,053	632,435,929
			(Rupees)
Basic earnings per share	30.1	2.36	1.62

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2010 and 2009.

Note **2010** **2009**
Rupees in '000

31. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	7	12,780,806	8,387,432
Balances with other banks	8	9,939,660	5,260,467
		22,720,466	13,647,899



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



32. STAFF STRENGTH

	Note	2010	2009
		(Number of Staff)	
Permanent		2,649	2,246
Contractual basis		1,138	958
Bank's own staff strength at the end of the year		3,787	3,204
Outsourced		577	465
Total Staff Strength		4,364	3,669

33. DEFINED BENEFIT PLAN

The projected unit credit method, as allowed under the International Accounting Standard 19 - 'Employee Benefits' (revised 2007), was used for actuarial valuation based on the following significant assumptions:

	2010	2009
Principal actuarial assumptions		
33.1 Discount rate	13% p.a	13% p.a
Expected rate of increase in salaries	13% p.a	13% p.a
Expected rate of return on investments	13% p.a	13% 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, 2010.

33.2 Reconciliation of amount payable to defined benefit plan	Note	2010	2009
		Rupees in '000	
Present value of defined benefit obligations	33.7	175,525	122,631
Fair value of plan assets	33.8	(115,564)	(69,791)
Net actuarial losses not recognised	33.11	(7,823)	(12,493)
		52,138	40,347
33.3 Movement in payable to defined benefit plan			
Opening balance		40,347	29,803
Charge for the year	33.4	52,138	40,347
Contribution made during the year		(40,347)	(29,803)
Closing balance		52,138	40,347
33.4 Charge for defined benefit plan			
Current service cost		43,918	31,939
Interest cost		20,235	12,042
Expected return on plan assets		(12,048)	(4,876)
Actuarial loss		33	1,242
		52,138	40,347
33.5 Actual return on plan asset		12,931	10,585
33.6			
Plan assets of gratuity fund includes Rs. 6.387 million (2009: Rs. 0.853 million) kept in a savings account and Rs.107.803 million (2009: Rs. 67.682 million) placed in a Meezan Aamdan Certificate with the Bank.			



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



33.7 Reconciliation of present value of obligation

	2010	2009
	Rupees in '000	
Present value of obligation as at January 1	122,631	80,277
Current service cost	43,918	31,939
Interest cost	20,235	12,042
Benefits paid	(7,504)	(3,104)
Actuarial (gain) / loss on obligation	(3,755)	1,477
Present value of obligation as at December 31	175,525	122,631

33.8 Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets	69,791	32,507
Expected return	12,048	4,876
Contributions by the Bank	40,347	29,803
Benefits paid	(7,504)	(3,104)
Actuarial gain	882	5,709
	115,564	69,791

33.9 The plan assets comprise as follows:

	2010		2009	
	Rupees in '000	%	Rupees in '000	%
Meezan Aamdan Certificates	107,803	93.28	67,682	96.98
Meezan Islamic Income Fund	1,374	1.19	1,257	1.80
Savings account with Meezan Bank	6,387	5.53	852	1.22
	115,564	100.00	69,791	100.00

33.10 Actuarial loss to be recognized

	Note	2010	2009
		Rupees in '000	
Corridor Limit			
The limits of the corridor as at January 1			
10% of obligations		12,263	8,028
10% of plan assets		6,979	3,251
Which works out to		12,263	8,028
Unrecognized actuarial losses as at January 1		(12,492)	(17,967)
Excess		(229)	(9,939)
Average expected remaining working lives in years		7	8
Actuarial loss to be recognized		(33)	(1,242)

33.11 Unrecognized actuarial losses

Unrecognized actuarial losses at January 1		(12,493)	(17,967)
Actuarial gain / (loss) on obligations	33.7	3,755	(1,477)
Actuarial gain on assets	33.8	882	5,709
		(7,856)	(13,735)
Actuarial loss recognised	33.10	33	1,242
Unrecognized actuarial losses as at December 31		(7,823)	(12,493)



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



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:

	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	175,525	122,631	80,277	48,929	29,117
Fair value of plan assets	(115,564)	(69,791)	(32,507)	(19,808)	(11,531)
Deficit	59,961	52,840	47,770	29,121	17,586
Actuarial loss on obligation	(3,755)	(1,477)	(4,978)	(3,174)	(4,770)
Actuarial gain / (loss) on assets	882	5,709	(2,501)	969	(25)

33.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2011, works out to Rs. 55.003 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.

	2010	2009
	Rupees in '000	
Contribution from the Bank	57,844	46,661
Contribution from the employees	57,844	46,661
	115,688	93,322

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Rupees in '000					
Fees*	-	-	4,432	18,465	-	-
Managerial remuneration	55,518	44,753	36,394	31,530	364,611	257,224
Charge for defined benefit plan	1,530	1,139	969	881	17,519	12,643
Contribution to defined contribution plan	1,836	1,367	1,163	1,057	18,783	12,350
House rent	8,261	6,153	5,231	4,756	94,601	68,273
Utilities	1,836	1,367	1,163	1,057	21,023	15,172
Medical	2,161	3,815	1,284	1,112	22,423	17,782
Conveyance	1,301	1,158	1,075	564	-	-
Others	76	99	6	22	-	-
	72,519	59,851	51,717	59,444	538,960	383,444
Number of persons	1	1	10	10	228	167

* This includes amounts charged in these financial statements as fees to seven (2009: nine) non-executive directors.

35.1 Executives mean employees, other than Chief Executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

35.2 The CEO, the Executive Director and certain executives are provided with free use of the Bank's cars.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments in listed securities, except investments categorized as 'held to maturity', investments in subsidiaries and associates is based on quoted market prices. The value of unquoted equity investments is reduced, if required, on the basis of break-up value of those investments based on the latest available audited financial statements as disclosed in notes 10.6 and 10.8.

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 6.3.3. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits are frequently repriced.

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	Total
Rupees in '000									
2010									
Total income	1,163,201	7,292,477	2,011,997	4,291,025	-	6,879	-	-	14,765,579
Total expenses	(707,126)	(6,114,527)	(1,524,476)	(4,767,248)	-	(2,614)	-	-	(13,115,991)
Net income / (loss)	456,075	1,177,950	487,521	(476,223)	-	4,265	-	-	1,649,588
Segment Assets (Gross)	6,980,143	90,973,438	11,215,421	45,583,423	-	-	-	-	154,752,425
Segment Non Performing Loans	249,830	-	777,528	3,540,795	-	-	-	-	4,568,153
Segment Provision Required	189,830	-	483,215	3,266,951	-	-	-	-	3,939,976
Segment Liabilities	-	7,596,666	131,070,328	5,005,440	-	-	-	-	143,672,434
Segment Return on Assets (ROA) (%)	6.53%	1.29%	4.35%	-1.04%	-	-	-	-	-
Segment Cost of funds (%)	5.69%	5.69%	5.69%	5.69%	-	-	-	-	-
2009									
Total income	1,350,881	5,157,170	2,529,381	2,628,314	-	34,118	-	-	11,699,864
Total expenses	(666,209)	(4,566,098)	(1,577,532)	(3,862,542)	-	(2,132)	-	-	(10,674,513)
Net income / (loss)	684,672	591,072	951,849	(1,234,228)	-	31,986	-	-	1,025,351
Segment Assets (Gross)	9,059,061	73,468,559	13,241,037	28,400,439	-	-	-	-	124,169,096
Segment Non Performing Loans	250,000	-	551,045	3,098,118	-	-	-	-	3,899,163
Segment Provision Required	58,668	-	316,298	2,212,246	-	-	-	-	2,587,212
Segment Liabilities	-	2,690,186	101,819,354	10,475,097	-	-	-	-	114,984,637
Segment Return on Assets (ROA) (%)	7.56%	0.80%	7.19%	-4.35%	-	-	-	-	-
Segment Cost of funds (%)	5.66%	5.66%	5.66%	5.66%	-	-	-	-	-

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

38.2 A number of banking transactions were 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.

38.3 Subsidiary company

- Al-Meezan Investment Management Limited

38.4 Key management personnel

- President and Chief Executive Officer
- Chief Operating Officer



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Rupees in '000										
Financing										
At January 1,	144,132	369,257	-	-	143,834	368,827	298	430	-	-
Addition / disbursed during the year	1,646,345	58,127	200,000	-	400,000	58,127	-	-	1,046,345	-
Deletion / repaid during the year	(701,264)	(283,252)	-	-	(473,303)	(283,120)	(133)	(132)	(227,828)	-
At December 31	1,089,213	144,132	200,000	-	70,531	143,834	165	298	818,517	-
Deposits										
At December 31	773,812	209,349	2,332	1,603	269,202	104,395	27,145	44,972	475,133	58,379
Borrowing	566,608	607,032	-	-	566,608	607,032	-	-	-	-

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

Balances

Profit receivable on financing	123,574	1,392	9,054	-	-	1,392	-	-	114,520	-
Transfer agency fee receivable	3,100	1,150	3,100	1,150	-	-	-	-	-	-
Payable to defined benefit plan	52,138	40,347	-	-	-	-	-	-	52,138	40,347
Service charges payable by the Bank	2,520	1,388	2,520	1,388	-	-	-	-	-	-
Profit payable on borrowing	37,000	36,436	-	-	37,000	36,436	-	-	-	-
Letters of credit (unfunded)	664	-	-	-	664	-	-	-	-	-
Letters of guarantee (unfunded)	100	180,780	100	-	-	180,780	-	-	-	-
Prepaid Takaful	117,527	110,689	-	-	117,527	110,689	-	-	-	-

Transactions, income and expenses

Profit earned on financing	139,322	19,935	9,054	-	21,173	19,935	-	-	109,095	-
Return on deposits / borrowing expensed	104,868	101,048	104	73	68,639	68,228	1,195	3,561	34,930	29,186
Takaful insurance on assets including consumer financings	206,003	196,054	-	-	206,003	196,054	-	-	-	-
Dividend income	237,294	115,725	69,063	-	168,231	115,725	-	-	-	-
Capital gain	6,802	-	-	-	6,802	-	-	-	-	-
Charge for defined benefit plan	52,138	40,347	-	-	-	-	-	-	52,138	40,347
Contribution to defined contribution plan	57,844	46,661	-	-	-	-	-	-	57,844	46,661
Service charges incurred	3,679	3,752	2,993	2,867	686	366	-	-	-	519
Fees earned	7,113	7,332	6,298	4,689	815	2,643	-	-	-	-
Commission earned on letters of credit and guarantee	165	-	4	-	161	-	-	-	-	-

38.6 ASSOCIATES - KEY INFORMATION

	2010		
	Mutual Funds	Others	Total
	Rupees in '000		
Assets	26,210,511	1,090,371	27,300,882
Liabilities	261,554	769,626	1,031,180
Operating revenue	2,276,409	16,430	2,292,839
Profit after tax	1,810,643	4,626	1,815,269



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



39. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

39.1 Scope of applications

The Basel II Framework is applicable at the level of Standalone Financial Statements of Meezan Bank Limited. The Capital Assessment and Adequacy of the group Financial Statements under Basel - II is separately calculated and disclosed in the Consolidated Financial Statements of the Group.

39.2 Capital structure

Banks regulatory capital is divided into three tiers as follows:

Tier I Capital

Tier I capital includes fully paid up capital, reserve for bonus issue, general reserves as per the financial statements, net unappropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities and deductions for book value of intangibles.

Tier II Capital

Tier II capital, includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves).

Tier III Capital

Tier III Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier III capital.

The required capital is achieved by the Bank through:

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



	2010 Basel II	2009 Basel II
	Rupees in '000	
Tier I Capital		
Fully Paid-up capital	6,982,550	6,650,048
General Reserves as disclosed on the Balance Sheet	1,380,010	1,050,092
Unappropriated profits (Net of Losses)	2,377,563	1,390,395
Less: Deficit on account of revaluation of investments held in AFS category	-	(6,278)
Book value of Goodwill and Intangibles	(131,284)	(143,667)
Other deductions*	(31,525)	(31,525)
Total eligible Tier I capital	10,577,314	8,909,065
Tier II Capital		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *	738,249	85,262
Revaluation Reserves up to 45% under Basel II	152,941	-
Less: Other deductions**	(31,525)	(31,525)
Total eligible Tier II capital	859,665	53,737
Tier III capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital)	859,665	53,737
Total Regulatory Capital Base	11,436,979	8,962,802

*Under the standardized approach to credit risk, general provisions can be included in Tier - II capital subject to the limit of 1.25% of the risk weighted assets.

**Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet.

39.3 Capital Adequacy

The main objective of the capital management is to improve financial position and strengthen balance sheet of the Bank to support the growth in business, provide protection to depositors, and enhances shareholders' value.

The Bank's Board and the management is committed to provide sound balance between depositors liability and shareholders funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable venture without compromising the risk profile of the Bank. The capital requirement of the Bank has been determined based on the projected growth plan to achieve in next 3 to 5 years in all areas of business operation. Further, it also takes into account road map for capital enhancement as directed by the State Bank of Pakistan vide its various circulars issued from time to time.

In addition, fixed and variable capital adequacy ratio has been taken into consideration in determining level of capital requirement by the Bank.

Fixed CAR has been kept at a higher mandatory number as done in the past and same has been planned for the future to provide safe cushion. In addition, variable CAR has also been taken into account in planning capital need of the Bank.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



The Bank prepares Annual Budget and Three Year Plan for purpose of the growth map and future direction. Bottom up approach is used to prepare annual budget and detailed deliberations are held while preparing Three Year Plan. The growth prospects takes into consideration prevailing economic and political factors in Pakistan and abroad.

The State Bank of Pakistan (SBP) sets and monitors capital requirements for the banks. The paid up capital of the Bank increased from Rs. 6.6 billion as of 31-12-2009 to Rs.6.982 billion on account of issue of bonus shares during the year. The Bank plans to meet the minimum capital requirements for 2010 as prescribed by SBP by issuing further bonus shares as mentioned in note 41.2 of these financial statements.

In implementing current capital requirements SBP requires banks to maintain a prescribed Capital Adequacy Ratio (CAR) of 10% as of December 31, 2010 of total capital to total risk-weighted assets. As such Bank's CAR stood at 12.41% at the year ended December 31, 2010.

The Bank calculates capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel II and as per guidelines issued by the State Bank of Pakistan from time to time in this regard.

Major credit risk in respect of on and off-balance sheet exposures are mainly claims on banks, corporates, retail customers, residential mortgages, quoted and unquoted associated undertakings and Sukuks (Other than foreign sukuku). Market risk exposures are mainly in foreign sukuku, equity and foreign exchange positions. The Bank's potential risk exposures shall remain in these exposure types.

Sensitivity and stress testing of the Bank under different risk factors namely yield rate, forced sale value of collateral, non-performing financings and foreign exchange rate depicts that the Bank's capital adequacy ratio is above the regulatory requirements.

The Bank has taken into account credit risk, market risk and operational risk when planning its assets.

The Bank's sponsors are well reputed financial institution in Pakistan and abroad. The Bank has never faced in the past any difficulty in raising capital whenever it required. The shareholders and Board in its meeting held on October 2008 has reaffirmed in principle commitment to meet the increased Capital requirement of the Bank over next five years.

The Bank's economic capital requirement assessment based on economic capital model is same as determined by the Bank's management as it has taken into account all factors which are required to be considered in an economic model.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



	Capital requirements		Risk weighted assets	
	2010	2009	2010	2009
	Rupees in '000			
Credit Risk				
Portfolios subject to standardised approach				
Portfolios subject to on-balance sheet exposure (Simple approach)				
Banks	415,250	810,709	4,152,499	8,107,093
Corporate	4,135,119	2,809,336	41,351,188	28,093,357
Retail	313,904	256,488	3,139,044	2,564,880
Residential mortgage	102,758	114,789	1,027,575	1,147,885
Past due loans	135,338	141,455	1,353,378	1,414,553
Investments	755,909	212,733	7,559,091	2,127,335
Fixed assets	293,482	227,271	2,934,816	2,272,706
All other assets	711,912	697,555	7,119,124	6,975,553
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	7,166	7,652	71,663	76,522
Corporate	605,138	597,249	6,051,381	5,972,491
Retail	28,926	2,041	289,263	20,413
Others	4,298	590	42,984	5,897
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	7,135	5,457	71,346	54,567
Customers	10,611	3,046	106,106	30,458
Market Risk				
Capital Requirement for portfolios subject to Standardised approach				
Interest rate risk	331,733	342,660	3,317,331	3,426,597
Equity position risk	418,423	212,364	4,184,232	2,123,644
Foreign exchange risk	62,755	5,250	627,553	52,499
Operational Risk				
Capital Requirement for operational risk	872,885	570,378	8,728,850	5,703,778
TOTAL	9,212,742	7,017,023	92,127,424	70,170,228

		2010	2009
		Rupees in '000	
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	11,436,979	8,962,802
Total Risk Weighted Assets	(b)	92,127,424	70,170,228
Capital Adequacy Ratio (a) / (b)		12.41%	12.77%



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



40. RISK MANAGEMENT

The wide variety of the Bank's business activities require the Bank to identify, assess, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Bank's strategy and growth. The Bank manages the risk through a framework of risk management, policies and principles, organizational structures and risk measurement and monitoring processes and techniques that are closely aligned with the business activities of the Bank.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Risk Management Committee regularly reviews the Bank's risk profile.
- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the 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.

The Committee is responsible to review risk profile, policies, tools and techniques so as to ensure effective management of risks of the Bank.

The management 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
Internal Controls and Operational Risk Management Committee	COO

The Credit Committee is responsible for approving and monitoring financing transactions and also ensuring 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 ALCO is responsible for monitoring, measuring and managing market risk and liquidity risk and ensuring compliance with internal and regulatory requirement.

The Internal Controls and Operational Risk Management Committee ensures adequate internal controls and systems are in place thereby ensuring operating efficiency.

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, 2010



40.1 Credit risk

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. The Bank also ensures to diversify its portfolio into different business segments, products and sectors. The Bank takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of credit risk mitigation (CRM) resulted in the total credit risk weighted amount of Rs. 75,269.458 million.

Thus, use of CRM resulted in capital adequacy ratio of the Bank of 12.41%.

40.1.1 Segmental information

40.1.1.1 Segment by class of business

	2010					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	25,064	0.04	1,155,939	0.88	66,278	0.07
Textile	18,924,538	32.60	2,586,823	1.98	17,303,599	19.36
Automobile and transportation equipment	1,001,539	1.73	101,285	0.08	1,360,071	1.52
Financial institutions	-	0.00	240,175	0.18	39,022,049	43.68
Insurance	-	0.00	51,531	0.04	-	0.00
Electronics and electrical appliances	2,273,641	3.92	328,686	0.25	1,481,483	1.66
Construction	851,570	1.47	568,982	0.43	893,435	1.00
Power (electricity), gas and water	2,099,718	3.62	75,018	0.06	1,640,506	1.84
Exports / imports	1,310,339	2.26	1,106,742	0.84	1,506,062	1.69
Transport, storage and communication	1,971,979	3.39	659,293	0.50	1,308,183	1.46
Chemical and pharmaceuticals	4,042,144	6.96	672,535	0.51	5,085,503	5.70
Sugar	950,495	1.63	57,186	0.04	860,438	0.96
Footwear and leather garments	1,112,081	1.91	199,315	0.15	1,245,572	1.39
Wholesale and retail trade	3,396,257	5.85	8,730,604	6.67	2,047,881	2.29
Cement	3,873,025	6.67	29,502	0.02	2,470,577	2.76
Services	1,280,326	2.21	3,954,277	3.02	1,079,592	1.22
Individuals	6,614,789	11.40	93,660,718	71.46	3,216,300	3.61
Others	8,318,804	14.34	16,891,717	12.89	8,751,505	9.79
	58,046,309	100.00	131,070,328	100.00	89,339,034	100.00

40.1.1.2 Segment by sector

	2010					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	1,000,000	2	1,069,779	1	-	-
Private	57,046,309	98	130,000,549	99	89,339,034	100
	58,046,309	100	131,070,328	100	89,339,034	100



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



40.1.1.3 Details of non-performing financings and specific provisions by class of business segment:

	2010		2009	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	13,576	11,076	24,666	15,121
Textile	1,746,863	1,487,171	1,608,406	1,130,331
Chemical and pharmaceuticals	11,021	1,304	2,984	566
Cement	238,167	77,857	44,191	36,191
Sugar	150,000	150,000	324,456	232,233
Footwear and leather garments	-	-	2,000	344
Automobile and transportation equipment	593,223	591,140	591,214	591,000
Electronics and electrical appliances	-	-	-	-
Construction	-	-	-	-
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	351,423	156,769	228,435	100,945
Others	1,214,050	637,580	822,811	336,551
	<u>4,318,323</u>	<u>3,112,897</u>	<u>3,649,163</u>	<u>2,443,282</u>

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

	2010		2009	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	4,318,323	3,112,897	3,649,163	2,443,282
	<u>4,318,323</u>	<u>3,112,897</u>	<u>3,649,163</u>	<u>2,443,282</u>

40.1.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitment
	Rupees in '000			
Pakistan	2,126,960	154,752,425	11,079,991	89,339,034
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>2,126,960</u>	<u>154,752,425</u>	<u>11,079,991</u>	<u>89,339,034</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



40.1.2 Credit Risk - General Disclosures Basel II Specific

The Bank is operating under standardised approach of Basel II for credit risk. As such risk weights for the credit risk related assets (on-balance sheet and off-balance sheet-market and non market related exposures) are assigned on the basis of standardised approach.

The Bank is committed to further strengthen its risk management framework that shall enable the Bank to move ahead for adopting Foundation IRB approach of Basel II; meanwhile none of our assets class is subject to the foundation IRB or advanced IRB approaches.

40.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach & supervisory risk weights in the IRB Approach-Basel II Specific

The Bank used ratings assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAIs) for the purpose of risk weighing its exposures against corporate and banks. Use of both JCR-VIS and PACRA as the rating agencies is due to the fact that corporate and banks are rated by either of these two agencies.

In case of foreign currency exposures against banks, ratings assigned by S&P, Fitch and Moody's have been applied. In case of exposure against banks, some banks have multiple ratings but those ratings do not result in mapping with different risk weights. The alignment of the alphanumeric scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel II requirements.

Types of Exposure and ECAI's used

2010			
Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	□	□	-
Banks	□	□	S & P, FITCH and MOODY'S

Credit Exposure subject to standardized approach

Rupees in '000 2010				
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-
	20%	5,753,213	-	5,753,213
	50%	4,126,680	-	4,126,680
	100%	529,975	-	529,975
	150%	-	-	-
	Unrated	38,252,708	1,333,099	36,919,609
Retails	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	5,742,462	1,557,069	4,185,393
Total		54,405,038	2,890,168	51,514,870

CRM = Credit Risk Mitigation



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



40.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised and IRB Approaches-Basel II Specific

Bank obtains capital relief for its both on-balance and off-balance sheet non-market related exposures by using simple approach for credit risk mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits, cash margins, Certificate of Islamic Investment, Shares and Units of Mutual Funds, Monthly Modaraba Certificate and saving accounts.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market condition.

The credit equivalent amount of an off-balance sheet market related foreign exchange contracts are determined by using the current exposure (mark to market) method.

The Bank mainly takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 48,662.576 million is subject to the CRM of Rs. 1,333.099 million whereas a claim on retail portfolio of Rs. 5,742.462 million is subject to CRM of Rs. 1,557.069 million. The total benefit of Rs. 2,890.168 million was availed through CRM against total on-balance sheet exposure of Rs. 149,378.345 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs. 44,393.573 million is subject to the CRM of Rs. 1,813.623 million whereas a claim on retail portfolio of Rs. 1,075.390 million is subject to CRM of Rs. 68.475 million. Total benefit of Rs. 1,882.098 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs. 46,446.545 million.

In year 2010, total amount of cash collateral used for CRM purposes was Rs. 4,772.266 million as against amount of Rs. 4,325.395 million in year 2009. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

40.2 Equity position risk in the banking book-Basel II Specific

The Bank makes investment in variety of products/instruments mainly for the following objectives;

- Investment for supporting business activities of the Bank and generating revenue in short term or relatively short term tenure.
- Strategic Investments which are made with the intention to hold it for a longer term and are marked as such at the time of investment.

Classification of equity investments

The Bank classify its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Held for trading
- Investments - Available for sale
- Investments in associates
- Investments in subsidiaries

Some of the above mentioned investments are listed and traded in public through stock exchanges, while other investments are unlisted.

Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

The investments in listed equity securities are stated at the revalued amount using market rates prevailing on the balance sheet date, while the investment in unquoted securities are stated at lower of cost or break-up value.

The unrealized surplus / (deficit) arising on revaluation of the held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



The carrying value of equity investments are assessed at each balance sheet date for impairment. If the circumstances exist which indicate that the carrying value of these investments may not be recoverable, the carrying value is written down to its estimated recoverable amount. The resulting impairment loss is charged to profit and loss account.

Composition of equity investments	Held for trading	Available for Sale	Subsidiary and Associates
	Rupees in '000		
Equity investments - quoted	-	1,932,031	7,476,963
Equity investments - unquoted	-	123,119	337,330
Total value	-	2,055,150	7,814,293

Further, a provision for impairment in value of investments amounting to Rs. 46.862 million (2009: Rs. 88.640 million) has been charged to profit and loss account.

40.3 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 benchmark rates, profit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital. The Market risk charge consists of two components. The general risk describes value changes due to general market movements, while the specific risk has issuer related causes. The capital charge for market risk has been calculated by using Standardized Approach.

The Bank applies Stress Testing and Value at Risk (VaR) techniques as risk management 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.

40.3.1 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 close monitoring and are marked to market on a daily basis to contain forward exposures.

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan rupees	149,852,177	140,547,281	1,149,165	10,454,062
United States dollars	4,473,033	2,146,245	(1,725,653)	601,135
Great Britain pounds	226,976	516,837	292,336	2,474
Japanese yen	9,416	-	(10,528)	(1,112)
Euro	140,246	461,287	320,582	(459)
Singapore dollars	7,250	-	(6,672)	578
Australian dollars	7,219	-	(6,975)	244
Canadian dollars	5,008	784	-	4,224
United Arab Emirates Dirham	1,829	-	-	1,829
Swiss francs	29,271	-	(12,255)	17,016
	154,752,425	143,672,434	-	11,079,991

40.3.2 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 behaviour similar to equities.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



Counter parties limits, as also fixed by SBP, are considered to limit risk concentration. The Bank invests in those equities which are Shariah compliant as advised by the Shariah adviser.

40.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

IRRBB includes all material yield risk positions of the Bank taking into account all relevant repricing and maturity data. It includes current balances and contractual yield rates. The Bank understands that its financings shall be repriced as per their respective contracts. Regarding behavior of non-maturity deposits, the Bank assumes that 75% of those deposits shall fall in upto one year time frame and remaining 25% of those deposits shall fall in the range of one to three years time buckets.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Bank by applying upward and downward shocks.

40.3.4 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	2010									Non-yield bearing financial instruments
		Exposed to yield risk									
		Upto 1 Month	Over 1 to 5 Months	Over 5 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 to 10 Years	Over 10 to 15 Years	Above 15 Years	
Rupees in '000											
On-balance sheet financial instruments											
Assets											
	12,780,806	-	-	-	-	-	-	-	-	-	12,780,806
Cash and balances with treasury banks											
Balances with other banks	3.75	9,939,660	4,394,887	3,000,000	-	-	-	-	-	-	2,544,773
Due from financial institutions	11.73	10,511,855	5,478,320	3,005,200	2,009,835	18,500	-	-	-	-	-
Investments	12.21	54,966,907	-	557,227	2,357,860	32,483,555	1,412,302	108,708	3,364,668	4,708,547	9,974,040
Financings	13.04	54,195,163	7,407,853	10,448,265	12,239,329	1,999,952	2,914,905	6,102,505	7,877,910	2,945,860	2,162,183
Other assets including inventories		5,782,333	-	-	-	-	-	-	-	-	5,782,333
	148,176,724	17,281,060	17,010,692	16,607,024	34,502,007	4,327,207	6,211,213	11,242,578	7,654,407	2,162,183	31,178,353
Liabilities											
Bills payable	-	1,767,370	-	-	-	-	-	-	-	-	1,767,370
Due to financial institutions	9.24	5,829,296	586,620	2,605,949	2,552,924	-	-	-	-	-	83,803
Deposits and other accounts	5.49	131,070,328	20,484,478	20,040,212	10,654,686	15,128,058	5,738,938	6,868,076	6,310,609	8,211,121	37,634,150
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,041,658	-	-	-	-	-	-	-	-	4,041,658
	142,708,652	21,071,098	22,646,161	13,207,610	15,128,058	5,738,938	6,868,076	6,310,609	8,211,121	-	43,526,981
On-balance sheet gap		5,468,072	(3,790,038)	(6,635,469)	3,399,414	19,373,949	(1,411,731)	(656,863)	4,931,696	(556,714)	2,162,183
NON FINANCIAL ASSETS											
- Operating fixed assets		3,066,100									
- Deferred taxation		342,175									
- Other assets including inventories		3,167,426									
		6,575,701									
NON FINANCIAL LIABILITIES											
- Other liabilities		963,782									
TOTAL NET ASSETS		11,079,991									
Off-balance sheet financial instruments											
Forward lendings		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap		-	(3,790,038)	(6,635,469)	3,399,414	19,373,949	(1,411,731)	(656,863)	4,931,696	(556,714)	2,162,183
Cumulative Yield Risk Sensitivity Gap		(3,790,038)	(9,425,507)	(6,026,095)	13,547,856	11,956,125	11,279,262	16,211,251	15,654,517	17,816,700	5,468,072



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



Effective yield rate %	Total	2009									Non-yield bearing financial instruments	
		Exposed to yield risk										
		Upto 1 Month	Over 1 to 5 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 5 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	8,387,432	-	-	-	-	-	-	-	-	-	8,387,432
0.71	Balances with other banks	5,260,467	16,224	-	-	-	-	-	-	-	-	5,244,243
12.33	Due from financial institutions	34,486,875	1,935,000	23,567,000	8,978,375	6,500	-	-	-	-	-	-
12.84	Investments	23,290,309	5,000	176,333	10,570,950	307,916	833,711	2,510,025	3,310,674	2,251,203	121,729	3,202,768
13.20	Financings	41,709,656	8,588,685	5,336,153	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,106	3,207,330	91,813
-	Other assets including inventories	5,517,653	-	-	-	-	-	-	-	-	-	5,517,653
		118,652,392	10,544,909	29,079,486	29,122,531	2,019,455	4,150,122	5,020,651	9,758,961	3,183,309	3,329,059	22,443,909
Liabilities												
-	Bills payable	1,249,210	-	-	-	-	-	-	-	-	-	1,249,210
7.66	Due to financial institutions	8,468,425	3,511,161	2,018,502	2,747,382	49,152	-	-	-	-	-	142,228
5.66	Deposits and other accounts	100,333,051	18,179,640	14,978,861	8,027,176	10,229,375	3,862,447	4,459,642	5,215,674	6,177,025	-	29,203,211
-	Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
-	Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
-	Other liabilities	2,814,666	-	-	-	-	-	-	-	-	-	2,814,666
		112,865,352	21,690,801	16,997,363	10,774,558	10,278,527	3,862,447	4,459,642	5,215,674	6,177,025	-	33,409,315
	On-balance sheet gap	5,787,040	(11,145,892)	12,082,123	18,347,973	(8,259,072)	287,675	561,009	4,543,287	(2,993,716)	3,329,059	(10,965,406)
NON FINANCIAL ASSETS												
-	- Operating fixed assets	2,416,375	-	-	-	-	-	-	-	-	-	-
-	- Deferred taxation	204,172	-	-	-	-	-	-	-	-	-	-
-	- Other assets including inventories	2,896,157	-	-	-	-	-	-	-	-	-	-
		5,516,704	-	-	-	-	-	-	-	-	-	-
NON FINANCIAL LIABILITIES												
-	- Other liabilities	2,119,285	-	-	-	-	-	-	-	-	-	-
		2,119,285	-	-	-	-	-	-	-	-	-	-
	TOTAL NET ASSETS	<u>9,184,459</u>	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
	Forward lendings	-	-	-	-	-	-	-	-	-	-	-
	Forward borrowings	-	-	-	-	-	-	-	-	-	-	-
	Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-
	Total Yield Risk Sensitivity Gap		(11,145,892)	12,082,123	18,347,973	(8,259,072)	287,675	561,009	4,543,287	(2,993,716)	3,329,059	(10,965,406)
	Cumulative Yield Risk Sensitivity Gap		(11,145,892)	936,231	19,284,204	11,025,132	11,312,807	11,873,816	16,417,103	13,423,387	16,752,446	5,787,040

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.

40.4 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 fulfil 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, 2010



40.4.1 Maturities of Assets and Liabilities

	2010									
	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	12,780,806	12,780,806	-	-	-	-	-	-	-	-
Balances with other banks	9,939,660	6,939,660	3,000,000	-	-	-	-	-	-	-
Due from financial institutions	10,511,855	5,478,320	3,005,200	2,009,835	18,500	-	-	-	-	-
Investments	54,966,907	-	557,227	4,831,921	32,484,452	1,412,302	108,708	3,364,668	4,708,548	7,499,081
Financings	54,195,163	7,407,853	10,448,265	12,239,329	1,999,952	2,914,905	6,102,505	7,877,910	2,945,860	2,258,584
Other assets including inventories	8,949,759	8,949,759	-	-	-	-	-	-	-	-
Deferred tax asset	342,175	-	-	-	342,175	-	-	-	-	-
Operating fixed assets	3,066,100	-	-	-	-	-	-	3,066,100	-	-
	154,752,425	41,556,398	17,010,692	19,081,085	34,845,079	4,327,207	6,211,213	14,308,678	7,654,408	9,757,665
Liabilities										
Bills payable	1,767,370	1,767,370	-	-	-	-	-	-	-	-
Due to financial institutions	5,829,296	670,424	2,605,949	2,552,923	-	-	-	-	-	-
Deposits and other accounts	131,070,328	28,329,656	26,930,093	17,526,694	22,003,316	10,314,861	11,443,999	6,310,609	8,211,120	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,005,440	1,347,399	1,192,763	-	346,161	-	-	2,119,117	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	143,672,434	32,114,829	30,728,805	20,079,617	22,349,477	10,314,861	11,443,999	8,429,726	8,211,120	-
Net assets	11,079,991	9,441,569	(13,718,115)	(998,532)	12,495,602	(5,987,654)	(5,232,786)	5,878,952	(556,712)	9,757,665
Share capital	6,982,550									
Reserves	1,380,010									
Unappropriated profit	2,377,563									
Surplus on revaluation of investments	339,868									
	11,079,991									

	2009									
	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	8,387,432	8,387,432	-	-	-	-	-	-	-	-
Balances with other banks	5,260,467	5,260,467	-	-	-	-	-	-	-	-
Due from financial institutions	34,486,875	1,835,000	17,541,000	15,100,375	10,500	-	-	-	-	-
Investments	23,290,309	14,375	166,958	1,337,535	10,676,602	852,211	2,491,525	3,418,299	2,251,203	2,081,601
Financings	41,709,656	8,588,682	5,336,153	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,106	3,299,146
Other assets including inventories	8,413,810	8,413,810	-	-	-	-	-	-	-	-
Deferred tax asset	204,172	-	-	-	-	-	-	204,172	-	-
Operating fixed assets	2,416,375	-	-	-	-	-	-	2,416,375	-	-
	124,169,096	32,499,766	23,044,111	26,011,116	12,392,141	4,168,622	5,002,151	12,487,133	3,183,309	5,380,747
Liabilities										
Bills payable	1,249,210	1,249,210	-	-	-	-	-	-	-	-
Due to financial institutions	8,468,425	3,653,388	1,918,502	2,723,686	172,849	-	-	-	-	-
Deposits and other accounts	100,333,051	24,368,459	20,302,221	13,336,298	15,541,085	7,397,547	7,994,742	5,215,674	6,177,025	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,933,951	2,926,519	10,795	23,275	112,312	327,148	150,223	1,261,131	24,139	98,409
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	114,984,637	32,197,576	22,231,518	16,083,259	15,826,246	7,724,695	8,144,965	6,476,805	6,201,164	98,409
Net assets	9,184,459	302,190	812,593	9,927,857	(3,434,105)	(3,556,073)	(3,142,814)	6,010,328	(3,017,855)	5,282,338
Share capital	6,650,048									
Reserves	1,050,092									
Unappropriated profit	1,390,395									
Surplus on revaluation of investments	95,924									
	9,184,459									



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



40.5 Operational risk

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average positive annual gross income of the Bank over past three years with 15% as per guidelines issued by SBP under Basel II.

To reduce losses arising from operational risk, the Bank has strengthened its risk management framework by developing policies, guidelines and manuals. It also includes set up of fraud and forgery management unit, defining responsibilities of individuals, enhancing security measures, improving efficiency and effectiveness of operations, outsourcing and improving quality of human resources through trainings.

41. GENERAL AND NON-ADJUSTING EVENT

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

Reclassification from		Reclassification to		Reason for reclassification	Rupees in '000
Note	Component	Note	Component		
13	Other assets	9	Due from financial institutions	For better presentation	(12,625)
11	Financing	13	Other assets	For better presentation	2,478,410
18	Other liabilities	13	Other assets	For better presentation	12,638
P&L	Other provisions / write offs / (reversals)	P&L	Provision against amounts due from financial institutions	For better presentation	(12,625)

41.2 The Board of Directors in their meeting held on February 11, 2011 has announced issue of bonus shares @ 15%. These financial statements for the year ended on December 31, 2010, do not include the effect of this appropriation which will be accounted for subsequent to the year-end.

42. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 11, 2011 by the Board of Directors of the Bank.

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director



Notes to and forming part of the Financial Statements

For the year ended December 31, 2010



Annexure -1

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2010

Rupees in '000

S. No.	Name and address of the borrower	Name of director (with NIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off	Other Financial Relief Provided	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Tahir Naseer Butt 35201-1702399-3	N/A	Muhammad Naseer Butt	11,947	1,008	-	12,955	1,447	1,008	-	2,455
2	Health Care Hospital	Mr. Qamar Zaman Khan (Director) 42301-1080025-5	S/o. Sultan Zaman Khan	9,717	994	28	10,739	3,290	994	28	4,312
		Mrs. Farhana Qamar (Director) 42301-0970890-4	W/o. Qamar Zaman Khan								
		Mr. Usman Zaman Khan (Director) 42301-1114944-7	S/o. Qamar Zaman Khan								
		Mr. Salman Zaman Khan (Director) 42301-1080023-7	S/o. Qamar Zaman Khan								
3	Rehmat Wazir Textile Mills Ltd.	Muhammad Naveed Ahmed 35202-6016395-1	S. Rehmat Ali	13,718	3,267	355	17,340	2,718	3,024	355	6,097
		Muhammad Naseer Sheikh 35202-5720954-4	S. Rehmat Ali								
		Mrs. Wazir Begum 35202-8070430-4	S. Rehmat Ali								



Consolidated Financial Statements

Auditors' Report to the Members	132
Consolidated Statement of Financial Position	133
Consolidated Profit and Loss Account	134
Consolidated Statement of Comprehensive Income	135
Consolidated Cash Flow Statement	136
Consolidated Statement of Changes in Equity	137
Notes to and forming part of the Consolidated Financial Statements	138



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Chartered Accountants
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Karachi - 75530 Pakistan

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Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Meezan Bank Limited ('the Bank') its subsidiary, its controlled fund and subsidiary's controlled fund (here-in-after referred to as 'the Group') as at 31 December 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 18 branches, which have been audited by us. The financial statements of the Bank's controlled fund and subsidiary's controlled fund were reviewed by 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 holding's controlled fund and subsidiary's controlled fund, is based solely on the other auditors' review report.

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, its subsidiary, its controlled fund and the subsidiary's controlled fund as at 31 December 2010 and the results of their operations, their comprehensive income, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Date: 11 FEB 2011
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain

Consolidated Statement of Financial Position

As at December 31, 2010



	Note	2010	2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	12,780,951	8,387,522
Balances with other banks	8	9,957,757	5,262,341
Due from financial institutions	9	10,511,855	34,486,875
Investments	10	50,519,386	24,370,190
Financings	11	53,995,163	41,709,656
Operating fixed assets	12	3,095,897	2,437,228
Deferred tax assets	13	241,746	134,314
Other assets including inventories	14	17,707,256	8,713,652
		158,810,011	125,501,778
LIABILITIES			
Bills payable	15	1,767,370	1,249,210
Due to financial institutions	16	5,829,296	8,593,425
Deposits and other accounts	17	131,067,996	100,331,448
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities		-	-
Other liabilities	18	7,719,237	5,116,372
		146,383,899	115,290,455
NET ASSETS		12,426,112	10,211,323
REPRESENTED BY			
Share capital	19	6,982,550	6,650,048
Reserves	20	1,404,326	1,074,408
Unappropriated profit		3,359,541	2,089,956
		11,746,417	9,814,412
NON CONTROLLING INTEREST	21	339,827	302,987
		12,086,244	10,117,399
Surplus on revaluation of investments	22	339,868	93,924
		12,426,112	10,211,323
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2010



	Note	2010	2009
Rupees in '000			
Profit / return earned on financings, investments and placements	24	12,284,569	10,105,518
Return on deposits and other dues expensed	25	6,606,370	4,969,843
Net spread earned		5,678,199	5,135,675
Provision against non-performing financings (net)	11.9	1,330,057	1,430,536
Provision for diminution in value of investments and impairment	10.8 & 10.10	46,405	88,890
Provision against amounts due from financial institutions	9.4	81,875	12,625
Provision against off balance sheet obligations	18.2	37,682	-
Bad debts written off directly		-	-
		1,496,019	1,532,051
Net spread after provisions		4,182,180	3,603,624
OTHER INCOME			
Fee, commission and brokerage income		888,660	747,943
Dividend income		189,105	88,101
Income from dealing in foreign currencies		1,381,044	752,904
Capital gain on sale of investments	26	137,885	66,585
Unrealized gain / (loss) on held for trading investments		28,669	(1,315)
Other income	27	61,911	53,274
Total other income		2,687,274	1,707,492
		6,869,454	5,311,116
OTHER EXPENSES			
Administrative expenses	28	4,637,393	3,681,088
Other provisions / write offs		18,306	(73,484)
Other charges	29	67,898	19,093
Total other expenses		4,723,597	3,626,697
		2,145,857	1,684,419
Share of results of associates before taxation		297,425	842,986
		2,443,282	2,527,405
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		2,443,282	2,527,405
Taxation - Current	30	1,060,692	1,464,053
- Prior years		(332,808)	(445)
- Deferred		(184,384)	(612,445)
		543,500	851,163
PROFIT AFTER TAXATION		1,899,782	1,676,242
Share of profit attributable to non-controlling interest		(74,027)	(98,900)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,825,755	1,577,342
Rupees			
Basic and diluted earnings per share	31	2.61	2.49

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

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Director

Mohammad
Abdul Aleem
Director



Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010



	2010	2009
	Rupees in '000	
Profit for the period	1,899,782	1,676,242
Other comprehensive income	-	-
Comprehensive income transferred to equity	1,899,782	1,676,242
Components of comprehensive income not transferred to equity		
Surplus on revaluation on investments	322,896	528,835
Deferred tax on revaluation of investments	(76,952)	(68,792)
Total comprehensive income	<u>2,145,726</u>	<u>2,136,285</u>

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

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Mohammad
Abdul Aleem
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2010



	Note	2010	2009
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,443,282	2,527,405
Less: Dividend income		(189,105)	(88,101)
		<u>2,254,177</u>	<u>2,439,304</u>
Adjustments for non-cash charges			
Depreciation		366,404	314,437
Amortization		34,685	32,560
Provision against non-performing financings (net)		1,330,057	1,430,536
Provision for diminution in the value of investments and impairment			
- on associates - unlisted		-	88,890
on others		46,405	-
Provision against amounts due from financial institutions		81,875	12,625
Gain on sale of property, equipment and others		(19,216)	(13,705)
Unrealized loss on held for trading investments		(28,669)	1,315
Share of results of associates		(297,425)	(842,986)
		<u>1,514,116</u>	<u>1,023,672</u>
		<u>3,768,293</u>	<u>3,462,976</u>
(Increase) / decrease in operating assets			
Due from financial institutions		23,893,145	(16,391,500)
Held for trading securities		27,929	153,611
Financings		(13,615,564)	(3,611,461)
Other assets including inventories		(8,910,968)	(4,378,560)
		<u>1,394,542</u>	<u>(24,227,910)</u>
Increase / (decrease) in operating liabilities			
Bills payable		518,160	192,193
Due to financial institutions		(2,764,129)	4,459,929
Deposits and other accounts		30,736,548	30,099,498
Other liabilities		3,178,816	360,561
		<u>31,669,395</u>	<u>35,112,181</u>
		<u>36,832,231</u>	<u>14,347,247</u>
Income tax paid		(1,303,835)	(329,973)
Net cash flow from operating activities		<u>35,528,395</u>	<u>14,017,274</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		16,848	568,481
- available for sale securities		(25,948,914)	(9,042,992)
- listed associated undertakings		356,647	44,269
- unlisted associated undertakings		879	(2,276)
Dividend received		212,719	83,445
Investments in operating fixed assets		(1,072,238)	(903,499)
Sale proceeds of property and equipment disposed off		31,696	31,509
Net cash flow from investing activities		<u>(26,402,363)</u>	<u>(9,221,063)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received against issue of right shares		-	1,724,087
Dividend paid to Non Controlling Interest		(37,187)	-
Net cash flow from financing activities		<u>(37,187)</u>	<u>1,724,087</u>
Net increase / (decrease) in cash and cash equivalents		<u>9,088,845</u>	<u>6,520,298</u>
Cash and cash equivalents as at January 1	32	<u>13,649,863</u>	<u>7,129,565</u>
Cash and cash equivalents as at December 31	32	<u>22,738,708</u>	<u>13,649,863</u>

The annexed notes 1 to 43 form an integral part of these consolidated financial statements

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010



	Share capital	Capital reserves		Revenue reserves	Unappropriated profit	Non Controlling Interest	Total
		Statutory reserve	Reserve for issue of bonus shares	General reserve			
Rupees in '000							
Balance as at January 01, 2009	4,925,961	778,256	-	91,082	717,684	204,087	6,717,070
Total Comprehensive income for the year							
Profit after taxation for the year	-	-	-	-	1,676,242	-	1,676,242
Share of profit attributable to non controlling interest	-	-	-	-	(98,900)	98,900	-
Transactions with owners recognised directly in equity							
Issue of right shares	1,724,087	-	-	-	-	-	1,724,087
Transfer to statutory reserve	-	205,070	-	-	(205,070)	-	-
Balance as at December 31, 2009	6,650,048	983,326	-	91,082	2,089,956	302,987	10,117,399
Total Comprehensive income for the year							
Profit after taxation for the year ended December 31, 2010	-	-	-	-	1,899,782	-	1,899,782
Share of profit attributable to non controlling interest	-	-	-	-	(74,027)	74,027	-
Transactions with owners recognised directly in equity							
Dividend Payout by AMIML	-	-	-	-	106,250	(37,187)	69,063
Transfer to reserve for issue of bonus shares	-	-	332,502	-	(332,502)	-	-
Issue of bonus shares	332,502	-	(332,502)	-	-	-	-
	332,502	-	-	-	(332,502)	-	-
Transfer to statutory reserve	-	329,918	-	-	(329,918)	-	-
Balance as at December 31, 2010	6,982,550	1,313,244	-	91,082	3,359,541	339,827	12,086,244

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding Company

- Meezan Bank Limited

Subsidiary Company

- Al Meezan Investment Management Limited

Holding's controlled fund

- Meezan Sovereign Fund

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 two hundred and twenty two branches as at December 31, 2010 (2009: two hundred and one branches). Its registered office is situated 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 Sovereign Fund (MSF) ('the Holding controlled fund') was established under a trust deed executed between Al Meezan Investment Management Limited (AMIML) as the management company and Central Depository Company of Pakistan Limited (CDC) as a Trustee. MBL and AMIML hold 68.38% and 1.95% in the fund respectively.

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 46.60%, 62.92% and 84.63% in the sub-funds respectively.

The Group's associates 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.	13.45	2.07	15.52

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Entity / fund	Country of incorporation / domicile	Nature of business	Direct holding %	Indirect holding %	Effective holding %
Al Meezan Mutual Fund Limited (AMMFL)	Pakistan	Formed under the Investment Companies and Investment Advisor Rules, 1971. A closed end mutual fund.	4.04	16.05	20.07
Meezan Capital Protected Fund (MCPF)	Pakistan	Open end fund established under a trust deed executed between AMIML as the management company and CDC as the trustee.	N/A	N/A	N/A
Meezan Cash Fund (MCF)	Pakistan	Open end fund established under a trust deed executed between AMIML as the management company and CDC as the trustee.	N/A	N/A	N/A
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	Floation and management of modarabas under Modarabas Companies and Modarabas (Floation and Control) Ordinance, 1980.	30	-	30
Plexus (Private) Limited	Pakistan	Business of development and export of IT enabled services and internet solutions.	50	-	50

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, 2010 and the condensed interim financial statements of AMIML for the six months period ended December 31, 2010 which have only been subjected to a review 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, 2010 the results for the period January 1 to June 30, 2010 have been calculated from the audited financial statements of AMIML for the year ended June 30, 2010 after eliminating the results for the six months period ended December 31, 2009. Certain disclosures relating to AMIML as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2010.

For consolidation of MTPF and MSF, condensed interim financial statements of MTPF and MSF for the period ended December 31, 2010 which have only been subjected to a review by its statutory auditors, were used. The entire results of these financial statements have been incorporated in these consolidated financial statements after eliminating any intra-group transactions.

The accounting policies used by AMIML, MTPF, MSF 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

Meezan Islamic Fund (MIF)

Source of information

Financial statements for the half year ended December 31, 2010 and 2009, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2010.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Meezan Islamic Income Fund (MIIF)	Financial statements for the half year ended December 31, 2010 and 2009, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2010.
Meezan Balanced Fund (MBF)	Financial statements for the half year ended December 31, 2010 and 2009, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2010.
Al Meezan Mutual Fund Limited (AMMFL)	Financial statements for the half year ended December 31, 2010 and 2009, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2010.
Meezan Capital Protected Fund (MCPF)	Financial statements for the half year ended December 31, 2010 and 2009, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2010.
Meezan Cash Fund (MCF)	Financial statements for the half year ended December 31, 2010 and 2009, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2010.
Blue Water (Private) Limited (BWL)	Unaudited financial statements for the half year ended December 31, 2010 and 2009, and audited financial statements for the year ended June 30, 2010.
Falcon Greenwood (Private) Limited (FGL)	Unaudited financial statements for the half year ended December 31, 2010 and 2009, and audited financial statements for the year ended June 30, 2010.
Faysal Management Services (Private) Limited (FMSL)	Unaudited financial statements for the period ended September 30, 2010.
Plexus (Private) Limited (PL)	Unaudited financial statements for the half year ended December 31, 2010 and 2009, and audited financial statements for the year ended June 30, 2010.

- 2.1.3 MBL provides financing mainly through Murabaha, Ijarah, Musharakah, Diminishing Musharakah, Istisna, Tijarah and Export Refinance under Islamic Export Refinance Scheme as briefly explained in note 6.3.

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 thereon. The income on such financings is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable if so directed by the Shariah Advisor of MBL.

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

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Group's financial statements.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Group's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Group's financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the consolidated financial statements.
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Group.

2.2 Basis of consolidation

Subsidiaries are those enterprises in which the Holding company directly or indirectly exercise control over the financial and operating policies, and / or 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 Subsidiaries. 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 the Group's share of income and expenses of associates from the date that significant influence commences until the date that such influence ceases.

Non-controlling 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.

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

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 and 10).
- (b) Provision for non-performing financings (notes 6.3.3 and 11.9).
- (c) Determination of forced sale value of underlying securities of non performing financings (notes 11.9.2).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



- (d) Impairment of investments in equity instruments (notes 6.4.8, 6.4.9 and 10).
- (e) Staff retirement benefits (notes 6.10 and 34).
- (f) Depreciation and amortization methods of operating fixed assets (notes 6.5.3 and 12).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.1.1, 6.9, 13 and 30).
- (h) Measurement of share based payments (notes 6.20, 18.5 and 23.8).

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

3.1.1 Through Finance Act, 2010, certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for financings & off balance sheet items in doubtful and loss categories will now be allowed upto 5% of total gross financing for consumer & SMEs (as defined in SBP Prudential Regulation).

The provision for financings and off balance sheet items in doubtful and loss categories other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross financings. Provision in excess prescribed limits of financings other than consumer and SME categories would be allowed to be carried forward to subsequent years.

Further, a new Rule 8(A) has been introduced in the Seventh Schedule to allow the amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 667 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 the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by SBP differ, the provisions of and the directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by SBP shall prevail.
- 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 consolidated financial statements to the extent relevant to the Holding Company's financial positions and results.

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.
- 5.2 **Functional and Presentation Currency**

These consolidated financial statements have been presented in Pakistani Rupee, which is the Group's functional and presentation currency.
- 5.3 **Rounding off**

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



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 and Commodity Murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.
- ii) The Group follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir.
- iii) Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognised as income on accrual basis.
- iv) Profits on Diminishing Musharakah financings are recognised on accrual basis.
- v) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- vi) Profit on Tjariah and Istisna financings are recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds.
- vii) Profit on Sukuks is recognised on accrual basis.
- viii) 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. Fee and brokerage income are recognised when earned.
- ix) Dividend income is recognised when the Group's right to receive dividend is established.
- x) 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.
- xii) 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.
- xiii) Remuneration from Al Meezan Mutual Fund, Meezan Balance Fund, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - 1, Meezan Cash Fund and Meezan Sovereign Fund is recognised on the basis of average annual net assets value of the funds.
- xiv) Return on deposits is recognised on receipt basis except for return on fixed deposits which is recognised on accrual basis.
- xv) Sales load is recognised on accrual basis.
- xvi) Consistent with prior years, profit required to be suspended in compliance with the Prudential Regulations issued by SBP is recorded on receipt basis.

6.3 Financings

Murabaha

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Ijarah

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

Istisna

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

Tijarah

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

Diminishing Musharakah

In Diminishing Musharakah based financing, MBL enters into a Musharakah based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilization of MBL's Musharakah share by the customer.

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

6.3.3 Provision against non-performing financings

Provisions are determined against financings on a prudent basis in accordance with the requirements of the Prudential Regulations issued by SBP.

Non-performing financings are written off only when all possible courses of action to achieve recovery have proved unsuccessful. Write-offs are determined in accordance with the criteria prescribed by SBP vide BPRD Circular No. 6 of 2007 dated June 05, 2007.

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 MBL has positive intent and ability to hold them 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 and other subsidiaries classify their investments as follows:

-Financial assets at fair value through profit and loss

This category has two sub categories: 'financial assets held for trading', and those designated at fair value through profit and 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 management.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Since the financial asset classified by AMIML as 'investments at fair value through profit and loss' are of the same nature as that of financial asset 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 categorised as 'held to maturity' securities and investments in subsidiaries and associates, are stated at revalued amounts.

-Unquoted investments are carried at cost less impairment loss.

-Investments in associates are accounted for under equity method.

-Investments in securities categorised as 'held to maturity' are carried at amortized cost less impairment.

6.4.4 Any surplus / deficit arising as a result of revaluation of quoted securities categorised as 'available for sale' is presented below the shareholders' equity in the Consolidated Balance Sheet, while any surplus / deficit arising as a result of revaluation of 'held for trading' securities is credited / charged to the Consolidated 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 recognised 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.

6.4.7 Premium or discount on acquisition of investments is amortised through the Consolidated Profit and Loss Account over the remaining period till maturity.

6.4.8 Impairment loss is recognised by the Group whenever there is objective evidence of impairment and the carrying amount of an investment exceeds its expected recoverable amount. An impairment loss is recognised in income currently.

6.4.9 The Group reviews the carrying value of its investments in associates for impairment at each reporting date if there are any indicators of impairment. The indicators include significant decline in market value of investment, prolonged decline in market value of investment, significant changes with an adverse impact on the entity, increase in market interest rates, carrying amount of net assets are in excess of its market capitalization etc. Considering the fact that these investments are held for long term and there are certain restrictions on their disposal, for the purposes of determining significant or prolonged decline in fair value a higher threshold of upto 40% and for prolonged a threshold of upto 12 months may be used. However, the use of higher threshold should be justifiable in view of other factors present for the entity. The amount of impairment loss would be determined based on the higher of value in use and fair value less costs to sell.

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. Items of fixed assets costing Rs. 10,000 or less are not capitalised by MBL and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in income currently.

6.5.2 Intangible assets

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

6.5.3 Depreciation / amortisation

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



6.5.4 Capital work-in-progress

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

6.5.5 Useful lives and residual values

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

6.5.6 Maintenance and normal repairs

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

6.5.7 Impairment

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 exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income.

6.6 Ijarah Assets (IFAS 2)

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

-Depreciation

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

-Ijarah Rentals

Ijarah rentals outstanding are disclosed in 'Other Assets' on the Balance Sheet at amortised cost.

-Impairment

Impairment of Ijarah Asset is determined on same basis as that of Operating Fixed Assets.

Impairment of Ijarah Rentals are determined in accordance with Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Financings'.

6.7 Inventories

Inventories are valued at the lower of cost and net realisable value.

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

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

6.8 Deposits

Deposits are generated on the basis of two modes Qard & Mudarabah.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Mudarabah basis are classified as 'Saving Account' and 'Fixed Deposits Account'.

No profit or loss is passed to current account depositors.

Profit realized in Investment Pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Mal share is distributed among depositor according to weightages assigned at the inception of profit calculation period

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

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

Assets pools are created at MBL's discretion and MBL can add, amend, transfer asset to any other pool in the interest of the deposit holders.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



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

6.9 Taxation

Current

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

6.10 Staff retirement benefits

Defined benefit plan

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

The scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2010. The Projected Unit Credit method was used for actuarial valuation.

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

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 recognised over the expected average remaining working lives of employees by the Group.

Defined contribution plan

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

6.11 Compensated absences

The Group recognises liability in respect of employees compensated absences in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2010 for MBL, and as at June 30, 2010 for AMIML, on the basis of Projected Unit Credit method.

6.12 Dividend and reserves

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



6.13 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 contracts other than contracts with SBP at the year end are reported in Rupees at exchange rates prevalent on the balance sheet date.

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

6.14 Provisions and contingent assets and liabilities

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

Acceptances comprise undertakings by MBL to pay bills of exchange drawn on customers. The Group 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.

6.15 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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

6.16 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.

6.16.1 Business segment

Corporate Financing

Corporate finance includes investment Banking, syndications, IPO related activities, 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



6.16.2 Geographical segments

The Group operates only in Pakistan.

6.17 Impairment

The carrying amount of the assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in Consolidated Profit and Loss Account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

6.18 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Group are not treated as assets of the Group and accordingly are not included in these Consolidated Financial Statements.

6.19 Transactions involving financial instruments sold on deferred settlement basis

The Group enters into certain transactions involving purchase of a security in the ready market and sale of the same security on deferred settlement basis. Securities purchased in the ready market are carried on the balance sheet, till their eventual disposal and sale of those securities in the futures market is accounted for separately as a 'derivative'.

6.20 Share-based compensation

The fair value of the amount payable to the employees of AMIML in respect of senior executive bonus incentive scheme (which are settled in cash), is recognised as an expense, with a corresponding increase in liability, over the period that the employees become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in income statement.

	Note	2010	2009
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		3,069,861	2,654,869
- foreign currencies		490,477	461,880
With the State Bank of Pakistan in			
- local currency current accounts	7.1	6,586,351	3,969,496
- foreign currency current accounts	7.1	792,647	641,169
With National Bank of Pakistan in			
- local currency current accounts		1,841,615	660,108
		<u>12,780,951</u>	<u>8,387,522</u>

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	Note	2010	2009
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		1,474,063	667,458
- on deposit accounts / term deposit receipts	8.1	7,350,000	-
Outside Pakistan			
- on current accounts		1,115,963	4,578,659
- on deposit accounts	8.2	17,731	16,224
		9,957,757	5,262,341

8.1 The return on these balances ranges from 12.75% to 13.05% per annum and will mature between January 2011 to March 2011.

8.2 The return on these balances is around 0.29% (2009: 0.1% to 1.4%) per annum.

	Note	2010	2009
Rupees in '000			
9. DUE FROM FINANCIAL INSTITUTIONS			
Commodity Murabaha	9.1	1,094,501	34,499,500
Bai Muajjal	9.1	7,966,079	-
Wakalah	9.2	45,775	-
Modaraba	9.1	1,500,000	-
		10,606,355	34,499,500
Provision against non-performing amounts due from financial institutions		(94,500)	(12,625)
		10,511,855	34,486,875

9.1 The average return on the these products is 12.89% (2009: 12.33%) per annum and will mature between January 2011 to June 2011.

9.2 The average return on this product is 0.9% per annum and will mature in June 2011.

	2010	2009
Rupees in '000		
9.3 Particulars of due from financial institutions		
In local currency	10,466,080	34,486,875
In foreign currencies	45,775	-
	10,511,855	34,486,875
9.4 Provision against amounts due from financial institutions		
Opening balance	12,625	-
Charge for the year	81,875	12,625
Less: Reversals	-	-
	81,875	12,625
Closing balance	94,500	12,625

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



10. INVESTMENTS

	Note	2010			2009		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
Rupees in '000							
10.1 Investments by types							
Held for trading securities	10.3	3,501	-	3,501	6,118	-	6,118
Available for sale securities	10.4	45,986,851	-	45,986,851	20,026,241	-	20,026,241
Held to maturity securities	10.5	1,150,000	-	1,150,000	1,166,848	-	1,166,848
		47,140,352	-	47,140,352	21,199,207	-	21,199,207
In related parties							
Associates (listed)	10.6	2,796,436	-	2,796,436	2,859,693	-	2,859,693
Associates (unlisted)	10.7	265,999	-	265,999	277,039	-	277,039
Investments at cost / carrying value		50,202,787	-	50,202,787	24,335,939	-	24,335,939
Less: Provision for diminution in value of investments and impairment	10.8	(133,174)	-	(133,174)	(91,315)	-	(91,315)
Investments (net of provision)		50,069,613	-	50,069,613	24,244,624	-	24,244,624
Deficit on revaluation of held for trading securities	10.9	(4)	-	(4)	(1,315)	-	(1,315)
Surplus on revaluation of available for sale securities	22	449,777	-	449,777	126,881	-	126,881
Total investments at market value		50,519,386	-	50,519,386	24,370,190	-	24,370,190

	Note	2010	2009
		Rupees in '000	
10.2 Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuk		32,446,557	10,368,686
Fully paid up ordinary shares			
- Listed companies		1,032,031	943,419
- Unlisted companies		241,941	130,759
WAPDA First Sukuk Certificates	10.2.1	1,258,708	1,257,625
WAPDA Second Sukuk Certificates		1,750,000	1,750,000
PIA Sukuks		1,500,000	1,500,000
Sukuk Certificates		5,214,851	4,837,958
Preference shares		146,280	146,280
Global Sukuk Bonds		2,915,086	438,056
Units of open-end funds		2,991,624	2,463,936
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)		897	897
Certificates of a closed-end fund		704,812	498,323
Total investments at cost / carrying value		50,202,787	24,335,939
Less: Provision for diminution in value of investments and impairment	10.8	133,174	91,315
Investments (net of provision)		50,069,613	24,244,624
Deficit on revaluation of held for trading securities	10.9	(4)	(1,315)
Surplus on revaluation of available for sale securities	22	449,777	126,881
Total investments at market value		50,519,386	24,370,190

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



10.2.1 MBL purchased 22,000 certificates (12,000 on June 24, 2009 and 10,000 on June 29, 2009) of WAPDA-I Sukuk through a market based transaction for a cash consideration of Rs. 110.346 million (Rs. 60.53 million and Rs. 49.815 million) having face value of Rs. 110 million. These Certificates were available in the seller's CDC account and on completion of the transaction were transferred to the MBL's CDC account. The periodic Ijarah rentals due since October 22, 2009 were not paid to MBL as there was certain discrepancy in the Central Depository Register. MBL through a legal notice has clarified the position that the MBL has purchased the aforesaid Sukuk Certificates from the market for a valuable consideration when these Sukuks were already entered in the Central Depository Register of seller's account.

MBL has already filed a suit in Sindh High Court for the recovery of the dues. The legal counsel of MBL contends that the Sukuk Certificates were transferred through CDC account of the seller, MBL is the legitimate and bonafide holder of the Sukuk Certificates from the date of acquisition and the case will be decided in the MBL's favor.

10.2.2 Investments in associates except Meezan Islamic Income Fund form part of strategic investment of the Group and cannot be sold for five years from the last date of purchase of such securities.

10.3 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	2010	2009	2010	2009
	Number of Sukuks		Cost / carrying amount Rupees in '000	
Unquoted Sukuk				
Sitara Chemical Industries Limited	240	480	1,201	2,368
Arzoo Textile Mills Limited	1,000	1,000	2,300	3,750
Total			3,501	6,118

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



10.4 Quality of 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	Note	2010	2009	2010	2009	2010		2009	
		Number of shares/ units/certificates		Cost/Carrying Value		Market value	Entity rating long term/ short term	Market value	Entity rating long term/ short term
Rupees in '000									
Ordinary shares									
Automobile parts and accessories									
Agriauto Industries Limited	10.4.1	324,000	324,000	20,352	20,352	24,689	Unrated	19,521	Unrated
Cement									
Attock Cement Pakistan Limited		200,737	150,737	8,811	5,555	12,668	Unrated	7,838	Unrated
D.G. Khan Cement Company Limited		115,000	-	3,068	-	3,470	Unrated	-	Unrated
Lucky Cement Company Limited		1,092,326	30,000	75,589	2,025	82,787	Unrated	1,987	Unrated
Automobile assembler									
Indus Motor Company Limited		738	35,738	106	5,121	186	Unrated	7,023	Unrated
Pak Suzuki Motor Company Limited		30,700	90,200	2,618	7,804	2,143	Unrated	8,024	Unrated
Power generation and distribution									
The Hub Power Company Limited		1,300,000	3,843,000	46,652	114,141	48,633	AA+/A1+	119,440	Unrated
Oil and gas marketing									
Pakistan State Oil Company Limited		494,446	298,608	144,138	86,189	145,951	AA+ / A1+	88,818	AAA / A1+
Shell Pakistan Limited		-	281	-	49	-	-	70	Unrated
Oil and gas exploration									
Pakistan Oilfields Limited		551,676	465,460	120,911	103,018	157,355	Unrated	107,414	Unrated
Oil and Gas Development Company Limited		621	526,700	84	52,199	106	AAA / A1+	58,258	AAA / A1+
Pakistan Petroleum Limited		904,490	744,742	139,117	135,375	196,410	Unrated	141,196	Unrated
Fertilizer									
Fauji Fertilizer Bin Qasim Limited		2,482,500	3,052,500	79,644	67,407	88,700	Unrated	79,762	Unrated
Fauji Fertilizer Company Limited		1,445,543	1,395,542	151,733	146,291	181,936	Unrated	143,643	Unrated
Paper and board									
Packages Limited		250,783	263,229	46,826	49,516	32,253	AA / A1+	37,905	AA / A1+
Chemicals									
ICI Pakistan Limited		505,489	325,814	66,286	45,094	72,912	Unrated	54,896	Unrated
Lotte Pakistan PTA Limited		978,530	-	12,896	-	13,406	Unrated	-	Unrated
Textile composite									
Nishat Mills Limited		-	346,095	-	17,059	-	-	24,192	A+ / A1
Technology and communication									
Pakistan Telecommunication Company Limited (A)		2,801,100	2,476,100	67,539	62,064	54,397	Unrated	43,705	Unrated
Refinery									
Pakistan Refinery Limited		-	10,000	-	1,202	-	-	1,207	Unrated
National Refinery Limited		99,936	-	19,780	-	27,361	Unrated	-	Unrated
Jute									
Thal Limited		9,200	42,000	579	3,172	1,198	Unrated	3,565	Unrated
Miscellaneous									
Tri-Pack Films		223,616	174,416	25,302	19,806	27,317	A+/A1	17,965	Unrated
Sukuk Certificates									
WAPDA First Sukuk Certificates	10.4.2	22,000	22,000	108,708	107,625	114,257	Govt. Guaranteed	113,889	Govt. Guaranteed
WAPDA Second Sukuk Certificates	10.4.3	350,000	350,000	1,750,000	1,750,000	1,760,850	Govt. Guaranteed	1,760,850	Govt. Guaranteed
Pakistan International Airlines - at cost	10.4.4	300,000	300,000	1,500,000	1,500,000	1,500,000	Govt. Guaranteed	1,500,000	Govt. Guaranteed
Dawood Hercules Chemicals Limited - at cost	10.4.5	20,000	20,000	904,800	1,000,000	904,800	Unrated	1,000,000	Unrated
Century Paper and Board Mills Limited - at cost	10.4.6	125,000	125,000	500,000	625,000	500,000	A+	625,000	Unrated
Sui Southern Gas Company Limited - at cost	10.4.7	200,000	200,000	500,002	833,334	500,002	AA	833,334	Unrated
Engro Fertilizers Limited - at cost	10.4.8	150,000	150,000	750,000	750,000	750,000	AA-	750,000	Unrated
Sitara Chemicals Industries Limited - at cost	10.4.9	29,600	29,600	37,000	74,000	37,000	AA-	74,000	Unrated
Quetta Textile Mills Limited - at cost	10.4.10	30,000	30,000	145,000	150,000	145,000	BBB+	150,000	Unrated
Arzoo Textile Mills Limited - at cost	10.4.11	10,000	10,000	50,000	50,000	50,000	Unrated	50,000	Unrated

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Name of the investee company / fund	Note	2010	2009	2010	2009	2010		2010	2009
		Number of shares/ units/certificates		Cost/Carrying Value		Market value	Entity rating long term/ short term	Market value	Entity rating long term/ short term
		Rupees in '000						Rupees in '000	
Sitara Peroxide Limited - at cost	10.4.12	50,000	50,000	140,625	150,000	140,625	Unrated	150,000	Unrated
Liberty Power Tech Ltd - at cost	10.4.13	16,680,950	6,775,060	1,668,095	677,506	1,668,095	AA-	677,506	Unrated
Eden Builders Limited - at cost	10.4.14	14,400	14,400	58,500	72,000	58,500	A	72,000	Unrated
Maple Leaf Cement Factory Limited - at cost	10.4.15	40,000	40,000	199,850	200,000	199,850	BB+	200,000	Unrated
Maple Leaf Cement Factory Limited - at cost	10.4.16	1,500	-	7,500	-	7,500	BB+	-	-
Amreli Steel Limited - at cost	10.4.17	50,000	50,000	250,000	250,000	250,000	A-	250,000	Unrated
GOP Sukuk									
Ijarah Sukuk First	10.4.18	16,295	16,295	1,629,500	1,629,500	1,655,898	Govt. Guaranteed	1,645,681	Govt. Guaranteed
Ijarah Sukuk Second	10.4.19	20,000	20,000	2,000,000	2,000,000	2,025,000	Govt. Guaranteed	2,025,000	Govt. Guaranteed
Ijarah Sukuk Third	10.4.20	30,000	31,250	3,007,924	3,136,950	3,045,000	Govt. Guaranteed	3,188,585	Govt. Guaranteed
Ijarah Sukuk Fourth	10.4.21	35,950	35,950	3,599,256	3,602,236	3,595,000	Govt. Guaranteed	3,595,336	Govt. Guaranteed
Ijarah Sukuk Fifth	10.4.22	129,500	-	12,954,969	-	12,982,375	Govt. Guaranteed	-	-
Ijarah Sukuk Sixth	10.4.22	92,500	-	9,254,908	-	9,305,450	Govt. Guaranteed	-	-
Units of open-end funds									
United Islamic Saving Fund		7,946,976	-	800,000	-	807,715	Unrated	-	Unrated
IGI Islamic Income Fund		1,099,617	-	100,000	-	110,521	Unrated	-	Unrated
Atlas Islamic Fund		-	195,662	-	102,566	-	-	95,554	Unrated
Sukuk									
Abu Dhabi Sukuk	10.4.23	5,000,000	5,000,000	428,183	421,208	421,235	A2	399,095	Unrated
Central Bank of Bahrain International Sukuk	10.4.24	10,000,000	-	919,697	-	957,269	A	-	-
Islamic Development Bank Trust Services Sukuk	10.4.25	6,500,000	-	557,227	-	585,750	AAA	-	-
Malaysia Sukuk Global	10.4.26	6,750,000	-	580,579	-	602,352	A3	-	-
Qatar Islamic Bank Sukuk	10.4.27	5,000,000	-	429,400	-	429,637	A	-	-
Others									
Haleeb Foods Limited - at cost		2,786,000	-	122,222	-	122,222	Unrated	-	Unrated
S.W.I.F.T. SCRL - at cost		5	5	897	897	897	Unrated	897	Unrated
				<u>45,986,851</u>	<u>20,026,241</u>	<u>46,406,656</u>		<u>20,123,153</u>	

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

10.4.2 The paid up value of these sukuk is Rs. 5,000 per certificate. The return on Sukuk - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 35 basis points. These sukuk will mature in 2012. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.

10.4.3 The paid up value of these sukuk is Rs. 5,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's Sovereign guarantee. The profit rate on these certificates is six monthly Karachi inter-bank offer rate minus 25 basis points. These sukuk will mature in 2017.

10.4.4 The paid up value of these sukuk is Rs. 5,000 per certificate. The return on Sukuk - PIA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 175 basis points. These bonds will mature in 2014. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.

10.4.5 The paid up value of these sukuk is Rs. 45,240 per certificate. The tenure of these certificates is 5 years, with principal receivable in 2010-2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 120 basis points.

10.4.6 The paid up value of these sukuk is Rs. 4,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 135 basis points.

10.4.7 The paid up value of these sukuk is Rs. 2,500 per certificate. The tenure of these certificates is 5 years, with principal receivable in 2009-2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 80 basis points.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



- 10.4.8** The paid up value of these sukuks is Rs. 5,000 per certificate. 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 offer rate plus 150 basis points.
- 10.4.9** The paid up value of these sukuks is Rs. 1,250 per certificate. 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 offer rate plus 170 basis points.
- 10.4.10** The paid up value of these sukuks is Rs. 4,833 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010-2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.11** The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 years, with principal receivable in 2009-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to year 2 and plus 175 basis points from year 3 to year 6.
- 10.4.12** The paid up value of these sukuks is Rs. 4,687 per certificate. The tenure of these certificates is 8 years, with principal receivable in 2012-2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.13** The paid up value of these sukuks is Rs. 100 per certificate. The tenure of these certificates is 12 years, with principal receivable in 2011-2020. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.4.14** The paid up value of these sukuks is Rs. 4,062 per certificate. The tenure of these certificates is 5.5 years, with principal receivable in 2010-2014. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 230 basis points.
- 10.4.15** The paid up value of these sukuks is Rs. 4,996 per certificate. The tenure of these certificates is 11 years, with principal receivable in 2010-2018. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.16** The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 2 years, with principal receivable in March 2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.17** The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2012-2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 250 basis points.
- 10.4.18** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market T-Bills plus 45 basis points. These certificates will mature in 2011.
- 10.4.19** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus 75 basis points. These certificates will mature in 2011.
- 10.4.20** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2012.
- 10.4.21** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills minus 5 basis points. These certificates will mature in 2012.
- 10.4.22** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The tenure of these certificates is 3 years, with principal receivable in 2013. The profit is calculated on the basis of six months weighted average yield of six months market T-Bills.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



- 10.4.23** The paid up value of these sukuku is US\$ 1 and will mature in 2011. The profit is calculated on the basis of London inter-bank offer rate plus 40 basis points. These securities are held through a custodian.
- 10.4.24** The paid up value of these sukuku is US\$ 1 and will mature in 2014. The profit coupon is 6.25 percent per annum. These securities are held through a custodian.
- 10.4.25** The paid up value of these sukuku is US\$ 1 and will mature in 2014. The profit coupon is 3.17 percent per annum. These securities are held through a custodian.
- 10.4.26** The paid up value of these sukuku is US\$ 1 and will mature in 2015. The profit coupon is 3.93 percent per annum. These securities are held through a custodian.
- 10.4.27** The paid up value of these sukuku is US\$ 1 and will mature in 2015. The profit coupon is 3.86 percent per annum. These securities are held through a custodian.

10.5 Held to maturity securities

Name of the investee entities	Note	2010		2009	
		Number of Certificates	Cost Rupees in '000	Number of Certificates	Cost Rupees in '000
Sukuk / Certificates					
Qatar Global Sukuk (Sukuk - Qatar)		-	200,000	-	16,848
WAPDA First Sukuk Certificates (Sukuk - WAPDA)	10.5.1	230,000	230,000	1,150,000	1,150,000
				<u>1,150,000</u>	<u>1,166,848</u>

- 10.5.1** 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 offer 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.

10.6 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	2010		Percentage of effective holding %	2009	
	Number of shares / certificates / units	Carrying amount Rupees in '000		Number of shares / certificates / units	Carrying amount Rupees in '000
Ordinary Shares of closed end mutual fund					
Al-Meezan Mutual Fund Limited	39,477,157	469,765	20.07	28,767,300	292,028
Certificate of closed end fund					
Meezan Balanced Fund	19,956,292	235,047	15.52	19,956,292	206,295
Units of open end funds					
Meezan Islamic Fund - note 10.6.1	13,559,708	637,577	N/A	12,651,628	584,885
Meezan Islamic Income Fund	21,303,120	1,073,464	N/A	26,014,466	1,322,315
Meezan Capital Protected Fund -note 10.6.4	5,918,774	324,704	N/A	5,230,123	284,309
Meezan Cash Fund -note 10.6.4	1,116,239	55,879	N/A	3,236,679	169,861
		<u>2,796,436</u>			<u>2,859,693</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



- 10.6.1 The nominal value of open end fund units is Rs. 50 each.
- 10.6.2 The above associates are incorporated in Pakistan.
- 10.6.3 Investments in listed associates have a market value of Rs. 2,570 million (2009: Rs. 2,643 million).
- 10.6.4 These Funds form part of strategic investment of the Group.

10.7 Associates (unlisted)

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

Particulars	2010	2009	2010	2009	Percentage of effective holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
	Number of shares / Certificates		Carrying amount	Carrying amount				
			Rupees in '000	Rupees	%	Rupees		
Plexus (Private) Limited	1,499,980	1,499,980	-	4,571	50	3.41	June 30, 2010	Mr. Abdul Rehman
Faysal Management Services (Private) Limited - note 10.7.1	540,000	540,000	55,217	61,807	30	101.82	December 31, 2009	Mr Nauman Ansari
Blue Water (Private) Limited- note 10.7.2	150,000	150,000	15,904	15,549	43	102.40	June 30, 2009	Mr. Shuja-ul-Mulk Khan
Falcon Greenwood (Private) Limited							June 30, 2009	Mr. Abbas Khan
Ordinary shares - note 10.7.2	250,000	250,000	23,598	23,832	25	95.37		
Preference shares - note 10.7.3	1,432,800	1,432,800	143,280	143,280	N/A	N/A		
Advance against issue of preference share	-	-	3,000	3,000	N/A	N/A		
Pak Kuwait Takaful Insurance Co. Ltd	2,500,000	2,500,000	25,000	25,000	6.25	9.69	December 31, 2009	Mr. Imtiaz Ahmed Bhatti
Total			265,999	277,039				

- 10.7.1 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. 10 of 2006 dated June 16, 2006, in addition to mandatory holding period of 5 years from the last date of purchase of these shares.
- 10.7.2 The nominal value of these shares is Rs. 100 each.
- 10.7.3 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.
- 10.7.4 The above associates are incorporated in Pakistan.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



10.8 Provision for diminution in value of investments and impairment

	2010			2009		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	2,425	88,890	91,315	2,425	-	2,425
Charge for the year						
- on associates (listed)	-	-	-	-	-	-
- on associates (un listed)	9,646	-	9,646	-	-	-
- on available for sale investments	-	30,163	30,163	-	88,640	88,640
- on held for trading investments	-	2,050	2,050	-	250	250
	9,646	32,213	41,859	-	88,890	88,890
Closing balance	12,071	121,103	133,174	2,425	88,890	91,315

10.8.1 Provision in respect of type and segment

2010 2009
Rupees in '000

Associates - unlisted

Fully paid up ordinary shares

12,071

2,425

Other - Held for trading investments

Sukuks

2,300

250

Other - Available for sale investments

Fully paid up-ordinary shares

29,972

29,972

Sukuks

88,831

58,668

118,803

88,640

133,174

91,315

10.9 Deficit on revaluation of held for trading securities

Deficit on listed shares / sukuks

4

1,315

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



10.10 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 Capital Protected Fund	Meezan Islamic Income Fund	Meezan Cash Fund	Total
Rupees in '000											
Opening - January 01, 2009	3,364	55,279	15,221	23,666	156,727	329,989	136,099	253,291	1,210,824	-	2,164,460
Investment / (redemption) during the year	-	-	-	-	(197,248)	(179,069)	(14,408)	3,014	25,246	164,310	(198,155)
Share of profit in associates	1,207	4,469	328	(50)	321,465	214,873	49,430	48,004	197,709	5,551	842,986
Reversal of provision for diminution in value of investments	-	-	-	216	16,646	219,092	51,308	-	-	-	287,262
Taxation	-	(2,202)	-	-	-	-	-	-	-	-	(2,202)
Dividend received	-	4,261	-	-	(5,562)	-	(16,134)	-	(111,464)	-	(128,899)
Closing - December 31, 2009	4,571	61,807	15,549	23,832	292,028	584,885	206,295	284,309	1,322,315	169,861	2,965,452
Investment / (redemption) during the year	-	-	-	-	108,617	(20,800)	1,796	4,715	(241,579)	(124,382)	(271,633)
Share of profit in associates	(25)	(5,707)	355	(234)	73,847	73,492	35,850	35,680	73,787	10,400	297,425
Taxation	-	(883)	-	-	-	-	-	-	-	-	(883)
Dividend received	-	-	-	-	(4,727)	-	(8,874)	-	(81,059)	-	(94,660)
Provision for diminution in value of investments	(4,546)	-	-	-	-	-	-	-	-	-	(4,546)
Closing - December 31, 2010	-	55,217	15,904	23,598	469,765	637,577	235,047	324,704	1,073,464	55,879	2,891,155

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Note 2010 2009
Rupees in '000

11. FINANCINGS

In Pakistan

- Murabaha financings	11.1	19,121,616	14,529,212
- Net investment in Ijarah	11.2	4,193,128	6,527,339
- Net book value of assets/investment in Ijarah under IFAS-2		3,467,234	1,498,191
- Financing under Islamic Export Refinance	11.3	4,887,546	4,581,948
- Diminishing Musharakah financings - housing		2,680,995	3,003,063
- Diminishing Musharakah financings - others		13,096,430	7,541,277
- Musharakah financings		70,531	80,531
- Istisna financings	11.4	6,565,529	3,729,059
- Tijarah financings	11.5	1,468,736	665,260
- Labbaik (Qard for Hajj and Umrah)		4,547	3,959
- Financings against bills - Salam		744,180	601,802
- Financings against bills - Murabaha		100,717	434,864
- Staff financings	11.6	580,105	443,101
- Loans and running finances		865,015	598,594
Gross financings		57,846,309	44,238,200
Less: Provision against non-performing financings	11.9	(3,851,146)	(2,528,544)
Financings net of provision	11.7	53,995,163	41,709,656
11.1 Murabaha receivable- gross	11.1.1	20,554,483	15,337,094
Less: Deferred murabaha income		(811,019)	(340,948)
Profit receivable shown in other assets		(621,848)	(466,934)
Murabaha financings / receivables		19,121,616	14,529,212
11.1.1 Murabaha Sale Price		20,554,483	15,337,094
Murabaha Purchase Price		(19,121,616)	(14,529,212)
		1,432,867	807,882

11.1.2 Net book value of assets/investments in Ijarah under IFAS-2 is net of depreciation of Rs.960 million (2009: 158 million).

11.2 Net investment in Ijarah

	2010				2009			
	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	1,504,997	2,264,784	12,847	3,782,628	2,453,678	4,344,128	241,268	7,039,074
Residual value	1,097,254	1,027,304	4,737	2,129,295	642,547	895,116	22,973	1,560,636
Minimum ijarah payments	2,602,251	3,292,088	17,584	5,911,923	3,096,225	5,239,244	264,241	8,599,710
Less: Profits for future periods	(915,280)	(797,868)	(5,647)	(1,718,795)	(626,377)	(1,423,120)	(22,874)	(2,072,371)
Present value of minimum Ijarah payments	1,686,971	2,494,220	11,937	4,193,128	2,469,848	3,816,124	241,367	6,527,339

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	2010	2009
	Rupees in '000	
11.3 Receivable under Islamic Export Refinance Scheme- gross	4,996,493	5,063,176
Less: Deferred income	(50,350)	(56,657)
Profit receivable shown in other assets	(58,597)	(62,224)
Receivable under Islamic Export Refinance	<u>4,887,546</u>	<u>4,944,295</u>
11.4 Istisna Financings - gross	6,596,552	3,734,307
Less: Deferred income	(7,708)	(460)
Profit receivable shown in other assets	(23,315)	(4,788)
Istisna financings	<u>6,565,529</u>	<u>3,729,059</u>
11.5 Tijarah Financings - gross	1,485,243	672,424
Less: Deferred income	(6,984)	(1,445)
Profit receivable shown in other assets	(9,523)	(5,719)
Tijarah financings	<u>1,468,736</u>	<u>665,260</u>
11.6 This includes Rs. 96 million (2009 : Rs. 92 million) representing mark up free loans to staff advanced under MBL's Human Resource Policies.		

	2010	2009
	Rupees in '000	
11.7 Particulars of financings - net		
11.7.1 In		
- local currency	50,903,879	40,409,902
- foreign currencies	3,091,284	1,299,754
	<u>53,995,163</u>	<u>41,709,656</u>
11.7.2 Short-term (for upto one year)	31,895,399	25,203,080
Long-term (for over one year)	22,099,764	16,506,576
	<u>53,995,163</u>	<u>41,709,656</u>
11.8 Financings include Rs. 4,318 million (2009: Rs. 3,649 million) which have been placed under non-performing status as detailed below:		

Category of classification	2010			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Substandard	282,831	-	282,831	50,731	50,731
Doubtful	755,177	-	755,177	287,478	287,478
Loss	3,280,315	-	3,280,315	2,774,688	2,774,688
	<u>4,318,323</u>	-	<u>4,318,323</u>	<u>3,112,897</u>	<u>3,112,897</u>

Category of classification	2009			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Substandard	548,010	-	548,010	86,268	86,268
Doubtful	917,677	-	917,677	364,108	364,108
Loss	2,183,476	-	2,183,476	1,992,906	1,992,906
	<u>3,649,163</u>	-	<u>3,649,163</u>	<u>2,443,282</u>	<u>2,443,282</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



11.9 Particulars of provision against non-performing financings:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	2,443,282	85,262	2,528,544	994,749	103,440	1,098,189
Charge for the year	926,331	652,987	1,579,318	1,577,295	-	1,577,295
Less: Reversals	(249,261)	-	(249,261)	(128,581)	(18,178)	(146,759)
	677,070	652,987	1,330,057	1,448,714	(18,178)	1,430,536
Amount written off - note 11.10	(7,455)	-	(7,455)	(181)	-	(181)
Closing balance	3,112,897	738,249	3,851,146	2,443,282	85,262	2,528,544

11.9.1 MBL has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for consumer financing issued by SBP.

MBL has also maintained a general provision of Rs. 650 million against financings made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of the Prudential Regulations.

11.9.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, MBL has availed the benefit of FSV against the non-performing financings. Had the benefit of FSV not been availed by MBL, the specific provision against non-performing financings would have been higher and consequently profit before taxation and financings (net of provisions) as at December 31, 2010 would have been lower by approximately Rs. 233 million. The accumulated benefit availed as at December 31, 2010 amounts to Rs. 557 million. The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

11.9.3 Particulars of provision against non-performing financings:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	3,090,952	738,249	3,829,201	2,421,695	85,262	2,506,957
In foreign currencies	21,945	-	21,945	21,587	-	21,587
	3,112,897	738,249	3,851,146	2,443,282	85,262	2,528,544

11.10 Particulars of write offs	Note	2010		2009	
		Rupees in '000			
11.10.1 Against provision	11.9	7,455			181
Directly charged to profit and loss account		-			-
		7,455			181
11.10.2 Write offs Rs. 500,000 and above		7,455			-
Write offs below Rs. 500,000		-			181
		7,455			181

11.10.3 Details of financings written off of Rs. 500,000 and above term of sub-section(3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2010 is given as Annexure - 1.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



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

Debts due by directors, executives or officers of MBL or any of them either severally or jointly with any other persons.

	Note	2010	2009
Rupees in '000			
Balance at the beginning of the year		460,340	342,320
Additions / disbursements during the year		223,000	182,970
Deletions / repayments during the year		(80,234)	(64,950)
Balance at the end of the year	11.11.1	603,106	460,340

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

	Note	2010	2009
Rupees in '000			
Balance at the beginning of the year		143,834	368,827
Additions / disbursements during the year		400,000	58,127
Deletions / repayments during the year		(473,303)	(283,120)
Balance at the end of the year	11.11.2	70,531	143,834

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

	Note	2010	2009
Rupees in '000			
Balance at the beginning of the year		-	-
Additions / disbursements during the year		1,046,345	-
Deletions / repayments during the year		(227,828)	-
Balance at the end of the year	11.11.3	818,517	-

11.11.1 The maximum total amount of financings including temporary financings granted by MBL during the year were Rs. 223 million (2009: Rs. 182.970 million). The maximum amount has been calculated by reference to the month end balance.

11.11.2 This represents a Musharakah facility outstanding from Blue Water (Private) Limited (an associated company) amounting to Rs. 71 million (2009: Rs. 71 million). The Musharakah facility is secured against equitable mortgage over property.

11.11.3 This represents different financing facilities to Haleeb Foods Limited amounting to Rs. 818 million.

11.11.4 Loans and financings to executives and a director of MBL

	Executives		Director	
	2010	2009	2010	2009
Rupees in '000				
Opening balance	251,840	167,773	298	430
Financings disbursed during the year	99,110	97,880	-	-
Financings repaid during the year	(29,099)	(13,813)	(132)	(132)
Closing balance	321,851	251,840	166	298

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



12. OPERATING FIXED ASSETS	Note	2010	2009
		Rupees in '000	
Capital work-in-progress	12.1	859,533	304,045
Tangible assets			
Property and equipment	12.2	2,130,337	2,036,480
		2,989,870	2,340,525
Intangible assets	12.4	106,027	96,703
		3,095,897	2,437,228

12.1 Capital work-in-progress

- Advances to suppliers and contractors for building renovation	722,248	208,588
- Advances for computer hardware	7,588	14,771
- Advances for purchase of vehicles	12,348	6,354
- Advances for computer software	33,910	48,450
- Advances for other office machines	57,256	25,836
- Advances for furniture and fixtures	26,183	46
	859,533	304,045

12.2 Property and equipment

	2010							Net book value as at December 31, 2010	Rate of depreciation %
	COST			DEPRECIATION					
	As at January 1, 2010	Additions / (disposals)	As at December 31, 2010	As at January 1, 2010	Charge / (on disposals)	As at December 31, 2010			
	Rupees in '000								
Land and buildings - note 12.3.1	683,565	13,211	696,776	26,650	8,100	34,750	662,026	5	
Leasehold improvements	861,336	159,545	1,020,881	193,550	91,803	285,353	735,528	10	
Furniture and fixtures	153,530	21,914	175,444	49,137	16,301	65,438	110,006	10	
Electrical, office and computer equipments	862,719	168,819 (5,507)	1,026,031	450,856	184,769 (5,004)	630,621	395,410	20 and 33	
Vehicles	315,699	109,252 (40,883)	384,068	120,176	65,431 (28,906)	156,701	227,367	20	
	2,876,849	472,741 (46,390)	3,303,200	840,369	366,404 (33,910)	1,172,863	2,130,337		

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	2009							
	COST			DEPRECIATION			Net book value as at December 31, 2009	Rate of depreciation %
	As at January 1, 2009	Additions / (disposals)	As at December 31, 2009	As at January 1, 2009	Charge / (on disposals)	As at December 31, 2009		
	Rupees in '000							
Land and buildings - note 12.3.1	510,092	173,473	683,565	18,796	7,854	26,650	656,915	5
Leasehold improvements	666,401	201,070 (6,135)	861,336	121,879	73,712 (2,041)	193,550	667,786	10
Furniture and fixtures	129,394	24,765 (629)	155,530	34,604	14,882 (349)	49,137	104,393	10
Electrical, office and computer equipments	704,962	160,218 (2,461)	862,719	291,214	161,858 (2,216)	450,856	411,863	20 and 33
Vehicles	277,818	77,640 (39,759)	315,699	90,619	56,131 (26,574)	120,176	195,523	20
	2,288,667	637,166 (48,984)	2,876,849	557,112	314,437 (31,180)	840,369	2,036,480	

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, 2009						
Cost	510,092	666,401	129,394	704,962	277,818	2,288,667
Accumulated depreciation	(18,796)	(121,879)	(34,604)	(291,214)	(90,619)	(557,112)
Net book value	491,296	544,522	94,790	413,748	187,199	1,731,555
Year ended December 31, 2009						
Additions	173,473	201,070	24,765	160,218	77,640	637,166
Net book value of disposals	-	(4,094)	(280)	(245)	(13,185)	(17,804)
Depreciation charge	(7,854)	(73,712)	(14,882)	(161,858)	(56,131)	(314,437)
Net book value as at December 31, 2009	656,915	667,786	104,393	411,863	195,523	2,036,480
Year ended December 31, 2010						
Additions	13,211	159,545	21,914	168,819	109,252	472,741
Net book value of disposals	-	-	-	(503)	(11,977)	(12,480)
Depreciation charge	(8,100)	(91,803)	(16,301)	(184,769)	(65,431)	(366,404)
Net book value as at December 31, 2010	662,026	735,528	110,006	395,410	227,367	2,130,337

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



- 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. 345.502 million (2009: Rs. 243.149 million).
- 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						
Honda City	560	504	56	240	MBL Policy	Mr. Ismail Aswani (Employee)
Honda City	936	858	78	335	MBL Policy	Mr. Muhammad Abid (Employee)
Honda City	885	885	-	266	MBL Policy	Mr. Shabbir Hamza (Employee)
Honda City	933	887	46	345	MBL Policy	Mr. Iqbal Ahmed (Employee)
Honda City	885	885	-	266	MBL Policy	Mr. Muhammad Shoaib Qureshi (Employee)
Honda City	933	918	15	345	MBL Policy	Mr. Nisar Ahmed Kiani (Employee)
Honda City	839	713	126	817	Negotiation	Mr. Arif Aslam Khan
Honda City	856	399	457	1,006	Negotiation	Mr. Zubair Abbasi
Honda City	949	902	47	740	Negotiation	Mr. Zahid Qadri
Honda City	929	542	387	801	Negotiation	Mr. Waseem Mirza
Honda Civic	1,275	1,275	-	382	MBL Policy	Mr. Awar ul Haq (Employee)
Honda Civic	1,067	1,031	36	970	Negotiation	Mr. Kamran
Mercedes	5,866	5,866	-	2,916	Negotiation	Mr. Syed Riaz Ahmed
Suzuki Alto	469	461	8	183	MBL Policy	Mr. Muhammad Ather (Employee)
Suzuki Alto	458	221	237	250	MBL Policy	Mr. Muhammad Hisham (Employee)
Suzuki Alto	523	192	331	555	Negotiation	Mr. Kashif Siddique
Suzuki Alto	470	180	290	520	Negotiation	Mr. Javed Hashim
Suzuki Alto	470	180	290	550	Negotiation	Mr. Kashif Siddique
Suzuki Alto	586	68	518	578	Negotiation	Mr. Kashif Siddique
Suzuki Alto	470	196	274	539	Negotiation	Mr. Rizwan Siddiqui
Suzuki Alto	518	199	319	539	Negotiation	Mr. Rizwan Siddiqui
Suzuki Alto	474	221	253	491	Negotiation	Mr. M. Ali Akbar Khan
Suzuki Alto	518	199	319	552	Negotiation	Mr. Hassan Mehmood
Suzuki Alto	469	422	47	452	Negotiation	Mr. Hassan Mehmood
Suzuki Alto	477	262	215	361	MBL Policy	Mr. Mukarram Hassan (Ex - Employee)
Suzuki Alto	493	263	230	519	Negotiation	Mr. Mohammad Rizwan Siddiqui
Suzuki Cultus	567	378	189	305	MBL Policy	Mr. Kashif Usmani (Employee)
Suzuki Cultus	573	239	334	547	Negotiation	Mr. Muhammad Ilyas
Suzuki Cultus	573	239	334	580	Negotiation	Mr. Sadiq Nazam
Suzuki Cultus	590	246	344	580	Negotiation	Mr. Nadeem ul Haq
Suzuki Cultus	663	199	464	631	Negotiation	Mr. Nadeem ul Haq
Suzuki Cultus	560	457	103	477	Negotiation	Mr. Mian Tariq Masood
Suzuki Cultus	560	476	84	541	Negotiation	Mr. Faisal Hafeez
Suzuki Cultus	560	299	261	577	Negotiation	Mr. Taimur Hussain
Suzuki Cultus	603	241	362	633	Negotiation	Mr. Shamama Nabi
Suzuki Cultus	560	504	56	629	Negotiation	Mr. Imran Khan
Suzuki Cultus	590	305	285	567	Negotiation	Mr. Rashid
Suzuki Cultus	560	504	56	482	Negotiation	Mr. Ghulam Mustafa
Suzuki Cultus	608	193	415	541	Negotiation	Mr. M. Ali Akbar Khan
Suzuki Cultus	586	225	361	655	Negotiation	Mr. Pervez Akhtar
Suzuki Cultus	642	246	396	637	Negotiation	Mr. Bilal Ahmed Khan
Suzuki Cultus	588	235	353	655	Negotiation	Mr. Feroz Akhtar
Suzuki Cultus	567	378	189	537	Negotiation	Mr. Akram Mughal
Suzuki Cultus	598	309	289	632	Negotiation	Mr. Ghulam Mustafa

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Suzuki Cultus	560	504	56	438	Negotiation	Mr.Bilal Ahmed Khan
Suzuki Cultus	560	504	56	526	Negotiation	Mr.M.Ali Akbar Khan
Suzuki Cultus	565	311	254	562	Negotiation	Mr.Kamran Sadiq
Suzuki Cultus	560	327	233	479	Negotiation	Mr.Imran Khan
Suzuki Cultus	560	476	84	528	Negotiation	Mr.Irshad Awan
Suzuki Cultus	570	361	209	209	AMIML Policy	Ms. Sanam Zaib (Employee)
Suzuki Cultus	571	362	209	209	AMIML Policy	Mr. Syed Khurram Ali Naqvi (Employee)
Toyota Corolla	1,319	308	1,011	1,182	Negotiation	Mr.Khurram Imtiaz
Toyota Corolla	849	849	-	801	Negotiation	Mr.Muhammad Aslam
Toyota Corolla	913	502	411	554	MBL Policy	Mr.Rizwan Qamer Lari (Ex - Employee)
	40,883	28,906	11,977	31,212		

Electrical, office and computer equipments

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
PABX System	59	41	18	2	Negotiation	Mansha Brothers
Computer Monitors	382	381	1	14	Negotiation	Mr.Ahmed
Computer Systems	4,068	4,068	-	66	Negotiation	Mr.Ahmed
Security Camera Systems	112	19	93	112	Negotiation	Fakhar International
Air Conditioners	159	146	13	28	Negotiation	Qadri Air Conditioning Services
Air Conditioners	86	46	40	21	Negotiation	Wind World
UPS Systems	549	255	294	200	Negotiation	Power Technology
Black Berry	10	2	8	8	AMIML Policy	Wakeel Rizwan (Employee)
Laptop	82	46	36	33	Insurance Claim	Pak Kuwait Takaful Company Limited
	5,507	5,004	503	484		
	46,390	33,910	12,480	31,696		

12.4 Intangible assets

	COST			AMORTISATION			Net book value as at December 31, 2010	Rate of amortisation %
	As at January 1, 2010	Additions during the year	As at December 31, 2010	As at January 1, 2010	Amortisation charge for the year	As at December 31, 2010		
Computer software	177,944	44,009	221,953	81,241	34,685	115,926	106,027	20
2009	145,428	32,516	177,944	48,681	32,560	81,241	96,703	

12.5 Intangible assets - Movement of net book value

	Year ended December 31, 2009				Year ended December 31, 2010		
	Net book value as at January 1, 2009	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2009	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2010
Computer software	96,747	32,516	32,560	96,703	44,009	34,685	106,027

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Note 2010 2009
Rupees in '000

13. DEFERRED TAX ASSET / (LIABILITY)

Debit / (credit) balances arising on account of:

Profit and loss account

Provision against non-performing financings	966,539	655,500
Excess of accounting book values over tax written down values of owned assets	(160,927)	(181,977)
Excess of Ijarah financings over tax written down values of Ijarah assets	(505,619)	(395,181)
Provision for diminution / impairment in value of investments	48,698	31,702
Excess of tax written down values over accounting net book values of investments	(100,429)	(45,311)
Provision against amounts due from financial institutions	33,075	-
Income not accrued due to non-culmination of financings	57,357	-
Other staff benefits	-	92,277
Provision against non-banking assets acquired in satisfaction of claims and other assets	12,961	10,261

Equity

Surplus on revaluation of available for sale investments	(109,909)	(32,957)
	<u>241,746</u>	<u>134,314</u>

14. OTHER ASSETS INCLUDING INVENTORIES

Profit / return accrued in local currency	2,060,028	2,255,721
Profit / return accrued in foreign currency	13,238	3,903
Advances, deposits, advance rent and other prepayments	14.1 441,522	456,922
Dividends receivable	91,214	8,578
Stamps	3,821	4,992
Inventories	14.2 2,461,097	2,523,969
Advance against Murabaha	2,494,424	2,478,410
Advances against future Ijarah	396,437	272,885
Advances against Diminishing Musharakah	718,123	-
Security deposits	16,968	14,126
Unrealised gain on forward foreign exchange contracts	14.3 19,813	17,923
Non-Banking assets acquired in satisfaction of claims	14.4 234,917	330,432
Prepaid exchange risk fee	66	111
Advance against Pre-IPO IGI Islamic Income Fund	-	100,000
Asset Classified as held for sale	8,723,403	222,654
Other	69,217	41,753
	<u>17,744,288</u>	<u>8,732,379</u>
Provision against other assets	14.5 (37,032)	(18,727)
	<u>17,707,256</u>	<u>8,713,652</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



- 14.1 This includes prepaid rent and prepaid insurance aggregating Rs. 193.679 million (2009: Rs. 201.847) and Rs. 139.543 million (2009: Rs. 119.710 million) respectively which are being amortized over a period of one year.
- 14.2 This represents goods purchased for Murabaha, Istisna and Tijarah which remained unsold at the balance sheet date.
- 14.3 This is net off loss on forward foreign exchange contracts of Rs. 233 million (2009: Rs. 13 million).
- 14.4 The market value of the non-banking assets acquired in satisfaction of claims is Rs. 248.64 million.

	Note	2010	2009
Rupees in '000			
14.5 Provision against other assets			
Opening balance		18,727	92,211
Charge for the year		30,000	8,727
Reversals during the year		(11,695)	(82,211)
		18,305	(73,484)
Closing balance		37,032	18,727

15. BILLS PAYABLE

In Pakistan		1,767,370	1,249,210
Outside Pakistan		-	-
		1,767,370	1,249,210

16. DUE TO FINANCIAL INSTITUTIONS

In Pakistan		5,745,493	8,451,198
Outside Pakistan		83,803	142,227
		5,829,296	8,593,425

16.1 Particulars of due to financial institutions with respect to currencies

In local currency		5,745,493	8,451,198
In foreign currencies		83,803	142,227
		5,829,296	8,593,425

16.2 Details of due to financial institutions secured / unsecured

Secured

Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme	16.2.1	4,678,884	4,819,166
Murabaha financing		-	125,000
		4,678,884	4,944,166

Unsecured

Overdrawn nostro accounts		83,803	142,227
Others		1,066,609	3,507,032
		1,150,412	3,649,259
		5,829,296	8,593,425

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



16.2.1 These Musharakah are on a profit and loss sharing basis maturing between January 1, 2011 to July 04, 2011 and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 5,800 million (2009: Rs. 5,000 million) has been allocated to MBL by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2011.

16.3 Particulars of due to financial institutions	Note	2010	2009
Rupees in '000			
Short - term		5,829,296	8,468,425
Long - term		-	125,000
		5,829,296	8,593,425
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Fixed deposits		44,517,241	32,351,628
- Savings deposits		48,406,231	36,357,769
- Current accounts - non-remunerative		36,970,326	28,666,058
- Margin		649,920	525,275
		130,543,718	97,900,730
Financial institutions			
- Remunerative deposits		510,374	2,419,546
- Non-remunerative deposits		13,904	11,172
		524,278	2,430,718
		131,067,996	100,331,448
17.1 Particulars of deposits			
In			
- local currency		124,385,437	94,890,700
- foreign currencies		6,682,559	5,440,748
		131,067,996	100,331,448
18. OTHER LIABILITIES			
Return on deposits and other dues			
- payable in local currency	18.1	998,399	740,869
- payable in foreign currency		11,034	5,529
Unearned commission		13,940	15,608
Accrued expenses		632,726	216,516
Current taxation (provision less payments)		908,716	1,484,667
Unclaimed dividends		851	851
Payable to defined benefit plan		53,153	41,246
Provision against off-balance sheet obligations	18.2	39,282	1,600
Security deposits against Ijarah		2,220,005	2,050,209
Other staff benefits	18.3	62,571	309,425
Charity payable	18.4	78,406	18,170
Amount due to investor in funds consolidated by Group		2,608,821	49,329
Others		91,333	182,353
		7,719,237	5,116,372

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



18.1 This includes Rs. 115.971 million (2009: Rs. 60.315 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.

	2010	2009
	Rupees in '000	
Opening balance	1,600	1,600
Charge for the year	37,682	-
Closing balance	39,282	1,600

18.3 This includes Rs. 62 million (2009: Rs. 48 million) payable in respect of Senior Executive Bonus Incentive Scheme (SEBIS) to employees of Al Meezan Investment Management Limited.

	Note	2010	2009
		Rupees in '000	
Balance as at January 1,		18,170	8,820
Additions during the year		106,309	51,170
Less: Transferred to charity savings account (included in deposits and other accounts)	18.4.2	(46,073)	(41,820)
Balance as at December 31,		78,406	18,170

18.4.1 Charity paid through saving account during the year is Rs. 137.633 million (2009: Rs.14.605 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organizations:

	Note	2010	2009
		Rupees in '000	
AKUH		1,590	-
Al Shifa Trust		200	-
Ihsan Trust	18.4.1.1	135,000	-
Rippah International University		692	-
SOS Children, Villages of Sindh		150	-
Afzal Memorial Thalassemia Foundation		-	235
Alamgir Welfare Trust International		-	1,738
Children Cancer Foundation Pakistan Trust		-	300
Chipa Welfare Association		-	200
CPLC - IDP Fund		-	1,000
Dar-us-Shifa Dialysis Centre		-	200
IBA-National Talent Hunt Program		-	759
Idara Al Khair Welfare Society		-	434
Islamic Relief		-	5,000
Marie Adelaide Leprosy Centre		-	250
Murshid Hospital & Health Care Centre		-	250
Muslim Aid Trust Pakistan		-	1,000
Pakistan Myasthenic Welfare Organization		-	102
Saylani Welfare Trust		-	300
Sindh Institute of Urology and Transplantation		-	500
The Citizen Foundation		-	450
The Indus Hospital		-	1,300

18.4.1.1 One member of the Shariah Advisory Board of MBL is the trustee of the Donee.

18.4.2 The balance in Charity's saving account is Rs. 10 million (2009: Rs. 100 million).

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



18.5 Share Based Payments

Senior Executive Bonus Incentive Scheme (SEBIS)

On July 01, 2007, AMIML introduced a senior executive bonus incentive scheme (SEBIS) for all the confirmed employees who are designated as Assistant Vice President and above. The policy is premised on the concept of phantom (notional) shares; these notional shares are termed as BIS Units. In the first year the accumulated deferred bonus of eligible employees is utilized in allocating the initial BIS units. To the extent that any eligible employee does not have sufficient funds in his / her deferred bonus account to meet the notional acquisition cost of his / her initial allotment of BIS units, his / her SEBIS account is debited with the notional funding (classified in prepayments and other receivables) for the shortfall. The cost of funding and any excess is determined at the prevailing SBP discount rate plus 125 basis points.

Deferred bonus will be utilized to adjust the shortfall in SEBIS account if any and any excess will be utilized to issue additional BIS units. The employee can redeem 25%, 60% and 100% in cash of the total BIS units after the first, second and third year of the grant date respectively. Furthermore, these BIS units will incorporate the impact of bonus and right issue of the shares of AMIML. Units outstanding at each reporting date are revalued at the prevailing break up value of the shares of AMIML and any difference in the fair value is recognized in the income statement of AMIML.

19. SHARE CAPITAL

19.1 Authorized capital

2010 (Number of Shares)	2009 (Number of Shares)	Note	2010 Rupees in '000	2009 Rupees in '000
1,100,000,000	1,100,000,000	Ordinary shares of Rs. 10 each	11,000,000	11,000,000

19.2 Issued, subscribed and paid-up capital

2010 (Number of Shares)	2009 (Number of Shares)		2010	2009
456,353,635	456,353,635	Ordinary shares	4,563,536	4,563,536
241,901,418	208,651,178	Fully paid in cash	2,419,014	2,086,512
-	-	Issued as bonus shares	-	-
-	-	Issued for consideration other than cash	-	-
698,255,053	665,004,813		6,982,550	6,650,048

20. RESERVES

Statutory reserve	20.1	1,313,244	983,326
General reserve		91,082	91,082
		1,404,326	1,074,408

20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount not less than 20% of the profit of MBL 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	2010	2009
	Rupees in '000	
21. NON CONTROLLING INTEREST		
Opening balance	302,987	204,087
Share of profit for the year	74,027	98,900
Dividend Payout by AMIML	(37,187)	-
Closing balance	<u>339,827</u>	<u>302,987</u>
22. SURPLUS ON REVALUATION OF INVESTMENTS		
Quoted shares	190,055	45,808
Other securities	259,722	81,073
	449,777	126,881
Less: Deferred tax liability	(109,909)	(32,957)
	<u>339,868</u>	<u>93,924</u>
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Guarantees favoring		
- Government	<u>375,630</u>	<u>390,415</u>
23.2 Transaction related contingent liabilities		
Guarantees favoring		
- Government	1,759,371	2,465,304
- Banks	62,604	66,516
- Others	3,152,438	2,397,480
	<u>4,974,413</u>	<u>4,929,300</u>
23.3 Trade related contingent liabilities		
Import letters of credit	10,298,610	8,906,958
Acceptances	2,636,888	2,507,973
	<u>12,935,498</u>	<u>11,414,931</u>
23.4 Commitments in respect of forward exchange contracts		
Purchases	<u>18,714,911</u>	<u>13,095,711</u>
Sales	<u>19,884,501</u>	<u>14,967,063</u>
23.5 Commitments for the acquisition of operating fixed assets	<u>214,921</u>	<u>29,485</u>
23.6 Commitments in respect of financings	<u>27,946,183</u>	<u>25,782,480</u>
23.7 Other commitments		
Bills for collection (inland)	44,813	97,687
Bills for collection (foreign)	4,248,264	2,127,779
	<u>4,293,077</u>	<u>2,225,466</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	2010	2009
	Rupees in '000	
23.8 Senior Executive Bonus Incentive Scheme (SEBIS)		
Notional Funding under SEBIS:		
Opening balance	28,454	25,158
Additions during the year	-	-
(Repayments) / adjustments during the year	(7,568)	3,296
Closing balance	20,886	28,454
Liability under SEBIS:		
Opening balance	48,349	25,413
Additions during the year	13,225	19,640
Adjustments during the year	-	3,296
Closing balance	61,574	48,349

23.9 WAPDA Sukuk - MIIF

MIIF's management company AMIML had invested in WAPDA Sukuk certificates aggregating to Rs. 180 Million through purchase from secondary market which were subsequently sold in the secondary market. In 2009, it was claimed by WAPDA that the Sukuks purchased by the Fund and later sold in secondary market were not genuine, as these were fraudulently entered in the records of WAPDA.

The Fund and the Company along with other defendants had filed a suit in the High Court of Sindh against WAPDA. AMIML and its legal counsel are of the view that the Fund was the legitimate and bonafide holder of the Sukuk certificates from the date of acquisition till such time these were sold in the normal course of business.

23.10 Workers Welfare Fund - MIIF, MBF, MIF, MCF, AMMF and MCPF

The Finance Act, 2008, has amended the Workers' Welfare Fund Ordinance, 1971, (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969, applies. As a result of this amendment all Collective Investment Scheme (CIS) whose income exceeds Rs. 0.5 million in a tax year have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay two percent of their total income to the WWF. During the period ended December 31, 2009, the Mutual Fund Association of Pakistan (MUFAP), of which AMIML, the management company of the associated funds, is a member, has filed a constitutional petition in the High Court of Sindh (SHC) requesting it to declare that CIS are not liable to pay contribution to the WWF on the ground that CIS do not have any workers or employees.

AMIML is confident of a favorable outcome based on the advice of the MUFAP's legal counsel accordingly no provision in this financial report has been made.

	2010	2009
	Rupees in '000	
24. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS		
On financings to:		
- Customers	5,824,187	5,090,510
On investments in		
- Held For Trading sukuks	262	1,490
- Available for sale securities	2,739,002	1,793,337
- Held to maturity securities	151,181	177,194
On deposits with financial institutions	3,569,937	3,042,987
	12,284,569	10,105,518

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	Note	2010	2009
Rupees in '000			
25. RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
Deposits and other accounts		6,045,395	4,576,747
Other short term Musharakahs / Modarabas	25.1	560,975	393,096
		<u>6,606,370</u>	<u>4,969,843</u>
25.1 This includes Rs. 376.212 million (2009: Rs. 221.427 million) paid / payable to SBP under Islamic Export Refinance Scheme.			
26. CAPITAL GAIN ON SALE OF INVESTMENTS	Note	2010	2009
Rupees in '000			
Shares - listed		132,383	60,131
Government sukuks / certificates		5,502	6,454
		<u>137,885</u>	<u>66,585</u>
27. OTHER INCOME			
Gain on termination of Ijarah financings		17,012	17,273
Gain on termination of Diminishing Musharakah financings		8,768	14,095
Gain on sale of property, equipment and others		19,216	13,705
Sales load		5,529	3,725
Others		11,386	4,476
		<u>61,911</u>	<u>53,274</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	36 & 28.1	2,014,970	1,558,879
Charge for defined benefit plan		54,052	41,753
Contribution to defined contribution plan	35	60,898	49,092
Non- executive directors' fees	36	4,432	18,465
Rent, electricity, taxes, insurance, etc.		722,586	539,564
Takaful and tracker expenses on Ijarah		197,698	186,571
Communication		177,781	135,673
Stationery and printing		108,440	87,576
Entertainment		14,979	11,678
Office supplies		47,138	36,197
Local transportation and car running		97,856	60,387
Fees, subscription and clearing charges		108,257	52,587
Security charges including cash transportation charges		159,513	121,705
Repairs and maintenance		124,680	87,898
Hardware and software maintenance		66,866	36,099
Advertisement and publicity		42,665	50,113
Depreciation	12.2	366,404	314,437
Amortization	12.4	34,685	32,560
Traveling		31,434	28,199
Service charges		325	3,317
Brokerage, commission and bank charges		60,657	45,899
Legal and professional charges	28.2	19,634	46,497
Auditors' remuneration	28.3	7,461	7,176
Workers Welfare Fund	28.4	85,206	90,100
Donations	28.5	5,926	-
Others		22,850	38,666
		<u>4,637,393</u>	<u>3,681,088</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



28.1 This includes remuneration to the Shariah Advisor amounting to Rs. 3.6 million (2009: Rs. 3.5 million).

28.2 This includes remuneration to Shariah Board amounting to Rs. 1 million (2009: Rs. 1.153 million)

	2010	2009
	Rupees in '000	
28.3 Auditors' remuneration		
Audit fee	2,224	2,115
Fee for interim review	685	500
Special certifications and sundry advisory services	4,024	4,040
Out of pocket expenses	528	521
	7,461	7,176

28.4 This represents accrual for contribution to Workers Welfare Fund as per the amendments made vide Finance Act, 2008 in the Workers Welfare Fund Ordinance, 1971.

28.5 These donations were paid to the flood victims.

	2010	2009
	Rupees in '000	
29. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	56,559	1,747
Others	11,339	17,346
	67,898	19,093

	2010	2009
30. TAXATION		
Current		
- for the year	1,060,692	1,464,053
- for prior years	(332,808)	(445)
	727,884	1,463,608
Deferred		
- for the year	(311,662)	(612,445)
- for prior years	127,278	-
	543,500	851,163

	2010	2009
30.1 Relationship between tax expense and accounting profit		
Profit before taxation	2,443,282	2,527,405
- Tax calculated at the applicable rate of 35%	855,149	884,592
- Tax effect of income that are not taxable in determining taxable profit	-	111,455
- Income chargeable to tax at reduced rate	(99,629)	(313,126)
- Tax effect of income that are not deductible in determining taxable profit	-	481
- Tax effect of exempt income	(41,886)	34,013
- Prior year reversals	(205,530)	(445)
- Permanent differences	28,108	114,132
- Others	7,288	20,061
Tax charge for the year	543,500	851,163

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



30.2 The assessing officer had subjected to tax, the gain on foreign currency deposits claimed as exempt in the return of income of assessment year 2001-2002 and tax year 2003. The Appellate Tribunal Inland Revenue (ATIR) had decided the matter in favour of MBL in respect of assessment year 2001-2002. The department has appealed against the decision of ATIR in the High Court, decision on which is still pending. The appeal for the Tax Year 2003 is pending before ATIR.

The amount of tax levied by the assessing officer on such gain aggregated to Rs. 151.798 million, whereas the net tax liability for the aforesaid assessment years and other relevant assessment years after considering relief for the related expenditure amounts to approximately Rs. 41 million. The management is confident that even at the superior judicial forum MBL's position will be sustained. However, MBL has made adequate provision in this respect.

The tax department has not accepted MBL's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The orders to this effect have already been framed for the tax years 2003 to 2008. The total additions made in tax years 2003 to 2008 under this head amounts to Rs. 999.863 million, representing additional liability of Rs. 379.682 million.

MBL has challenged the matter relating to tax year 2003 in an appeal on the issue with ATIR. The issue of allocation of expenses is expected to be decided on the basis of facts of the case with the effect that financial and administrative expenses identifiable (not being those allocated on gross receipt basis) to earning, in relation to cost of assets on which exempt income is generated, will be allocated to exempt income.

MBL's appeals for tax years 2004 to 2008 with Commissioner Inland Revenue (A) have recently been decided against the Bank by the CIR(A) on the above issue and appeals are being filed before the ATIR.

CIR(A) in his order for tax year 2003 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. The appeal effect order for tax year 2003 has been received resulting in tax liability of Rs. 14.162 million in respect of allocation of expenses; which may require re-consideration on facts of the case. Although, MBL has made adequate provision in this respect, the management is confident that the ultimate outcome of the appeal would be in favour of MBL inter alia on the basis of the advice of the tax consultants and the relevant law and the facts of the case.

Note 2010 2009
Rupees in '000

31. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year		1,825,755	1,577,342
		(Number)	
Weighted average number of ordinary shares		698,255,053	632,435,929
		(Rupees)	
Basic earnings per share	31.1	2.61	2.49

31.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2010 and 2009.

Note 2010 2009
Rupees in '000

32. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	7	12,780,951	8,387,522
Balances with other banks	8	9,957,757	5,262,341
		22,738,708	13,649,863

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



33. STAFF STRENGTH	Note	2010	2009
		Number of staff	
Permanent		2,714	2,299
Contractual basis		1,147	971
Group's own staff strength at the end of the year		3,861	3,270
Outsourced		590	475
Total Staff Strength		4,451	3,745

34. DEFINED BENEFIT PLAN OF MBL

The projected unit credit method, as allowed under the International Accounting Standard 19 - 'Employee Benefits' (revised 2007), was used for actuarial valuation based on the following significant assumptions:

	2010	2009
	Principal actuarial assumptions	
34.1 Discount rate	13% p.a	13% p.a
Expected rate of increase in salaries	13% p.a	13% p.a
Expected rate of return on investments	13% p.a	13% p.a
Normal retirement age	60 years	60 years

The disclosures made in notes 34.1 to 34.13 are based on the information included in the actuarial valuation report of MBL as of December 31, 2010.

34.2 Reconciliation of amount payable to defined benefit plan	Note	2010	2009
		Rupees in '000	
Present value of defined benefit obligations	34.7	175,525	122,631
Fair value of plan assets	34.8	(115,564)	(69,791)
Net actuarial losses not recognised	34.11	(7,823)	(12,493)
		52,138	40,347
34.3 Movement in payable to defined benefit plan			
Opening balance		40,347	29,803
Charge for the year	34.4	52,138	40,347
Contribution made during the year		(40,347)	(29,803)
Closing balance		52,138	40,347
34.4 Charge for defined benefit plan			
Current service cost		43,918	31,939
Interest cost		20,235	12,042
Expected return on plan assets		(12,048)	(4,876)
Actuarial loss		33	1,242
		52,138	40,347
34.5 Actual return on plan asset		12,931	10,585

34.6 Plan assets of gratuity fund includes Rs. 6.387 million (2009: Rs. 0.853 million) kept in a savings account and Rs.107.803 million (2009: Rs. 67.682 million) placed in a Meezan Aamdan Certificate with MBL.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



		2010		2009
		Rupees in '000		
34.7 Reconciliation of present value of obligation				
Present value of obligation as at January 1		122,631		80,277
Current service cost		43,918		31,939
Interest cost		20,235		12,042
Benefits paid		(7,504)		(3,104)
Actuarial (gain) / loss on obligation		(3,755)		1,477
Present value of obligation as at December 31		175,525		122,631
34.8 Changes in the fair value of plan assets are as follows:				
Opening fair value of plan assets		69,791		32,507
Expected return		12,048		4,876
Contributions by the Bank		40,347		29,803
Benefits paid		(7,504)		(3,104)
Actuarial gain		882		5,709
		115,564		69,791
		2010		2009
		Rupees in '000	%	Rupees in '000
34.9 The plan assets comprise as follows:				
Meezan Aamdan Certificates		107,803	93.28	67,682
Meezan Islamic Income Fund		1,374	1.19	1,257
Savings account with MBL		6,387	5.53	852
		115,564	100.00	69,791
		115,564	100.00	69,791
34.10 Actuarial loss to be recognized		2010		2009
		Rupees in '000	%	Rupees in '000
Corridor Limit				
The limits of the corridor as at January 1				
10% of obligations		12,263		8,028
10% of plan assets		6,979		3,251
Which works out to		12,263		8,028
Unrecognized actuarial losses as at January 1		(12,492)		(17,967)
Excess		(229)		(9,939)
		7		8
Average expected remaining working lives in years		(33)		(1,242)
Actuarial loss to be recognized		(33)		(1,242)
34.11 Unrecognized actuarial losses				
Unrecognized actuarial losses at January 1		(12,493)		(17,967)
Actuarial gain / (loss) on obligations	34.7	3,755		(1,477)
Actuarial gain on assets	34.8	882		5,709
		(7,856)		(13,735)
Actuarial loss recognised	34.10	33		1,242
Unrecognized actuarial losses as at December 31		(7,823)		(12,493)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



34.12 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:

	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	175,525	122,631	80,277	48,929	29,117
Fair value of plan assets	(115,564)	(69,791)	(32,507)	(19,808)	(11,531)
Deficit	59,961	52,840	47,770	29,121	17,586
Actuarial loss on obligation	(3,755)	(1,477)	(4,978)	(3,174)	(4,770)
Actuarial gain / (loss) on assets	882	5,709	(2,501)	969	(25)

34.13 Expected gratuity expense for the next year

The expected gratuity expense of MBL for the year ending December 31, 2011, works out to Rs. 55.003 million.

35. 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.

	2010	2009
	Rupees in '000	
Contribution from the Group	60,898	49,092
Contribution from the employees	60,898	49,092
	121,796	98,184

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Rupees in '000					
Fees*	-	-	4,432	18,465	-	-
Managerial remuneration	70,151	44,753	36,394	31,530	382,581	270,764
Charge for defined benefit plan	2,692	1,139	969	881	18,025	13,798
Contribution to defined contribution plan	2,636	1,367	1,163	1,057	20,123	13,669
House rent	11,860	6,153	5,231	4,756	101,001	74,366
Utilities	2,636	1,367	1,163	1,057	22,445	16,526
Medical	2,161	3,815	1,284	1,112	22,423	19,953
Conveyance	1,301	1,158	1,075	564	-	-
Others	955	99	6	22	3,004	-
	94,392	59,851	51,717	59,444	569,602	409,076
Number of persons	1	1	10	10	242	176

* This includes amounts charged in these financial statements as fees to seven (2009: nine) non-executive directors.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



36.1 Executives mean employees, other than Chief Executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

36.2 The CEO, the Executive Director and certain executives are provided with free use of MBL cars.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments in listed securities, except investments categorized as 'held to maturity', investments in subsidiaries and associates is based on quoted market prices. The value of unquoted equity investments is reduced, if required, on the basis of break-up value of those investments based on the latest available audited financial statements as disclosed in note 10.7.

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 MBL's accounting policy as stated in note 6.3.3. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits are frequently repriced.

38. 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	Total
Rupees in '000										
2010										
Total income	1,163,201	7,292,477	2,011,997	4,291,025	-	6,879	503,689	-	-	15,269,268
Total expenses	(707,126)	(6,114,527)	(1,524,476)	(4,767,248)	-	(2,614)	(253,495)	-	-	(13,369,486)
Net income	456,075	1,177,950	487,521	(476,223)	-	4,265	250,194	-	-	1,899,782
Segment Assets (Gross)	6,980,143	90,973,438	11,215,421	45,583,423	-	-	4,057,586	-	-	158,810,011
Segment Non										
Performing Loans	249,830	-	777,528	3,540,795	-	-	-	-	-	4,568,153
Segment Provision										
Required	189,830	-	483,215	3,266,931	-	-	-	-	-	3,939,976
Segment Liabilities	-	7,596,666	131,070,328	5,005,440	-	-	2,711,465	-	-	146,383,899
Segment Return on										
Assets (ROA) (%)	6.53%	1.29%	4.35%	-1.04%	-	-	6.17%	-	-	-
Segment Cost of funds (%)	5.69%	5.69%	5.69%	5.69%	-	-	5.69%	-	-	-
2009										
Total income	1,350,881	5,157,170	2,529,381	2,628,314	-	34,118	956,131	-	-	12,655,996
Total expenses	(666,209)	(4,566,098)	(1,577,532)	(3,862,546)	-	(2,132)	(305,237)	-	-	(10,979,754)
Net income (loss)	684,672	591,072	951,849	(1,234,232)	-	31,986	650,894	-	-	1,676,242
Segment Assets (Gross)	9,059,061	73,468,559	13,241,037	28,400,438	-	-	1,332,683	-	-	125,501,778
Segment Non										
Performing Loans	250,000	-	551,045	3,098,118	-	-	-	-	-	3,899,163
Segment Provision										
Required	58,668	-	316,298	2,212,246	-	-	-	-	-	2,587,212
Segment Liabilities	-	2,690,186	101,819,354	10,475,097	-	-	305,818	-	-	115,290,455
Segment Return										
on Assets (ROA) (%)	7.56%	0.80%	7.19%	-4.35%	-	-	48.84%	-	-	-
Segment Cost of funds (%)	5.66%	5.66%	5.66%	5.66%	-	-	5.66%	-	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



39. RELATED PARTY TRANSACTIONS

39.1 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 includes a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors and key management personnel.

39.2 A number of banking transactions were 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.

39.3 Key management personnel

- President and Chief Executive Officer
- Chief Operating Officer

39.4 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	
	2010	2009	2010	2009	2010	2009	2010	2009
Rupees in '000								
Financings								
At January 1,	144,132	369,257	143,834	368,827	298	430	-	-
Addition / disbursed during the year	1,446,345	58,127	400,000	58,127	-	-	1,046,345	-
Deletion / repaid during the year	(701,264)	(283,252)	(473,303)	(283,120)	(133)	(132)	(227,828)	-
At December 31,	889,213	144,132	70,531	143,834	165	298	818,517	-
Deposits								
At December 31,	771,480	207,746	269,202	104,395	27,145	44,972	475,133	58,379
Borrowing								
	566,608	607,032	566,608	607,032	-	-	-	-

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

Balances

Profit receivable on financing	114,520	1,392	-	1,392	-	-	114,520	-
Payable to defined benefit plan	53,153	41,246	-	-	-	-	53,153	41,246
Profit payable on borrowing	37,000	36,436	37,000	36,436	-	-	-	-
Letters of credit (unfunded)	664	-	664	-	-	-	-	-
Letters of guarantee (unfunded)	-	180,780	-	180,780	-	-	-	-
Prepaid takaful	117,527	110,689	117,527	110,689	-	-	-	-

Transactions, income and expenses

Profit earned on financing	130,268	19,935	21,173	19,935	-	-	109,095	-
Return on deposits / borrowing expensed	104,764	100,975	68,639	68,228	1,195	3,561	34,930	29,186
Takaful insurance on assets including consumer financings	206,003	196,054	206,003	196,054	-	-	-	-
Dividend income earned	168,231	115,725	168,231	115,725	-	-	-	-
Capital gain	6,802	-	6,802	-	-	-	-	-
Charge for defined benefit plan	53,153	40,347	-	-	-	-	53,153	40,347
Contribution to defined contribution plan	60,898	46,661	-	-	-	-	60,898	46,661
Service charges incurred	686	885	686	366	-	-	-	519
Fees earned	815	2,643	815	2,643	-	-	-	-
Commission earned on letters of credit and guarantee	161	-	161	-	-	-	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



39.5 ASSOCIATES - KEY INFORMATION

Particulars	2010		
	Mutual Funds	Others	Total
	Rupees in '000		
Assets	17,716,070	1,090,371	18,806,441
Liabilities	166,454	769,626	936,080
Operating revenue	2,106,667	16,430	2,123,097
Profit after tax	1,659,867	4,626	1,664,493

40. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

40.1 Scope of applications

The Basel II Framework has been applied to the Group for capital adequacy assessment purpose. Non controlling interest of Rs. 339.827 million has been taken into account under Tier I capital for consolidation purposes. Non controlling interest is that part of the net results of operations and of net assets of the subsidiary attributable to interest which is not owned by the Group.

40.2 Capital structure

The Group's regulatory capital is divided into three tiers as follows:

Tier I Capital

Tier I capital includes fully paid up capital, reserve for bonus issue, general reserves as per the financial statements, net un-appropriated profits, etc after deductions for book value of goodwill and intangibles.

Tier II Capital

Tier II capital includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves).

Further, 50% of significant minority interest in financial entities has been deducted from both Tier I and Tier II Capital as per regulatory requirements.

Tier III Capital

Tier III Capital has also been prescribed by the SBP for managing market risk; however the Group does not have any Tier III capital.

The required capital is achieved by the Group through:

- Adequate level of Paid up Capital;
- Adequate risk profile of asset mix;
- Ensuring better recovery management; and
- Maintain acceptable profit margins.

The Group was well capitalized and met all capital requirements to which it was subject throughout the year.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	2010 Basel II	2009 Basel II
	Rupees in '000	
Tier I Capital		
Fully Paid-up capital / Capital deposited with SBP	6,982,550	6,650,048
General Reserves as disclosed on the Consolidated Balance Sheet	1,404,326	1,074,408
Unappropriated / unremitted profits (Net of Losses)	3,359,541	2,089,956
Non Controlling Interest	339,827	302,987
Less: Deficit on account of revaluation of investments held in AFS category	-	6,278
Book value of goodwill and intangibles	139,937	145,153
Other deductions	234,883	-
Total eligible Tier I capital	11,711,424	9,965,968
Tier II Capital		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *	738,249	85,262
Revaluation Reserves up to 45% under Basel II	152,941	-
Less: Other deductions	234,883	-
Total eligible Tier II capital	656,307	85,262
Eligible Tier III capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital)	656,307	85,262
Total Regulatory Capital Base	12,367,731	10,051,230

*Under the standardised approach to credit risk, general provisions can be included in Tier-II capital subject to the limit of 1.25% of the risk weighted assets.

40.3 Capital Adequacy

The main objective of the capital management is to improve financial position and strengthen balance sheet of the Group to support the growth in business, provide protection to depositors, and enhances shareholder's value.

The Group's Board and the management is committed to provide sound balance between depositors liability and shareholders funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor about safety and security of their funds and at same time provide impetus to the management to invest their depositor's funds into profitable venture without compromising risk profile of the Group. The capital requirement of the Group has been determined based on the projected growth plan to achieve in next 3 to 5 years in all areas of business operation. Further, it also takes into account road map for capital enhancement as directed by the State Bank of Pakistan vide its various circulars issued from time to time.

In addition, fixed and variable capital adequacy ratio has been taken into consideration in determining level of capital requirement by the Group.

Fixed CAR has kept at a higher mandatory number as done in the past and same has been planned for the future to provide safe cushion. In addition, variable CAR has also been taken into account in planning capital need of the Group.

The Group prepares Annual Budget and Three Year Plan for purpose of the growth map and future direction. Bottom up approach is used to prepare annual budget and detailed deliberations are held while preparing Three Year Plan. The growth prospects take into consideration prevailing economic and political factors in Pakistan and abroad.



Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



The State Bank of Pakistan (SBP) sets and monitors capital requirements for the banks. The paid up capital of MBL increased from Rs. 6.6 billion as of December 31, 2009 to Rs. 6.982 billion as of December 31, 2010 on account of issue of bonus shares during the year. The Group plans to meet the minimum capital requirements for 2010 as prescribed by SBP by issuing further bonus shares as mentioned in note 42.2 of these consolidated financial statements.

In implementing current capital requirements SBP also requires Banks to maintain a prescribed Capital Adequacy Ratio (CAR) of 10% as of December 31, 2010 of total capital to total risk-weighted assets. As such the Group's CAR stood at 12.87% at the year ended December 31, 2010.

The Group calculates capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel II and as per guidelines issued by the State Bank of Pakistan from time to time in this regard.

Major credit risk in respect of on and off-balance sheet exposures are mainly claims on banks, corporates, retail customers, residential mortgages, quoted and unquoted associated undertakings and Sukuks (other than Foreign Sukuks). Market risk exposures are in Foreign Sukuks, equity and foreign exchange positions. The Group potential risk exposures shall remain in these exposure types.

Sensitivity and Stress Testing of the Group under different risk factors namely yield rate, forced sale value of collateral, non-performing financings and foreign exchange rate depicts that the Group's capital adequacy ratio is above the regulatory requirements.

The Group has taken into account credit risk, market risk and operational risk when planning its assets.

The Group's sponsors are well reputed financial institution in Pakistan and abroad. The Group has never faced in the past any difficulty in raising capital whenever it required. The shareholders and the Board in its last meeting held on October 2008 has reaffirmed in principal commitment to meet the increased Capital requirement of the Bank over next five years.

The Group's economic capital requirement assessment based on economic capital model is same as determined by the Group's management as it has taken into account all factors which are required to be considered in an economic model.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



	Capital requirements		Risk weighted assets	
	2010	2009	2010	2009
Rupees in '000				
Credit Risk				
Portfolios subject to standardized approach				
Portfolios subject to on-balance sheet exposure (Simple approach)				
Banks	415,612	810,747	4,156,118	8,107,468
Corporate	4,114,238	2,809,336	41,142,375	28,093,357
Retail	313,904	256,488	3,139,044	2,564,880
Residential mortgage	102,758	114,789	1,027,575	1,147,885
Past due loans	135,338	141,455	1,353,378	1,414,553
Investments	270,756	327,161	2,707,563	3,271,614
Fixed assets	295,596	229,208	2,955,960	2,292,075
All other assets	1,578,525	720,554	15,785,247	7,205,537
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	7,166	7,652	71,663	76,522
Corporate	605,138	597,249	6,051,381	5,972,491
Retail	28,926	2,041	289,263	20,413
Others	4,298	590	42,984	5,897
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	7,135	5,457	71,346	54,567
Customers	10,611	3,046	106,106	30,458
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	331,733	342,929	3,317,331	3,429,287
Equity position risk	418,423	212,364	4,184,232	2,123,644
Foreign exchange risk	62,755	5,250	627,553	52,499
Operational Risk				
Capital Requirement for operational risk	909,386	605,067	9,093,863	6,050,668
TOTAL	9,612,298	7,191,383	96,122,982	71,913,815
Capital Adequacy Ratio				
Total eligible regulatory capital held	(a)	12,367,731	10,051,230	
Total Risk Weighted Assets	(b)	96,122,982	71,913,815	
Capital Adequacy Ratio (a) / (b)		12.87%	13.98%	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



41. RISK MANAGEMENT

The wide variety of the Group's business activities require the Group to identify, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Group's strategy and growth. The Group manages the risk through a framework of risk management, policies and principles, organizational structures and risk measurement and monitoring processes and techniques that are closely aligned with the business activities of the Group.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The risk management committee regularly reviews the Group's risk profile.
- The Group has set up objectives and policies to manage the risks that arise in connection with the Group's activities. The risk management framework and policies of the Group 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 Group.
- The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organisational structure of the Group.
- The risk management function is independent of the Group's operation.

Risk management organisation

The Risk Management Committee comprises of two non-executive directors and one executive director. One of the non-executive directors of the Group chairs the Risk Management Committee.

The Committee is responsible to review risk profile, policies, tools and techniques so as to ensure effective management of risks of the Group.

The management 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
Internal Controls and Operational Risk Management Committee	COO

The Credit Committee is responsible for approving and monitoring 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 Group's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, the Banking Companies Ordinance, 1962, and any other regulatory requirement.

The ALCO is responsible for monitoring, measuring and managing market risk and liquidity risk and ensuring compliance with internal and regulatory requirement.

The Internal Controls and Operational Risk Management Committee ensures adequate internal controls and systems are in place thereby ensuring operating efficiently.

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 Group and that the policies and procedures are being complied with.

The Group'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 Group'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, 2010



41.1 Credit risk

The Group manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. The Group also ensures to diversify its portfolio into different business segments, products and sectors. Group takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of credit risk mitigation (CRM) resulted in the total credit risk weighted amount of Rs. 78,900.003 million.

Thus, use of CRM resulted in capital adequacy ratio of 12.87% of the Group.

41.1.1 Segmental information

41.1.1.1 Segment by class of business

	2010					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	25,064	0.04	1,155,939	0.88	66,278	0.07
Textile	18,924,538	32.72	2,586,823	1.97	17,303,599	19.37
Automobile and transportation equipment	1,001,539	1.73	101,285	0.08	1,360,071	1.52
Financial institutions	-	0.00	240,175	0.18	39,022,049	43.68
Insurance	-	0.00	51,531	0.04	-	0.00
Electronics and electrical appliances	2,273,641	3.93	328,686	0.25	1,481,483	1.66
Construction	851,570	1.47	568,982	0.43	893,435	1.00
Power (electricity), gas and water	2,099,718	3.63	75,018	0.06	1,640,506	1.84
Exports / imports	1,310,339	2.27	1,106,742	0.84	1,506,062	1.69
Transport, storage and communication	1,971,979	3.41	659,293	0.50	1,308,183	1.46
Chemical and pharmaceuticals	4,042,144	6.99	672,535	0.51	5,085,503	5.69
Sugar	950,495	1.64	57,186	0.04	860,438	0.96
Footwear and leather garments	1,112,081	1.92	199,315	0.15	1,245,572	1.39
Wholesale and retail trade	3,396,257	5.87	8,730,604	6.66	2,047,881	2.29
Cement	3,873,025	6.70	29,502	0.02	2,470,577	2.77
Services	1,280,326	2.21	3,954,277	3.02	1,079,592	1.21
Individuals	6,614,789	11.44	93,660,718	71.46	3,216,300	3.60
Others	8,118,804	14.03	16,889,385	12.91	8,751,405	9.80
	57,846,309	100.00	131,067,996	100.00	89,338,934	100.00

41.1.1.2 Segment by sector

	2010					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	1,000,000	2	1,069,779	1	-	-
Private	56,846,309	98	129,998,217	99	89,338,934	100
	57,846,309	100	131,067,996	100	89,338,934	100

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



41.1.1.3 Details of non-performing financings and specific provisions by class of business segment:

	2010		2009	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
Rupees in '000				
Agriculture, forestry, hunting and fishing	13,576	11,076	24,666	15,121
Textile	1,746,863	1,487,171	1,608,406	1,130,331
Chemical and pharmaceuticals	11,021	1,304	2,984	566
Cement	238,167	77,857	44,191	36,191
Sugar	150,000	150,000	324,456	232,233
Footwear and leather garments	-	-	2,000	344
Automobile and transportation equipment	593,223	591,140	591,214	591,000
Electronics and electrical appliances	-	-	-	-
Construction	-	-	-	-
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	351,423	156,769	228,435	100,945
Others	1,214,050	637,580	822,811	336,551
	<u>4,318,323</u>	<u>3,112,897</u>	<u>3,649,163</u>	<u>2,443,282</u>

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

	2010		2009	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
Rupees in '000				
Public / Government	-	-	-	-
Private	4,318,323	3,112,897	3,649,163	2,443,282
	<u>4,318,323</u>	<u>3,112,897</u>	<u>3,649,163</u>	<u>2,443,282</u>

41.1.1.5 Geographical segment analysis

	2010		2009	
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Rupees in '000				
Pakistan	2,443,282	158,810,011	12,426,112	89,338,934
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>2,443,282</u>	<u>158,810,011</u>	<u>12,426,112</u>	<u>89,338,934</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



41.1.2 Credit Risk - General Disclosures Basel II Specific

The Group is operating under Standardised Approach of Basel II for credit risk. As such risk weights for the credit risk related assets (on-balance sheet and off-balance sheet-market and non market related exposures) are assigned on the basis of Standardised Approach.

The Group is committed to further strengthen its risk management framework that shall enable the Group to move ahead for adopting Foundation IRB Approach of Basel II; meanwhile none of our assets class is subject to the Foundation IRB or Advanced IRB Approaches.

41.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach & supervisory risk weights in the IRB Approach-Basel II Specific

The Group used ratings assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAIs) for the purpose of risk weighing its exposures against corporate and banks. Use of both JCR-VIS and PACRA as the rating agencies is due to the fact that corporate and banks are rated by either of these two agencies.

In case of foreign currency exposures against the bank, ratings assigned by S&P, Fitch and Moody's have been applied. In case of exposure against banks, some banks have multiple ratings but those ratings do not result in mapping with different risk weights. The alignment of the alphanumeric scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel II requirements.

Types of Exposure and ECAIs used

2010			
Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	3	3	-
Banks	3	3	S & P, FITCH and MOODY'S

Credit Exposure subject to standardized approach

Rupees in '000				
2010				
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-
	20%	5,754,771	-	5,754,771
	50%	4,126,680	-	4,126,680
	100%	529,975	-	529,975
	150%	-	-	-
	Unrated	38,043,656	1,333,099	36,710,557
Retails	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	5,742,462	1,557,069	4,185,393
Total		54,197,544	2,890,168	51,307,376

CRM= Credit Risk Mitigation

41.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised and IRB Approaches-Basel II Specific

The Group obtains capital relief for its both on-balance and off-balance sheet non-market related exposures by using Simple Approach for credit risk mitigation (CRM). Off-balance sheet items under the Simplified Standardised Approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the Standardised Approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits, cash margins, Certificates of Islamic Investment, Shares, Units of Mutual Funds, Monthly Mudarabah Certificates and saving accounts.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Group in terms of change in their valuation due to changes in the market condition.

The credit equivalent amount of an off-balance sheet market related foreign exchange contracts are determined by using the current exposure (mark to market) method.

The Group takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 48,454.721 million is subject to the CRM of Rs. 1,333.099 million whereas a claim on retail portfolio of Rs. 5,742.462 million is subject to CRM of Rs. 1,557.069 million. The total benefit of Rs. 2,890.168 million was availed through CRM against total on-balance sheet exposure of Rs. 153,020.926 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs. 44,393.573 million is subject to the CRM of Rs. 1,813.623 million whereas a claim on retail portfolio of Rs. 1,075.390 million is subject to CRM of Rs. 68.475 million. Total benefit of Rs. 1,882.098 million was availed by the Group through CRM against total off-balance sheet, non-market related exposure of Rs. 46,446.545 million.

In year 2010, total amount of cash collateral used for CRM purposes was Rs. 4,772.266 million as against amount of Rs. 4,325.395 million in year 2009. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

41.2 Equity position risk in the Banking book-Basel II Specific

The Group makes investment in variety of products / instruments mainly for the following objectives:

- Investment for supporting business activities of the Group and generating revenue in short term or relatively short term tenure.
- Strategic Investments which are made with the intention to hold it for a longer term and are marked as such at the time of investment.

Classification of equity investments

The Group classifies its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Fair value through profit and loss including those held for trading
- Investments - Available for sale
- Investments in associates

Some of the above mentioned investments are listed and traded in public through stock exchanges, while other investments are unlisted.

Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

The investments in listed equity securities are stated at the revalued amount using market rates prevailing on the balance sheet date, while the investment in unquoted securities are stated at lower of cost or break-up value.

The unrealized surplus / (deficit) arising on revaluation of the held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the consolidated balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the consolidated profit and loss account when actually realised upon disposal.

The carrying value of equity investments are assessed at each balance sheet date for impairment. If the circumstances exist which indicate that the carrying value of these investments may not be recoverable, the carrying value is written down to its estimated recoverable amount. The resulting impairment loss is charged to consolidated profit and loss account.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Composition of equity investments

	Held for trading	Available for Sale	Investment in Associates
	Rupees in '000		
Equity investments - quoted	-	1,932,031	2,796,436
Equity investments - unquoted	-	123,119	265,999
Total value	-	2,055,150	3,062,435

During the year realised gain of Rs. Nil (2009: Rs. 4.171 million) and unrealised gain of Rs. 28.665 million (2009: Rs. Nil) has been taken to consolidated profit and loss account on held for trading investments.

A provision for impairment in value of investments amounting to Rs. 46.406 million (2009: Rs. 88.89 million) has been charged to consolidated profit and loss account.

41.3 Market risk

The Group is exposed to market risk which is the risk that the value of on-balance and off-balance sheet exposures of the Group will be adversely affected by movements in market rates or prices such as benchmark rates, profit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital. The 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 capital charge for market risk has been calculated by using Standardized Approach.

The Group applies Stress Testing and Value at Risk (VaR) techniques as risk management tool; Stress Testing enables the Group 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.

41.3.1 Foreign exchange risk

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

The Group 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 close monitoring and are marked to market on a daily basis to contain forward exposures.

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupees	153,909,763	143,258,747	1,149,165	11,800,181
United States dollars	4,473,033	2,146,245	(1,725,653)	601,135
Great Britain pounds	226,976	516,837	292,336	2,475
Japanese yen	9,416	-	(10,528)	(1,112)
Euro	140,246	461,286	320,582	(458)
Singapore dollars	7,250	-	(6,672)	578
Australian dollars	7,219	-	(6,975)	244
Canadian dollars	5,008	784	-	4,224
United Arab Emirates Dirham	1,829	-	-	1,829
Swiss francs	29,271	-	(12,255)	17,016
	158,810,011	146,383,899	-	12,426,112

41.3.2 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 behaviour similar to equities.

Counter parties limits, as also fixed by SBP, are considered to limit risk concentration. The Group invests in those equities which are Shariah compliant as advised by the Shariah Advisor.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



41.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

IRRBB includes all material yield risk positions of the Group taking into account all relevant repricing and maturity data. It includes current balances and contractual yield rates. The Group understands that its financings shall be repriced as per their respective contracts. Regarding behaviour of non-maturity deposits, the Group assumes that 75% of those deposits shall fall in upto one year time frame and remaining 25% of those deposits shall fall in the range of one to three years time buckets.

The Group estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks.

41.3.4 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	2010									Non-yield bearing financial Instruments
		Exposed to yield risk									
		Over 1 Upto 1 Month	Over 1 to 5 Months	Over 3 to 6 Months	Over 5 Months to 1 Year	Over 1 to 2 Years	Over 2 to 5 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	12,780,951	-	-	-	-	-	-	-	-	-	12,780,951
Balances with other banks	3.75	9,957,757	4,413,478	3,000,000	-	-	-	-	-	-	2,544,279
Due from financial institutions	11.73	10,511,855	5,478,320	3,005,200	2,009,835	18,500	-	-	-	-	-
Investments	12.21	50,519,386	-	557,227	2,617,581	32,484,758	1,412,302	108,708	3,564,668	4,708,544	5,265,598
Financings	13.04	53,995,163	7,468,167	10,674,391	13,252,226	1,879,691	2,628,012	5,707,008	7,572,702	2,658,854	1,877,713
Other assets including trade inventories		14,496,682	-	-	-	-	-	-	-	-	-
		152,261,794	17,539,965	17,236,818	17,879,642	34,382,949	4,040,514	5,815,716	10,937,370	7,367,398	1,877,713
Liabilities											
Bills payable	-	1,767,370	-	-	-	-	-	-	-	-	1,767,370
Due to financial institutions	9.24	5,829,296	586,620	2,605,949	2,552,924	-	-	-	-	-	85,805
Deposits and other accounts	5.49	131,067,996	20,484,478	20,040,212	10,654,686	15,125,726	5,738,938	6,868,076	6,310,609	8,211,121	37,634,150
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	6,757,299	-	-	-	-	-	-	-	-	6,757,299
		145,421,961	21,071,098	22,646,161	15,207,610	15,125,726	5,738,938	6,868,076	6,310,609	8,211,121	-
On-balance sheet gap		6,839,833	(3,531,133)	(5,409,343)	4,672,032	19,257,223	(1,698,624)	(1,052,360)	4,626,761	(843,723)	1,877,713
NON FINANCIAL ASSETS											
- Operating fixed assets		3,095,897									
- Deferred taxation		241,746									
- Other assets including trade inventories		3,210,574									
		6,548,217									
NON FINANCIAL LIABILITIES											
- Other liabilities		961,938									
		961,938									
TOTAL NET ASSETS											
		12,426,112									
Off-balance sheet financial instruments											
Forward Lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap		(3,531,133)	(5,409,343)	4,672,032	19,257,223	(1,698,624)	(1,052,360)	4,626,761	(843,723)	1,877,713	(11,058,713)
Cumulative Yield Risk Sensitivity Gap		(3,531,133)	(8,940,476)	(4,268,444)	14,988,779	13,290,155	12,237,795	16,864,556	16,020,833	17,898,546	6,839,833

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



Effective yield rate %	Total	2009								Non-yield bearing financial Instruments		
						Exposed to yield risk						
		Upto 1 Month	Over 1 to 5 Months	Over 5 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 to 10 Years	Over 5 to 10 Years			
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	8,387,522	-	-	-	-	-	-	-	-	-	8,387,522	
Balances with other banks	0.71	5,262,541	5,262,541	-	-	-	-	-	-	-	-	
Due from financial institutions	12.33	34,486,875	1,935,000	23,567,000	8,978,375	6,500	-	-	-	-	-	
Investments	12.84	24,370,190	5,000	176,333	10,570,950	307,916	833,711	2,510,025	3,310,674	2,251,203	1,201,610	3,202,768
Financings	13.2	41,709,656	8,588,685	5,336,153	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,106	3,207,330	91,813
Other assets including trade inventories	-	5,355,584	-	-	-	-	-	-	-	-	-	5,355,584
		119,572,168	15,791,026	29,079,486	29,122,531	2,019,455	4,150,122	5,020,651	9,758,961	3,183,309	4,408,940	17,037,687
Liabilities												
Bills payable	-	1,249,210	-	-	-	-	-	-	-	-	-	1,249,210
Due to financial institutions	7.66	8,593,425	5,511,161	2,018,502	2,747,382	174,152	-	-	-	-	-	142,228
Deposits and other accounts	5.66	100,331,448	18,179,640	14,977,258	8,027,176	10,229,375	3,862,447	4,459,642	5,215,674	6,177,025	-	29,203,211
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	3,614,497	-	-	-	-	-	-	-	-	-	3,614,497
		113,788,580	21,690,801	16,995,760	10,774,558	10,403,527	3,862,447	4,459,642	5,215,674	6,177,025	-	34,209,146
On-balance sheet gap		5,783,588	(5,899,775)	12,083,726	18,347,973	(8,384,072)	287,675	561,009	4,543,287	(2,993,716)	4,408,940	(17,171,459)
NON FINANCIAL ASSETS												
- Operating fixed assets		2,437,228	-	-	-	-	-	-	-	-	-	-
- Deferred taxation		134,314	-	-	-	-	-	-	-	-	-	-
- Other assets including trade inventories		3,558,068	-	-	-	-	-	-	-	-	-	-
		5,929,610	-	-	-	-	-	-	-	-	-	-
NON FINANCIAL LIABILITIES												
- Deferred taxation		-	-	-	-	-	-	-	-	-	-	-
- Other liabilities		1,501,875	-	-	-	-	-	-	-	-	-	-
		1,501,875	-	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS		10,211,323										
Off-balance sheet financial instruments												
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap		(5,899,775)	12,083,726	18,347,973	(8,384,072)	287,675	561,009	4,543,287	(2,993,716)	4,408,940	(17,171,459)	
Cumulative Yield Risk Sensitivity Gap		(5,899,775)	6,183,951	24,531,924	16,147,852	16,435,527	16,996,536	21,539,823	18,546,107	22,955,047	5,783,588	

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 Group 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.

41.4 Liquidity risk

Liquidity risk is the risk that the Group 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 Group's income and equity.

The Group 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, 2010



41.4.1 Maturities of Assets and Liabilities

	2010									
	Total	Upto 1 Month	Over 1 to 5 Months	Over 5 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	12,780,951	12,780,951	-	-	-	-	-	-	-	-
Balances with other banks	9,957,757	6,957,757	3,000,000	-	-	-	-	-	-	-
Due from financial institutions	10,511,855	5,478,320	3,005,200	2,009,835	18,500	-	-	-	-	-
Investments	50,519,586	-	557,226	3,931,919	33,585,655	1,412,302	108,708	3,364,668	4,708,544	3,050,363
Financings	53,995,163	7,468,166	10,674,391	13,252,226	1,879,691	2,628,012	5,707,008	7,572,702	2,658,854	1,974,112
Other assets including trade inventories	17,707,256	17,707,256	-	-	-	-	-	-	-	-
Deferred tax asset	241,746	-	-	-	241,746	-	-	-	-	-
Operating fixed assets	5,095,897	-	-	-	-	-	-	3,095,897	-	-
	158,810,011	50,572,450	17,236,819	19,193,980	35,525,592	4,040,314	5,815,716	14,033,267	7,654,408	9,757,665
Liabilities										
Bills payable	1,767,370	1,767,370	-	-	-	-	-	-	-	-
Due to financial institutions	5,829,296	670,424	2,605,949	2,552,923	-	-	-	-	-	-
Deposits and other accounts	131,067,996	28,327,303	26,930,093	17,526,694	22,003,316	10,314,861	11,443,999	6,310,609	8,211,121	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,719,237	1,712,032	1,202,756	-	76,511	-	-	2,119,117	-	2,608,821
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	146,383,899	32,477,129	30,738,798	20,079,617	22,079,827	10,314,861	11,443,999	8,429,726	8,211,121	2,608,821
Net assets	12,426,112	18,095,322	(13,501,981)	(885,637)	13,445,765	(6,274,546)	(5,628,283)	5,603,541	(843,723)	2,415,654
Share capital	6,982,550									
Reserves	1,404,326									
Unappropriated profit	3,359,541									
Non Controlling Interest	339,827									
Surplus on revaluation of investments	339,868									
	<u>12,426,112</u>									

	2009									
	Total	Upto 1 Month	Over 1 to 5 Months	Over 5 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	8,387,522	8,387,522	-	-	-	-	-	-	-	-
Balances with other banks	5,262,341	5,262,341	-	-	-	-	-	-	-	-
Due from financial institutions	34,486,875	1,835,000	17,541,000	15,100,375	10,500	-	-	-	-	-
Investments	24,370,190	5,000	176,333	10,570,950	3,610,686	866,419	2,510,025	3,310,674	2,251,205	1,068,900
Financings	41,709,656	8,588,682	5,336,153	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,106	3,299,146
Other assets including trade inventories	8,713,652	8,713,652	-	-	-	-	-	-	-	-
Deferred tax asset	134,314	-	-	-	-	-	-	134,314	-	-
Operating fixed assets	2,437,228	-	-	-	-	-	-	2,437,228	-	-
	125,501,778	32,792,197	23,053,486	35,244,531	5,326,225	4,182,830	5,020,651	12,330,503	3,183,309	4,368,046
Liabilities										
Bills payable	1,249,210	1,249,210	-	-	-	-	-	-	-	-
Due to financial institutions	8,593,425	3,653,388	2,018,502	2,747,382	174,153	-	-	-	-	-
Deposits and other accounts	100,331,448	24,368,459	20,300,618	13,336,298	15,541,085	7,397,547	7,994,742	5,215,674	6,177,025	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,116,372	2,926,519	10,795	23,275	112,312	327,148	150,223	1,443,552	24,139	98,409
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	115,290,455	32,197,576	22,329,915	16,106,955	15,827,550	7,724,695	8,144,965	6,659,226	6,201,164	98,409
Net assets	10,211,323	594,621	723,571	19,137,576	(10,501,325)	(3,541,865)	(3,124,314)	5,671,277	(3,017,855)	4,269,637
Share capital	6,650,048									
Reserves	1,074,408									
Unappropriated profit	2,089,956									
Non Controlling Interest	302,987									
Surplus on revaluation of investments	95,924									
	<u>10,211,323</u>									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010



41.5 Operational risk

The Group uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average positive annual gross income of the Group over past three years with 15% as per guidelines issued by SBP under Basel II.

To reduce losses arising from operational risk, the Group has strengthened its risk management framework by developing policies, guidelines and manuals. It also includes set up of fraud and forgery management unit, defining responsibilities of individuals, enhancing security measures, improving efficiency and effectiveness of operations, outsourcing and improving quality of human resources through trainings.

42. GENERAL AND NON-ADJUSTING EVENT

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

Reclassification from		Reclassification to		Reason for reclassification	Rupees in '000
Note	Component	Note	Component		
14	Other assets	9	Due from financial institutions	For better presentation	(12,625)
11	Financing	14	Other assets	For better presentation	2,478,410
18	Other liabilities	14	Other assets	For better presentation	12,638
P&L	Other provisions / write offs/ (reversals)	P&L	Provision against amounts due from financial institutions	For better presentation	(12,625)

42.2 The Board of Directors of the Holding Company in their meeting held on February 11, 2011 has announced issue of bonus shares @ 15% . These consolidated financial statements for the year ended on December 31, 2010, do not include the effect of this appropriation which will be accounted for subsequent to the year-end.

43. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 11, 2011 by the Board of Directors of the Group.

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mohammad
Abdul Aleem
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2010




Annexure -1

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2010

Rupees in '000

S. No.	Name and address of the borrower	Name of director (with NIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off	Other Financial Relief Provided	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Tahir Naseer Butt 35201-1702399-3	N/A	Muhammad Naseer Butt	11,947	1,008	-	12,955	1,447	1,008	-	2,455
2	Health Care Hospital	Mr. Qamar Zaman Khan (Director) 42301-1080025-5	S/o. Sultan Zaman Khan	9,717	994	28	10,739	3,290	994	28	4,312
		Mrs. Farhana Qamar (Director) 42301-0970890-4	W/o. Qamar Zaman Khan								
		Mr. Usman Zaman Khan (Director) 42301-1114944-7	S/o. Qamar Zaman Khan								
		Mr. Salman Zaman Khan (Director) 42301-1080023-7	S/o. Qamar Zaman Khan								
3	Rehmat Wazir Textile Mills Ltd.	Muhammad Naveed Ahmed 35202-6016395-1	S. Rehmat Ali	13,718	3,267	355	17,340	2,718	3,024	355	6,097
		Muhammad Naseer Sheikh 35202-5720954-4	S. Rehmat Ali								
		Mrs. Wazir Begum 35202-8070430-4	S. Rehmat Ali								



Additional Information

Pattern of Shareholding	200
Categories of Shareholders	201
Correspondent Banking Network	202
Branch Network	207
Proxy Form	



Pattern of Shareholding

as at December 31, 2010



No. of Shareholders	Having Shares		Shares held	Percentage
	From	To		
263	1	100	7,937	0.00%
343	101	500	90,020	0.01%
274	501	1,000	191,285	0.03%
589	1,001	5,000	1,360,255	0.19%
157	5,001	10,000	1,142,454	0.16%
84	10,001	15,000	1,029,787	0.15%
37	15,001	20,000	640,395	0.09%
32	20,001	25,000	713,569	0.10%
15	25,001	30,000	410,226	0.06%
17	30,001	35,000	548,667	0.08%
6	35,001	40,000	224,946	0.03%
9	40,001	45,000	386,387	0.06%
9	45,001	50,000	430,081	0.06%
8	50,001	55,000	416,217	0.06%
7	55,001	60,000	396,157	0.06%
5	60,001	65,000	312,777	0.04%
5	65,001	70,000	337,537	0.05%
7	70,001	75,000	507,936	0.07%
5	75,001	80,000	383,368	0.05%
5	80,001	85,000	411,900	0.06%
2	85,001	90,000	176,673	0.03%
1	90,001	95,000	94,104	0.01%
4	95,001	100,000	395,161	0.06%
2	100,001	105,000	206,716	0.03%
1	105,001	115,000	115,000	0.02%
2	115,001	120,000	235,963	0.03%
4	120,001	130,000	511,095	0.07%
4	130,001	135,000	529,854	0.08%
1	135,001	140,000	137,478	0.02%
1	140,001	145,000	140,358	0.02%
2	145,001	150,000	296,500	0.04%
4	150,001	155,000	608,920	0.09%
2	155,001	165,000	322,195	0.05%
2	165,001	170,000	334,348	0.05%
1	170,001	175,000	171,426	0.02%
1	175,001	190,000	185,650	0.03%
1	190,001	195,000	193,302	0.03%
1	195,001	200,000	200,000	0.03%
1	200,001	210,000	206,390	0.03%
1	210,001	225,000	223,804	0.03%
1	225,001	250,000	250,000	0.04%
1	250,001	260,000	259,000	0.04%
2	260,001	265,000	526,038	0.08%
1	265,001	270,000	267,256	0.04%
2	270,001	280,000	553,829	0.08%
1	280,001	300,000	300,000	0.04%
1	300,001	320,000	316,120	0.05%
1	320,001	330,000	328,117	0.05%
2	330,001	335,000	665,884	0.10%
1	335,001	350,000	346,331	0.05%
1	350,001	365,000	361,759	0.05%
1	365,001	405,000	404,381	0.06%
1	405,001	410,000	409,445	0.06%
1	410,001	435,000	431,901	0.06%
1	435,001	460,000	456,853	0.07%
1	460,001	490,000	488,614	0.07%
3	490,001	500,000	1,495,068	0.21%
1	500,001	510,000	508,925	0.07%
2	510,001	525,000	1,050,000	0.15%
1	525,001	530,000	529,575	0.08%
1	530,001	555,000	550,178	0.08%
1	555,001	565,000	562,092	0.08%
1	565,001	575,000	574,875	0.08%
1	575,001	580,000	578,972	0.08%
1	580,001	595,000	590,414	0.08%
1	595,001	600,000	595,025	0.09%
1	600,001	620,000	615,896	0.09%
1	620,001	660,000	656,888	0.09%
1	660,001	665,000	664,985	0.10%
1	665,001	700,000	695,862	0.10%
1	700,001	710,000	706,500	0.10%
1	710,001	755,000	754,353	0.11%
1	755,001	935,000	933,757	0.13%
1	935,001	1,110,000	1,110,000	0.16%
1	1,110,001	1,400,000	1,396,040	0.20%
1	1,400,001	1,435,000	1,432,389	0.21%
1	1,435,001	1,690,000	1,686,303	0.24%
1	1,690,001	1,910,000	1,906,583	0.27%
1	1,910,001	1,990,000	1,987,882	0.28%
1	1,990,001	1,995,000	1,990,762	0.29%
1	1,995,001	2,000,000	2,000,000	0.29%
1	2,000,001	2,015,000	2,012,581	0.29%
1	2,015,001	3,175,000	3,174,347	0.45%
1	3,175,001	3,290,000	3,288,075	0.47%
2	3,290,001	4,670,000	9,339,402	1.34%
1	4,670,001	7,000,000	7,000,000	1.00%
1	7,000,001	8,755,000	8,752,806	1.25%
1	8,755,001	65,105,000	65,104,869	9.32%
1	65,105,001	209,480,000	209,476,514	30.00%
1	209,480,001	342,945,000	342,940,769	49.11%
<u>1,972</u>			<u>698,255,053</u>	<u>100.00%</u>



Categories of Shareholders

as at December 31, 2010



Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive, their spouse and minor children	5	10,555,455	1.51%
Associated Companies, undertakings and related parties	7	628,015,900	89.93%
Banks, Development Financial Institutions and Non Banking Finance Companies	6	2,025,391	0.29%
Insurance Companies	5	1,275,437	0.18%
Modaraba and Mutual Funds	17	4,076,060	0.58%
General Public			
a. Local	1,808	31,827,375	4.56%
b. Foreign	44	1,431,282	0.20%
Others	80	19,048,153	2.75%
Total	1,972	698,255,053	100.00%

Additional Information as at December 31, 2010

Particulars	Number of Shareholders	Shares held	Percentage
Associated Companies & Shareholders with more than 10% shareholding			
Noor Financial Investment Co, Kuwait	1	342,940,769	49.11%
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	1	209,476,514	30.00%
Islamic Development Bank, Jeddah	1	65,104,869	9.32%
Al-Meezan Mutual Fund Ltd.	1	1,396,040	0.20%
CDC - Trustee Meezan Capital Protected Fund	1	151,600	0.02%
CDC - Trustee Meezan Islamic Fund	1	8,752,806	1.25%
CDC - Trustee Meezan Balanced Fund	1	193,302	0.03%
NIT & ICP			
National Bank of Pakistan, Trustee Department	1	6,958	0.00%
Directors, Chief Executive, their spouse and minor children			
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	1	4,669,701	0.67%
Mr. Naser Abdul Mohsen Al-Marri	1	4,669,701	0.67%
Mr. Rana Ahmed Humayun	1	933,757	0.13%
Mr. Mohammad Abdul Aleem	1	128,355	0.02%
Mr. Irfan Siddiqui	1	153,941	0.02%
Executives	34	1,107,057	0.16%
Public Sector Companies, Corporations, Banks, DFI's, NBFC's, Insurance Companies, Modaraba, Mutual Funds and other Organizations	107	26,418,083	3.80%
General Public	1,818	32,151,600	4.60%
Total	1,972	698,255,053	100.00%



Correspondent Banking Network



Country	Bank	Country	Bank
Argentina	BNP Paribas - Succursale de Beunos Aires		Société Générale
	Deutsche Bank AG		Standard Chartered Bank
	HSBC Bank Argentina SA		The Korea Development Bank
Australia	ABN Amro Bank (now Royal Bank of Scotland)		Wenzhou City Commercial Bank
	Bank of America, N.A.		Yantai City Commercial Bank
	Bank of Western Australia	Croatia	Deutsche Bank
	BNP Paribas Australia	Cyprus	Bank of Cyprus Public Company Limited
	Commonwealth Bank of Australia	Czech Republic	Commerzbank
	HSBC Bank		Komerčni Banka A.S.
	J.P.Morgan Chase Bank NA		Unicredit Bank Czech Republic
	National Australia Bank	Denmark	Danske Bank A/S
Austria	Deutsche Bank AG		Nordea Bank Sweden AB (publ)
	Oberbank AG		Skjern Bank
	Raiffeisenlandesbank Oberoesterreich AG	Egypt	Al Baraka Bank Egypt (formerly Egyptian Saudi Finance Bank)
	Unicredit Bank Austria AG (formerly Bank Austria Creditanstalt)		Arab International Bank
	Vorarlberger Landes- und Hypothekenbank		BNP Paribas Le Caire
Bahrain	ABC Islamic Bank (E.C)		HSBC Bank Egypt
	Al Baraka Islamic Bank BSC		Mashreq Bank Limited
	BNP Paribas Manama	Estonia	AS Unicredit Bank Eesti Filiaal
	Citibank NA		Nordea Bank Sweden AB (publ)
	Gulf International Bank B.S.C.	Ethiopia	Commercial Bank of Ethiopia
	Shamil Bank of Bahrain		Dashen Bank SC
	Standard Chartered Bank	Finland	Nordea Bank Sweden AB (publ)
	United Bank Limited		Danske Bank
	Woori bank		Pohjola Pankki OVJ (Pohjola Bank PLC) Markets/Clearing & Settlement
Bangladesh	CitiBank N.A.		Sampo Bank (part of Danske bank group)
	Habib Bank Limited	France	Bank of America, N.A.
	HSBC Bank		BNP-Paribas SA
	Standard Chartered Bank		Commerzbank
Belgium	Bank of America, N.A.		Credit Agricole SA
	BNP Paribas Fortis (formerly Fortis Banque S.A./N.V)		Credit Industriel et Commercial
	BNP Paribas S.A. Belgium - Belgium branch		Deutsche Bank
	Commerzbank		Habib Bank Limited
	Deutsche Bank AG		HSBC France
	Dexia Bank SA		National Bank of Pakistan
	Habib Bank Limited		Société Générale
	KBC Bank NV		Sumitomo Mitsui Banking Corporation, The
	Santander Benelux SA		U.B.A.F.
Botswana	Firstrand Bank Ltd	Germany	Bayerische Hypo-und Vereinsbank AG (HVB)
Brazil	Banco do Brasil S.A.		Commerzbank
	Banco BNP Paribas Brasil S/A		Deutsche Asset Management International GmbH
	Deutsche Bank S.A. - Banco Alemão		Deutsche Bank AG
	HSBC Bank Brazil S.A.		Dresdner Bank (now part of Commerzbank)
Bulgaria	Unicredit Bulbank		DWS Investment GmbH
Canada	Bank of America, N.A.		HSBC Trinkaus und Burkhardt AG
	Habib Canadian Bank		ING Bank N.V.
	HSBC Bank		Landesbank Baden-Wuerttemberg
	Royal Bank of Canada		National Bank of Pakistan
Chile	Banco Itau		National-Bank AG
China	ABN Amro Bank (now Royal Bank of Scotland)		Nordea Bank Sweden AB (publ)
	Agricultural Bank of China, The		Sparkasse Dortmund
	Bank of China		Sparkasse Westmunsterland
	Bank of Communications		Standard Chartered Bank
	Bank of New York		Sumitomo Mitsui Banking Corporation, The
	China Citic Bank (formerly Citic Industrial Bank)		Volksbank Bocholt EG
	Citibank NA	Ghana	Standard Chartered Bank Ghana Limited
	Commerzbank	Greece	Bank of America, N.A.
	Deutsche Bank AG		Egnatia Bank S.A.
	HSBC Bank		Geniki Bank (General Bank of Greece, SocGen group)
	Industrial Bank of Korea		Hellenic Bank Ltd
	J.P.Morgan Chase Bank NA		Intesa Sanpaolo Spa
	J.P.Morgan Chase Bank NA		Probank SA
	Laiwu City Commercial Bank Co. Ltd.	Hong Kong	ABN Amro Bank (now Royal Bank of Scotland)
	Mizuho Corporate Bank (China) Ltd.		



Correspondent Banking Network



Country	Bank	Country	Bank
	Bank of America, N.A.		Banco Popolare di Verona e Novara SCRL
	BNP Paribas		Bank of America, N.A.
	Citibank NA		Bayerische Hypo und Vereinsbank (HVB) Milan
	Commerzbank		Bipop Carire Spa
	Commonwealth Bank of Australia		Cassa di Risparmio del Veneto S.p.A.
	DBS Bank Hong Kong Ltd		CASSA DI RISPARMIO DI PARMA E PIACENZA S.P.A.
	Deutsche Bank AG		Cassa di Risparmio di Pistoia e Pescia S.p.A.
	Habib Bank Limited		Cassa di Risparmio di Venezia S.p.A.
	Hang Seng Bank Limited		Cassa di Risparmio in Bologna S.p.A.-Carisbo Spa
	HBZ Finance Limited		Commerzbank
	HSBC Bank		Deutsche Bank AG
	J.P.Morgan Chase Bank NA		HSBC Bank
	KBC Bank NV		Mizuho Corporate Bank Ltd.
	Mashreq Bank Limited		Société Générale
	National Bank of Pakistan		Unicredit Banca D'Impresa SPA
	Standard Chartered Bank		Unicredit Banca SPA
	Sumitomo Mitsui Banking Corporation, The		Unicredit Private Banking SPA
	U.B.A.F.		Unicredito Italiano
	Wachovia Bank, NA		Unione di Banche Italiane Scpa (UBI Banca) (formerly Banca Lombarda e Piemontese)
Hungary	Woori bank		ABN Amro Bank (now Royal Bank of Scotland)
	CIB Bank Zrt (Central-European International Bank Ltd.)	Japan	Bank of America, N.A.
	Commerzbank		Bank of New York
	Deutsche Bank ZRT		Citibank NA
	K and H Bank NYRT.(FORMERLY KERESKEDELMI ES HITELBBANK RT)		Commerzbank
	Unicredit Bank Hungary ZRT		Commonwealth Bank of Australia
India	Bank of America, N.A.		Credit Agricole Indosuez
	Bank of Ceylon		Deutsche Bank AG
	BNP Paribas India		HSBC Bank
	Citibank NA		Mizuho Corporate Bank Ltd.
	Deutsche Bank		National Bank of Pakistan (Tokyo & Osaka)
	J.P.Morgan Chase Bank NA		Société Générale
	Mashreq Bank Limited		Standard Chartered Bank
	Punjab National Bank		Sumitomo Mitsui Banking Corporation
	Standard Chartered Bank		U.B.A.F.
	State Bank of India		Wachovia Bank, NA
Indonesia	ABN Amro Bank (now Royal Bank of Scotland)	Jersey, C.I.	AIB Bank (CI) Limited
	Bank Central Asia	Jordan	Housing Bank for Trade & Finance
	Bank of America, N.A.		Jordan Islamic Bank for Finance & Investment
	Bank Syariah Mandiri		Standard Chartered Bank Jordan
	Deutsche Bank AG	Kenya	Gulf African Bank Ltd.
	HSBC Bank		Habib Bank AG Zurich
	J.P.Morgan Chase Bank NA		Kenya Commercial Bank Limited
	PT Bank Mandiri (Persero) Tbk		ABN Amro Bank (now Royal Bank of Scotland)
	PT Bank SBI Indonesia	Korea	Bank of New York
	Standard Chartered Bank		Daegu Bank Ltd., The
Ireland	AIB Bank		Deutsche Bank AG
	Bank of America, N.A.		HSBC
	Bank of Ireland International Banking		Industrial Bank of Korea
	Citibank		J.P.Morgan Chase Bank NA
	HSBC Bank Plc		Kookmin Bank
	National Irish Bank		Korea Exchange Bank
	San Paolo IMI SpA		Kyongnam Bank
Italy	Banca Delle Marche Spa		National Bank of Pakistan
	Banca di Credito Cooperativo di Fornacette		Pusan Bank
	Banca di Roma		Standard Chartered Bank
	Banca Intesa Spa		Sumitomo Mitsui Banking Corporation, The
	Banca Monte Dei Paschi di Siena SpA		U.B.A.F.
	Banca Nazionale del Lavoro SpA		Wachovia Bank, NA
	Banca Popolare Di Sondrio		Woori bank
	Banca Popolare di Vicenza SCPARL		Burgan Bank, SAK
	Banca UBAE SpA	Kuwait	Citibank NA
	Banco di Napoli		Commercial Bank of Kuwait, SAK
	Banco Popolare		



Correspondent Banking Network



Country	Bank	Country	Bank
	HSBC Bank Middle East		Bank of Punjab
	Kuwait Finance House		Citibank NA
	National Bank of Kuwait		Deutsche Bank AG
	Noor Financial Investment Company		Dawood Islamic Bank
Latvia	Nordea Bank Sweden AB (publ)		Dubai Islamic Bank
Lebanon	Lebanon and Gulf Bank SAL		Faysal Bank
Lithuania	Nordea Bank Sweden AB (publ)		Faysal Bank (formerly RBS and ABN Amro)
Luxembourg	BNP Paribas Luxembourg		Habib Metropolitan Bank
	Commerzbank		Habib Bank Limited (HBL)
Malaysia	ABN Amro Bank (now Royal Bank of Scotland)		HSBC Bank Middle East
	Ambank Berhad		KASB Bank Limited
	Bank of America, N.A.		MCB Bank Limited
	Citibank NA		My Bank Limited
	Deutsche Bank AG		National Bank of Pakistan
	HSBC Bank		NIB Bank
	J.P.Morgan Chase Bank Berhad		Samba Bank Limited
	Malayan Banking Berhad (Maybank)		Silk Bank Limited
	RHB Bank Berhad		Soneri Bank Limited
	Standard Chartered Bank		Standard Chartered Bank
Malta	Credit Europe Bank NV Malta Branch		Summit Bank Limited (formerly Arif Habib Bank)
Mauritius	Mauritius Post and Cooperative Bank Ltd		Summit Bank Limited (formerly Atlas Bank Limited)
	HSBC Bank (Mauritius) Limited		United Bank Limited
Mexico	Banca del Bajio S.A.	Papua New Guinea	Bank of South Pacific Ltd
	Bank of America, N.A.	Philippines	Asian Development Bank
Macau	BNP Paribas SA		Banco de Oro Universal Bank
	HSBC		Bank of America, N.A.
Mongolia	Trade & Development Bank of Mongolia		Deutsche Bank AG
Morocco	Attijariwafa Bank		HSBC
	Banque Marocaine du Commerce Extérieur	Poland	Bank BPH SA
	Société Générale		Bank Polska Kasa Opieki SA
Nepal	Bank of Kathmandu Ltd		Deutsche Bank AG
	Himalayan Bank Limited		Deutsche Bank Polska S.A.
	NABIL Nepal Arab Bank Ltd		Nordea Bank Sweden AB (publ)
	Nepal Industrial and Commercial Bank Ltd		Société Générale
	Standard Chartered Bank	Portugal	Banco Espirito Santo SA
Netherlands	Bank of America, N.A.		Caixa Geral De Depositos
	Commerzbank		Montepio Geral - Caixa Economica
	Credit Europe Bank N.V.	Qatar	Barwa Bank
	Deutsche Bank AG		Mashreq Bank Limited
	Finansbank (Holland) N.V.		Qatar International Islamic Bank
	Fortis Bank (Nederland) N.V.		United Bank Limited
	Habib Bank Limited	Romania	Citibank Europe Plc, Dublin-Sucursala Romania
	ING Bank N.V.		MKB Nextebank SA (formerly Romexterra Bank)
	KBC Bank NV		Romanian Bank for Development (BRD) Groupe Societe Generale
	Lanschot Bankiers NV F van		Unicredit Tiriac Bank SA
	Rabobank Nederland	Russian Federation	Bank for Foreign Trade
	Royal Bank of Scotland (formerly ABN Amro Bank N.V.)		Bank of Moscow
New Zealand	Bank of New Zealand		Commerzbank
	HSBC New Zealand		Deutsche Bank AG
Nigeria	Standard Chartered Bank		International Moscow Bank
Norway	DNB NOR Bank ASA	Saudi Arabia	Al Inma Bank
	Fokus Bank, part of Danske Bank Group		Al Rajhi Bank
	Nordea Bank Sweden AB (publ)		Bank Al Bilad
Oman	HSBC Bank Middle East		Bank Al Jazira
	BankMuscat SAOG		Banque Saudi Fransi
	Bank Sohar		BNP Paribas Saudi Arabia
Pakistan	Al Baraka Islamic Bank BSC		Deutsche Bank AG, Riyadh Branch
	Al Baraka Islamic Bank (formerly Emirates Global Islamic)		Gulf International Bank B.S.C.
	Allied Bank Limited		Islamic Development Bank
	Askari Commercial Bank Ltd		JP Morgan Chase Bank
	Bank Islami Pakistan		National Bank of Pakistan, Riyadh
	Bank Al Habib Limited		National Commercial Bank
	Bank AlFalah Limited		Riyadh Bank
	Bank of Khyber		



Correspondent Banking Network



Country	Bank	Country	Bank	
Singapore	Saudi Hollandi Bank	Taiwan	HSBC Private Bank (Suisse) S.A.	
	The Saudi British Bank (HSBC group)		ING Belgium NV/SA, Geneva Branch (formerly Bbl Bruxelles, Succursale De Geneve)	
	ABN Amro Bank (now Royal Bank of Scotland)		Merrill Lynch Bank (Suisse) S.A.	
	Bank of America, N.A.		United Bank Limited AG Zurich	
	BNP Paribas - Singapore branch		Zuercher Kantonbank	
	Citibank NA		Bank of America, N.A.	
	Commerzbank		Bank of New York	
	Commonwealth Bank of Australia		Chinfon Commercial Bank	
	DBS Bank Ltd.		Citibank NA	
	Deutsche Bank AG		Citibank Taiwan Ltd (formerly Bank of Overseas Chinese)	
	Fortis Bank		Deutsche Bank AG	
	Habib Bank Limited		J.P.Morgan Chase Bank NA	
	HSBC Bank		Mega International Commercial Bank (International Commercial Bank of China)	
	JP Morgan Chase Bank		Société Générale	
	KBC Bank NV		Standard Chartered Bank	
	Mizuho Corporate Bank Ltd		Sumitomo Mitsui Banking Corporation, The	
	National Bank of Kuwait		Tainan Business Bank	
Nordea Bank Sweden AB (publ)	Taiwan Cooperative Bank			
PT Bank Mandiri (Persero) Tbk	Union Bank of Taiwan			
Rabobank Asia Ltd	Thailand	Bangkok Bank Public Company Limited		
Société Générale		Bank of America, N.A.		
Standard Chartered Bank		Citibank NA		
Sumitomo Mitsui Banking Corporation, The		Deutsche Bank AG		
U.B.A.F.		HSBC Bank		
Woori bank		J.P.Morgan Chase Bank NA		
Slovakia		Commerzbank	Standard Chartered Bank	
		SKB Banka dd	Sumitomo Mitsui Banking Corporation, The	
Slovenia		Unicredit Bank Slovenija	Arab Tunisian Bank	
		Citibank NA	Citibank NA	
South Africa		Firstrand Bank Ltd	Société Tunisienne de Banque	
		Habib Overseas Bank Limited	Al Baraka Turkish Finance House	
		HBZ Bank Limited (Habib Bank AG Zurich)	Aşya Katilim Bankası A.S.	
Spain		Banco de Sabadell SA	Turkey	Citibank NA
		Banco Espanol de Credito		Denizbank A S
		Banco Pastor SA		Deutsche Bank AG
		Bank of America, N.A.		Habib Bank Limited
	Bilbao Bizkaia Kutxa	HSBC Bank		
	BNP Paribas S.A. Sucursal En Espana	ING Bank A.S. (formerly Oyak Bank A.S.)		
	Caja De Ahorros de Galicia (Caixa Galicia)	Kuveyt Turk Evkaf Finans Kurumu A.S		
	Caja De Ahorros Del Mediterráneo	Tekstilbank		
	Commerzbank	Türkiye Finans Katilim Bankasi AS		
	Deutsche Bank AG	Türkiye Garanti Bankasi AS		
	HSBC Bank	Türkiye Halk Bankasi AS		
	Bank of Ceylon	Türkiye Is Bankasi AS		
	Deutsche Bank AG	Türkiye Vakiiflar Bankasi T.A.O		
	Habib Bank Limited	Turkland Bank (T-Bank)		
	Hatton National Bank	Yapi Ve Kredi Bankasi A.S.		
	HSBC Bank	UAE		Abu Dhabi Commercial Bank
	MCB Bank			Abu Dhabi Islamic Bank
Standard Chartered Bank	Ajman Bank			
Danske Bank A/S	BNP Paribas SA			
Nordea Bank Sweden AB (publ)	Citibank NA			
Skandinaviska Enskilda Banken (SEB Bank)	Credit Europe Bank (Dubai) Ltd.			
Svenska Handelsbanken	Deutsche Bank Abu Dhabi			
Banco Santander (Suisse) SA	Dubai Islamic Bank			
Banque Cantonale Vaudoise	Emirates Bank International, PJSC (now Emirates NBD)			
Banque de Commerce et de Placements	First Gulf Bank			
BNP Paribas (Suisse) SA	Habib Bank AG Zurich			
Commerzbank (Schweiz) AG	Habib Bank Limited			
Commerzbank, Frankfurt, Germany	HSBC Bank Middle East			
Credit Agricole Indosuez	Mashreq Bank Limited			
Deutsche Bank AG Zurich	National Bank of Abu Dhabi			
Deutsche Bank AG, Frankfurt, Central Entry Point Europe				
Habib Bank AG Zurich				



Correspondent Banking Network



Country	Bank	Country	Bank
UK	National Bank of Dubai (now Emirates NBD)	Vietnam	Malayan Banking Berhad
	National Bank of Fujairah		Mashreq Bank Limited
	Noor Islamic Bank		Mizuho Corporate Bank Ltd.
	Royal Bank of Scotland		National Bank of Pakistan
	Standard Chartered Bank		National City Bank
	Union National Bank		New York Commercial Bank
	United Arab Bank		Nordea Bank Sweden AB (publ)
	United Bank Limited (UBL)		PNC Bank
	AIB Bank		Regions Bank (formerly Union Planters)
	Bank Mandiri (Europe) Ltd.		Royal Bank of Scotland (formerly ABN Amro Bank)
	Bank of America, N.A.		Santander Central Hispano
	Citibank NA		Société Générale
	Commerzbank		Standard Chartered Bank
	Commonwealth Bank of Australia		Sumitomo Mitsui Banking Corporation, The
	Deutsche Bank AG		Suntrust Bank
	European Islamic Investment Bank (EIIB)		U.S. Bank NA
	Gulf International Bank B.S.C.		United Bank Limited AG Zurich
	Habib Bank AG Zurich		Wells Fargo Bank NA (formerly Wachovia Bank)
	Habib Bank Limited		Woori bank
	Habibsons Bank Limited		Deutsche Bank
	HSBC Bank		J.P.Morgan Chase Bank NA
	JPMorgan Chase Bank		Vietnam Bank for Agriculture
	KBC Bank NV		Woori bank
	Korea Exchange Bank		Saba Islamic Bank
	Mashreq Bank Limited		Shamil Bank of Yemen and Bahrain
	Merrill Lynch International Bank Limited		United Bank Limited
	Mizuho Corporate Bank Ltd., London		
	National Westminster Bank plc		
	Nordea Bank Sweden AB (publ)		
	Northern Bank Limited (Danske group)		
	Royal Bank of Scotland		
	Standard Chartered Bank		
	Sumitomo Mitsui Banking Corporation, The		
	United National Bank (UBL & NBP)		
	Woori bank		
	Prominvestbank		
	Banco Itau		
	Abacus Federal Savings Bank		
	Banco do Brasil S.A.		
	Bangkok Bank Public Company Limited		
	Bank of America, N.A.		
	Bank of New York		
	BNP Paribas USA - New York branch		
	Branch Banking & Trust Co		
	Brown Brothers Harriman and Co.		
Calyon (formerly Credit Lyonnais)			
Capital One, NA			
Cathay Bank			
Citibank NA			
Commerzbank			
Commonwealth Bank of Australia			
Deutsche Bank			
Deutsche Bank Trust Company Americas			
Doha Bank			
First Tennessee Bank, N.A.			
Fortis Bank			
Gulf International Bank B.S.C.			
Habib American Bank			
Habib Bank Limited			
HSBC Bank			
InterBusiness Bank, N.A.			
International Finance Corporation (IFC)			
Israel Discount Bank of New York			
JPMorgan Chase Bank			
KeyBank National Association			
Ukraine			
Uruguay			
USA			



Branch Network



Alhamdulillah, Meezan Bank has established 222 in 63 cities across Pakistan. This is a milestone that is not only the success story of Meezan Bank but also the continuing success story of Islamic Banking in Pakistan. With this extensive network, our existing and potential customers are now closer than ever in attaining Islamic Banking at their doorstep. All branches provide real time online banking facilities to customers.

As the first and largest dedicated Islamic Bank in Pakistan, Meezan Bank's team continues to build on its Vision of establishing "Islamic banking the banking of first choice". One of the key objectives of the Bank is to have its footprint strategically placed throughout the country enabling the public to avail the benefits of Shariah compliant Banking in their neighbourhood.

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

Southern Region

Hub (Lasbela)
Hyderabad
Karachi
Mirpurkhas
Nawabshah
Quetta
Sakrand
Sanghar
Sukkur
Tando Adam
Tando-Allah-Yar

Central Region

Arifwala
Bahawalpur
Burewala
Chiniot
Daska
Dera Ghazi Khan
Faisalabad
Gojra
Gujranwala
Gujrat
Hafizabad
Haroonabad
Hasilpur
Jampur
Jhang
Kasur
Khanpur
Khushab
Lahore
Lalamusa
Lodhran
Mandi Bahauddin
Mian Channu
Multan
Okara
Rahim Yar Khan
Sadiqabad
Sahiwal
Sargodha
Sheikhupura
Sialkot
Toba Tek Singh

Northern Region

Abbottabad
Attock
Chakwal
Dera Ismail Khan
Dina
Gujar Khan
Haripur
Havelian
Islamabad
Jhelum
Kohat
Mansehra
Mardan
Muzaffarabad
Nowshera
Peshawar
Rawalpindi
Sawabi
Swat
Wah Cantt

For 2011 Meezan Bank has planned to open an additional 53 branches in Pakistan. Meezan Bank's mission is to provide its customers dedicated and pure Islamic Banking facilities with the greatest of convenience and personalized services. It remains the Bank's endeavour to establish solid foundations of Islamic Banking in Pakistan.



Branch Network



Southern Region

Hub (Lasbela)

Hub Chowki Branch
Hub City, District Lasbela, Balochistan.
Tel: (92-853) 310252-3

Hyderabad

Cloth Market Branch
C/916/18, Guru Nagar, Hyderabad.
Tel: (92-22) 2621341-2

Gari Khata Branch
City Survey No. F/1054,
Ward - F, Gari Khata, Hyderabad.
Tel: (92-22) 2725671-2

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

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

Market Road Branch
Market Road Hyderabad, Survey No.
2669,2669/1, Ward "A", Market Road, Hyderabad.
Tel: (92-22) 2638362-6

Qasimabad Branch
Plot # QEA/R-6/03-4,11-12, Housing Scheme
No. 1, Main Road Qasimabad, Hyderabad.
Tel: (92-22) 2670511-15

Karachi

Abdullah Haroon Road Branch
S/1, Plot No. P.R 2/31/5, Preedy Quarters,
Abdullah Haroon Road, Karachi.
Tel: (92-21) 3270-0143-5, 3270-0106, 3270-0109

Abul Hasan Isphani Road Branch
Plot # 25-A, Main Abul Hasan Isphani Road,
Azeem Khan Goth, Gulshan-e-Iqbal,
Block 4-A, Karachi.
Tel: (92-21) 34810729-32, 34810734-5

Al-Azam Plaza Super highway Branch
Shop# 5(A,B) & 6(A,B), Ground Floor Sector 1-
A, Gulzar-e-Hijri, Karachi.
Tel: (92-21) 36365780

Alamgir Road Branch
Z-484, Block 3, Bahaduryar Jang Cooperative
Housing Society,
Alamgir Road, Karachi.
Tel: (92-21) 34140968

Allama Iqbal Road Branch
Mono Tower, Allama Iqbal Road,
PECHS, Block 2, Karachi.
Tel: (92-21) 34300996-7

Babar Market Landhi Branch
2-A/167,168 & 169, Baber Market,
Landhi Township, Karachi.
Tel: (92-21) 35011071-75

Bahadurabad Branch
Adam Arcade, Plot No. 28,
BMCH Society, Karachi.
Tel: (92-21) 34145021, 34145017

Bait Ul Mukarram Branch
Shop No. S - 3 & S - 4, Yasir Apartments, FL -
6, Block 16, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 34839021-3

Barakat-e-Hyderi-Branch
D10, Block H, North Nazimabad, Karachi.
Tel: (92-21) 36705159

Bilawal Chowk Branch
Plot No. Commercial 7/1,
Green Belt Residency, Shop No. 4 & 5, Block 2,
Scheme 5, Clifton, Karachi.
Tel: (92-21) 35830628, 35830634, 35832083

Bin Qasim National Highway Branch
Survey No.435, Deh Landhi, Taluka Bin Qasim
Town, Karachi.
Tel: (92-21) 35012376, 35012355, 35012357

Block-E North Nazimabad Branch
Plot No.ST-4, Shop No A/D-66 & 67, Block "E"
Hyderi, North Nazimabad Karachi.
Tel: (92-21) 36724294-96

Boat Basin Branch
Shop # 40-43, Commercial Sub
Plot # FL-7/C/4 of Plot # 7, Block No. 5, Clifton,
Karachi.
Tel: (92-21) 35870330, 35870608, 35870697,
35870687, 35870698

Bohrapir Branch
Ranchore Quarter, Prince Street,
Bohrapir, Karachi.
Tel: (92-21) 32712915-918, 32712909

Buffer Zone Branch
R-914, Sector-15-A/1, Buffer Zone,
North Karachi, Karachi
Tel: (92-21) 36965851-5

Clifton Branch
Ground Floor, Al-Karam Centre, BC1, Block-7
Clifton, Main Clifton Road, Karachi.
Tel: (92-21) 3537 2060-64

Cloth market Branch
Atique Market, Bunder Quarters, Karachi.
Tel: (92-21) 32418137-9

DHA Phase I Branch
Ground Floor, Plot No. 119,
DHA Phase I, Korangi Road, Karachi.
Tel: (92-21) 35396854-58

DHA Phase II-Extention Branch
Plot # 69 & 71, Garibsons Building, 12th
Commercial Street, DHA Phase II Extension,
Karachi.
Tel: (92-21) 35311953-8

DHA Phase IV Branch
Plot No. 57/C, 9th Commercial Street, DHA
Phase IV, Karachi.
Tel: (92-21) 35314861-4

Dhoraji Branch
35/182, C.P. & Bearar Housing Society, Karachi.
Tel: (92-21) 34860861-4

F.B Area Branch
C-12, Block 10, F.B Area, Karachi.
Tel: (92-21) 36805370-6

FTC Branch
Ground Floor, Block B, FTC Building, Shahrah-
e-Faisal, Karachi.
Tel: (92-21) 35650771

Garden West Branch
Shop # 9,10,11 & 12 (Amin Centre), Plot Survey
130/1, Sheet No. G-R.2, Garden West, Karachi.
Tel: (92-21) 32241383--87

Gulbai SITE Area Branch
Plot # C-25, Gulbai, SITE Area, Karachi.
Tel: (92-21) 32594711-5

Gulberg Branch
Shop No.7, A-94, Block-18, F.B. Area, Karachi.
Tel: (92-21) 36829112-4

Gulistan-e-Jauher Branch
Plot # ST -9, Block 15, Scheme 36,
Gulistan-e-Jauher, Karachi.
Tel: (92-21) 340302511-54

Gulshan Block 2 Branch
Ground Floor Arif Residency,
Plot # SB 08, Gulshan -e-Iqbal Block 2, Near Rab
Medical Centre, Karachi.
Tel: (92-21) 34971232

Gulshan Chowrangi Branch
Sub Plot No 5-A/1-10, Plot # FL-5, Block 3,
Gulistan-e-Erum, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 34811849, 34813967

Gulshan-e-Iqbal Branch
B-41, Block No. 13-A, KDA Scheme 24,
University Road, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 34811901-6

Gulshan-e-Maymar Branch
A-102 Shop # 1 & 2 SB, 1 Sector X - IV, Opposite
Roman Fountain Park.
Scheme -4, Gulshan-e-Maymar, Karachi.
Tel: (92-21) 36350513-4-5

Hussainabad Branch
Block 3, Pakistan Memon Education & Welfare
Society, Hussainabad, Karachi.
Tel: (92-21) 36320461-62 & 36320467

I.I. Chundrigar Road Branch
Shop No. 9 & 10, Gul Tower, I.I. Chundrigar
Road, Karachi.
Tel: (92-21) 32423676

Jodia Bazar Branch
H-91 A, Darya Lal Street, Jodia Bazaar, Karachi.
Tel: (92-21) 32473326-9

Katchi Gali No.2 Branch
No. G-1, situated at Katchi Gali No. 2,
Marriot Road, Karachi.
Tel: (92-21) 32443526-27

K.A.E.C.H.S Branch
Plot No. SA/49 (Commercial), Block-4, Karachi
Administration Employees Cooperative Housing
Society, Karachi.
Tel: (92-21) 34302911-5

Khayaban-e-Bukhari Branch
Shop # 1-2 & Mezzanine Floor,
Plot No. 22-C, Khayaban-e-Bokhari,
Phase VI, DHA, Karachi
Tel: (92-21) 35243561-65

Branch Network



Khayaban-e-Sehar Branch
9-C, Shahbaz Commercial. Lane 1, Khayaban-e-Sehar, Phase VI, DHA, Karachi.
Tel: (92-21) 35349307-13, 35349316-18

Khayaban-e-Shamsheer Branch
3-C, Khayaban-e-Shamsheer, Phase V Ext., D.H.A, Karachi.
Tel: (92-21) 35247600-4

Korangi Branch
Plot No. LS 3, ST-3/1, Sector No. 15, Korangi Industrial Area, Karachi.
Tel: (92-21) 35114324-5, 35114281, 35114279

Korangi II Branch
Q 37, Sector 33-A, Main Road Korangi, Karachi.
Tel: (92-21) 35059215-16

Lea Market Branch
Plot No. 3/20, Khajoor Bazar, Lea Market, Karachi.
Tel: (92-21) 32521650-4

Liaquatabad Branch
No.18, Plot No. 1/19, S.M.Taufiq Road, Liaquatabad, Karachi.
Tel: (92-21) 34125673

Marriott Hotel Branch
Marriott Hotel, Abdullah Haroon Road, Karachi.
Tel: (92-21) 35683491

Model Colony Branch
Plot No.06, Survey No.N-55, Tina Square, Model Colony, Malir, Karachi.
Tel: (92-21) 34492445-7

Muhammad Ali Society Branch
Fatima Jinnah Street, Muhammad Ali Housing Society, Karachi.
Tel: (92-21) 34301863-4

Nazimabad No. 3 Branch
3-A-1/13 Nazimabad No. 3, Karachi.
Tel: (92-21) 36707431-34

New Challi Branch
Plot # SR-7/26 & 27, Survey No.25, Old Survey B-15/12, Serai Quaters, New Challi, Karachi.
Tel: (92-21) 32210661, 32210990, 32211158, 32211433, 32211711

North Karachi Branch
Plot # SA-6 (ST-8), 11-C-1, North Karachi, Karachi.
Tel: (92-21) 36965051-55

North Karachi Industrial Area Branch
Plot No.1-A, Sector 12-C, North Karachi Township, Karachi.
Tel: (92-21) 36963117-21

North Napier Road Branch
Shop No.12, Poonawala Trade Tower, Main North Napier Road, Karachi.
Tel: (92-21) 32713530-34

North Nazimabad Branch
Shop# 9-12, Sub-plot# SC14-3, plot# SC-14, Block-F, KDA Scheme NO.2, Samar Residency, North Nazimabad, Karachi.
Tel: (92-21) 36723549-554

Orangi Town Branch
Plot # LS-15, Sector 6-E, Orangi Town, Karachi
Tel: (92-21) 36694370-74

Plaza Quarters Branch
Plaza Square Karachi, Bombay Building, City Survey No. 37/22, Off M.A. Jinnah Road, Karachi.
Tel: (92-21) 32751560, 32751124, 32751132, 32751106

PNSC Branch
Ground floor at 37- A, Lalazar Area, Off M.T. Khan Road, Karachi.
Tel: (92-21) 35636240-54

Rashid Minhas Road Branch
Ground Floor, Aqsa Tower, Block-C, Rashid Minhas Road, KDA Scheme No.33, Karachi.
Tel: (92-21) 34978062, 34978064,

Saddar Branch
Saddar Bazar Quarters, Raja G. Ali Khan Road, Karachi.
Tel: (92-21) 35224601-05

Shahrah-e-Faisal Branch
29-A, Ground Floor, Sabah Palace, P.E.C.H.S. Block 6, Shahrah-e-Faisal, Karachi.
Tel: (92-21) 34322186-90

Shah Faisal Colony Branch
CB-35, Al Falah Society, Shah Faisal Colony, Karachi
Tel: (92-21) 34686271-3, 34600601-2

Shamsi Society Branch
CM 44 & 45, Ground floor, Shamsi Cooperative Housing Society, Malir Halt, Karachi.
Tel: (92-21) 34682405-07

Shireen Jinnah Colony Branch
Plot no ST-4B block I, Shireen Jinnah Colony, Karachi.
Tel: (92-21) 35833025, 35836758, 35836780

S.I.T.E Branch
Plot No. B/9-C, Estate Avenue, SITE Area, Karachi.
Tel: (92-21) 32550328-31

SITE II Branch
Property # H-6 Site Survey Sheet No 21, Survey Sheet No 35 P/1-35 L/ 13, SITE, Karachi.
Tel: (92-21) 32584850-53, 58-59

Water Pump Branch
Plot No. BS-13, Block-14, Federal B. Area, Karachi.
Tel: (92-21) 36332443, 36332523

Mirpurkhas
Mirpurkhas Branch
Plot # 15, Ward No. A, Adam Mohallah Town at Umerkot Road, Mirpurkhas.
Tel: (233) 876103,08

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

Quetta
Liaquat Bazar Branch
Khasra No. 155, Ward 22, Tappa Urban 1, Najeebullah Street, Liaquat Bazar, Quetta.
Tel: (92-81) 2840195-16

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

Mannan Chowk Branch
Mannan Chowk, Jinnah Road, Quetta.
Tel: (92-81) 2829470-2

Sirki Road Branch
Shop No. 1 & 2, Kasi Complex, Sirki Road, Quetta.
Tel: (92-81) 2454222-3

Sakrand
Sakrand Branch
Deh. 18, Taluka City Sakrand, District Nawabshah.
Tel: (92-244) 322047-54-56-57

Sanghar
Sanghar Branch
Property No.124 / A-1, Housing Society Town, Sanghar.
Tel: (92-235) 543662-3

Sukkur
March Bazar Branch
C-45, Station Road, Sukkur.
Tel: (92-71) 5620771-3

Sukkur Branch
3-45, Ward-C, Station Road, Sukkur.
Tel: (92-71) 5617192-94

Tando Adam
Tando Adam Branch
Muhammad Chowk, Tando Adam, District Sanghar.
Tel: (92-235) 576565-66

Tando Allahyar
Tando Allahyar Branch
Survey No. 1610/07, Opposite General Bus Stand, Tando Allahyar.
Tel: (92-22) 3892021, 3891242

Central Region
Arifwala

Arifwala Branch
3-A, Lakkar Mandi, City Road, Arifwala.
Tel: (92-457) 834502-3

Bahawalpur
Bhawalpur Branch
Milad Chowk, Eidgah Road, Bahawalpur.
Tel: (92-62) 2732145-7

Burewala
Burewala Branch
Multan Road, Opp. College Road, Burewala.
Tel: (92-67) 3773751-4

Chiniot
Sharah-e-Quaid-e-Azam Chiniot Branch
P-468, AI-469 II, Shahrah-e-Quaid-e-Azam, Chiniot.
Tel: (92-47) 6331103-4

Branch Network



Daska

Daska Branch
Rest House Chowk, Gujranwala Road, Daska.
Tel: (92-52) 6612837-41

Dera Ghazi Khan

Dera Ghazi Khan Branch
Jampur Road, Dear Ghazi Khan.
Tel: (92-64) 2474255-7

Faisalabad

Bhowana Bazar Branch
150-D .B V, Gole Bhowana Bazar, Faisalabad.
Tel: (92-41) 2633042-4

Clock Tower Branch
P-175 Clock Tower, Karkhana Bazar, Faisalabad.
Tel: (92-41) 2606085-87

Dijkot Road Branch
Shops# 68 & 69, Dijkot Road, Adjacent to Grain Market, Faisalabad.
Tel: (92-41) 2416141-4

Gole Cloth Katchery Bazar Branch
P-54 Gole Cloth, Katchery Bazar, Faisalabad.
Tel: (92-41) 2610373-4

Millat Chowk Branch
158-B-1 Gulistan Colony No 2,
Millat Chowk, Faisalabad
Tel: (92-41) 8784346-7

Kotwali Road Branch
P-63 Kotwali Road, Faisalabad.
Tel: (92-41) 2602587

Peoples Colony Branch
1/A-II, Peoples Colony-1, Faisalabad.
Tel: (92-41) 8555002-4

Satyana Road Branch
P 719 Batala Colony, Main Satyana Road.
Tel: (92-41) 8500715-20

Serena Hotel Branch
Serena Hotel, Club Road, Faisalabad.
Tel: (92-41) 2602595-7

Gojra

Gojra Branch
Ex Al Khalid Shopping Centre, Opposite Suriya Hospital, Tahsil Office Road, Gojra.
Tel: (92-46) 3516272-3

Gujranwala

Dal Bazar Branch
Property # BII-19S-31, Near Chowk Chashma,
Dal Bazar, Gujranwala.
Tel: (92-55) 4227592-6

Kashmir Plaza Branch
Kashmir Plaza, Near Ghalla Mandi G.T Road,
Gujranwala.
Tel: (92-55) 3847205-8

Wapda Town Gujranwala Branch
Block No.13, Wapda Town, Gujranwala.
Tel: (92-55) 4283902-5

Gujrat

Gujrat Branch
Amin Fan Building, G.T Road, Gujrat.
Tel: (92-53) 3538104-7

Hafizabad

Hafizabad Branch
Sagar Road Branch, Hafizabad.
Tel: (92-54) 7540811-2

Haroonabad

Haroonabad Branch
14-C, Grain Market, Haroon Abad.
Tel: (92-63) 2251751-2

Hasilpur

Hasil Pur Branch
68/B, Baldia Road, Hasil Pur.
Tel: (92-62) 2443300-1

Jampur

Jampur Branch
Indus Highway, Dera Road, Opposite Nadra Office, Jampur.
Tel: (92-604) 569446-8

Jhang

Rail Bazar Chowk Branch
P-864, Block-9, Circular Road,
Rail Bazar Chowk, Jhang
Tel: (92-47) 7652203-4

Yousaf Shah Road Branch
P- 5 Yousaf Shah Road ,
Near Church Chowk, Jhang.
Tel: (92-47) 7652101-3

Kasur

Kasur Branch
216-9R-IV, Railway Road, Kasur.
Tel: (92-492)2764999

Khanpur

Khanpur Branch
Kutchery Road, Khanpur.
Tel: (92-68) 5577127-8

Khushab

Katha Chowk Khushab Branch
P-4106-27-1, Sargodha Road,
Katha Chowk, Khushab.
Tel: (92-454) 711683-84

Lahore

Akbar Chowk Branch
885-D, Akbar Chowk, Faisal Town, Lahore.
Tel: (92-42) 35201425-26

Akbari Mandi Branch
Outside Akbari Mandi, Circular Road, Lahore.
Tel: (92-42) 37660967,69-70

Allama Iqbal Town Branch
8, Hunza Block, Allama Iqbal Town, Lahore.
Tel: (92-42) 35296701-5

Azam Cloth Market Branch
61 Chandni Chowk, Azam Cloth Market, Lahore.
Tel: (92-42) 37642011-2

Bedian Road Branch
Khasra # 3799, Mauza LIDHAR, Main Bedian Road, Lahore.
Tel: (92-42) 35749607-10

Brandrath Road Branch
46 Brandrath Road, Lahore.
Tel: (92-42) 37676388-92

Cavalry Ground Branch
72-Commercial Area, Cavalry Ground,
Lahore Cantt.
Tel: (92-42) 36619780-3

Circular Road Branch
141-Circular Road,
Out side ShahAlam Gate, Lahore.
Tel: (92-42) 37642001-4

College Road Branch
6-2/C-1, College Road Township ,
Lahore.
Tel: (92-42) 35157184-6

Cloth Market Branch
73-B, Kashmir Block,
Azam Cloth Market, Lahore.
Tel: (92-42) 37380461-5

DHA Phase I Branch
167- G, DHA Phase I, Lahore.
Tel: (92-42) 35742891-2

DHA Phase III Branch
152-Y, Phase IIIC, DHA, Lahore.
Tel: (92-42) 35692591-2, 35895584

DHA Phase IV Branch
Plot # 85-CCA, Phase IV (Comm.), Defense Housing Authority, Lahore.
Tel: (92-42) 35747761-2

Gulberg Branch
60 - Main Boulevard Gulberg, Lahore.
Tel: (92-42) 35879870-2

Gulshan-e-Ravi Branch
Plot # 9, Block F, Gulshan-e-Ravi, Lahore.
Tel: (92-42) 37404822-25

Hall Road Branch
S-50-R-19, Hall Road, Lahore.
Tel: (92-42) 37211806-8

Ichra Branch
156-Main Ferozepur Road, Ichra, Lahore.
Tel: (92-42) 37522989-91

Johar Town Branch
63/R-1, M.A Johar Town Branch, Lahore.
Tel: (92-42) 35314631-34

Karim Block Branch
Baig Plaza, 21 Commercial Zone, Karim Block,
Allama Iqbal Town, Lahore.
Tel: (92-42) 35296701-5

Main Boulevard Branch
Shop # 5 & 6, Ground Floor, Usman Arcade,
Main Boulevard, DHA, Lahore.
Tel: (92-42) 36621482-4

McLeod Road Branch
SE-10-R-2/12, Nihal Chand Building, Mc'Leod Road Lahore.
Tel: (92-42) 36284501-04

Model Town C Block Branch
181-Model Town, C Block, Lahore.
Tel: (92-42) 345844201-4

Model Town, Link Road Branch
39-40, New Liberty Tower(opp. Pace), Model Town Link Road, Lahore.
Tel: (92-42) 35942356-7



Branch Network



Moon Market Allama Iqbal Town Branch
Plot No 9, Al-Faisal Plaza Moon Market Allama
Iqbal Town, Lahore.
Tel: (92-42) 35427936-40

New Garden Town Branch
Ground Floor, Ibrahim Centre, 1-Aibak Block,
New Garden Town, Lahore.
Tel: (92-42) 35941474-77

Peco Road Badami Bagh Branch,
35-Peco Road, Badami Bagh, Lahore.
Tel: (92-42) 37369610-13

Punjab Cooperative Housing Society Branch
66-F, Phase I, Punjab Co-operative Housing
Society, Ghazi Road, Lahore Cantt.
Tel: (92-42) 35924683-4

Q-Block DHA Phase II Branch
295-Q Commercial Area,
Phase II DHA, Lahore.
Tel: (92-42) 35708324-7

Qartaba Chowk Branch
Qartaba Chowk, Temple Road,
Rehman Chamber, Lahore.
Tel: (92-42) 37112404, 37112406-10

Quaid-e-Azam Industrial Estate Branch
169 - S, Quaid-e-Azam Industrial Estate,
Kot Lakhpat, Lahore.
Tel: (92-42) 35215765

Ravi Road Branch
33, Main Ravi Road,
Opposite Bilal Masjid, Lahore.
Tel: (92-42) 37706835-37

Shad Bagh Branch
13-A, Tajpura Chowk, Near PTCL exchange,
Shad Bagh, Lahore.
Tel: (92-42) 37600667-9

Shadman Colony Branch
91 Shadman Colony - 1, Shadman, Lahore.
Tel: (92-42) 37522976 - 9

Shahdra Branch
113 G.T. Road, Lahore.
Tel: (92-42) 37921266-7

Shahalam Market Branch
D-2050, Fawara Chowk,
Inside Shahalam Market, Lahore.
Tel: (92-42) 37377340 - 43

Shalimar Garden Branch
Chowk Shalimar Bagh, G.T Road,
Baghban Pura, Lahore
Tel: (92-42) 36846584-8

Thokar Niaz Baig Branch
Ahmed Centre,
1.5 KM Raiwand Road, Lahore.
Tel: (92 42) 37516128-30

Urdu Bazar Branch
4-Kabeer Street, Urdu Bazar, Lahore.
Tel: (92-42) 37116684-7

Walton Road Branch
E-29/21-A, Bank Stop,
Walton Road, Lahore.
Tel: (92-42) 36626602-5

Zarrar Shaheed Road Branch
Khasra #3939 / 3296, Block-B, Al-Faisal Town,
Zarrar Shaheed Road, Lahore Cantt.
Tel: (92-42) 36674862

Lalamusa
Lalamusa Branch
Col. Plaza, Plot No.9, Camping Ground,
G.T. Road, Lalamusa.
Tel: (92-53) 513022, 7513032

Lodhran
Lodhran Branch
Plot No.493-A, A-1, A-2/5H, Ghosia Chowk,
Multan Bahawalpur Road, Lodhran.
Tel: (92-608) 364797-98

Mandi Bahauddin
Mandi Bahauddin Branch
Plot No 5/181 ward No 5, Outside Ghallah Mandi,
Near Tawakli Masjid,
Mandi Bahauddin.
Tel: (92-546) 520931-33

Mian Channu
Mian Channu Branch
17-B, Ghazi More, G.T. Road,
Mian Channu.
Tel: (92-65) 2662001-3

Multan
Bosan Road Branch
Chungi No. 9, Lawyers Colony,
Bosan Road, Multan.
Tel: (92-61) 6210090-92

Chowk Shaheedan Branch
Property # 3493, Chowk Shaheedan, Multan.
Tel: (92-61) 4502906-09

Gulgashat Branch
437/C Gulgashat Colony, Multan.
Tel: (92-61) 6511931-2

Hussain Agahi Branch
Property # 2560,
Ward # 10, Hussain Agahi Road, Multan.
Tel: (92-61) 4512206-07

Old Bahawalpur Road Branch
Mehar Fatima Tower,
Opp. Multan High Court,
Old Bahawalpur Road, Multan.
Tel: (92-61) 4785604-7

Shah Rukn-e-Alam Branch
Shop # 26-27, Block F,
Main Market, T-Chowk, Shah Rukn-e-Alam
Colony, Multan.
Tel: (92-61) 6784324-5

Vehari Road Branch
Rehman Commercial Centre, Near Grain Market,
Vehari Road, Multan.
Tel: (92-61) 6244153-5

Okara
Okara Branch
MA Jinnah Road, Okara.
Tel: (92-44) 2521935-7

Rahim Yar Khan
Rahim Yar Khan Branch

17, 18 City Centre, Rahim Yar Khan.
Tel: (92-68) 5887603-4

Sadiqabad
Sadiqabad Branch
31-D Main Bazar, Sadiqabad.
Tel: (92-68) 5701207-8

Sahiwal
Sahiwal Branch
276-B-I, Alpha Tower, High Street, Sahiwal.
Tel: (92-40) 4465009 / 4466592

Sargodha
Muslim Bazar Branch
12-Block Chowk, Muslim Bazar, Sargodha.
Tel: (92 48) 3741609-13

Sargodha Branch
91 Civil Lines, University Road, Sargodha.
Tel: (92-48) 3741608-10

Sheikhupura
Sheikhupura Branch
Civic Center, Sargodha Road, Sheikhupura.
Tel: (92-56) 3813360-2

Sialkot
Kashmir Road Branch
Kashmir Road, Sialkot.
Tel: (92-52) 4295301-3

Kutchery Road Branch
Kutchery Road, Sialkot.
Tel: (92-52) 4263461

Toba Tek Singh
Toba Tek Singh Branch
P-103 Farooq Road, Toba Tek Singh
Tel: (92-46) 2513765-6

Northern Region
Abbottabad
Abbottabad Branch
Plot No. 843-846, Manshera Road, Abbottabad.
Tel: (92-992) 344701-3

Abbotabad Branch
PMC Chowk, Main Bazar, Abbottabad.
Tel: (92-992) 341990 - 92

Attock
Attock Branch
B-143, Fawwara Chowk, Civil Bazar, Attock.
Tel: (92-572) 701003-5

Chakwal
Chakwal Branch
B VI/4-A Bab-e-Chakwal, Talagang Road,
Chakwal.
Tel: (92-543) 543381-4

Dera Ismail Khan
Dera Ismail Khan Branch
East Circular Road, Dera Ismail Khan.
Tel: (92-966) 717257-8

Dina
Dina Branch
Al-Bilal Shopping Centre, Main Chowk,
G.T. Road, Dina, Distt. Jehlum.
Tel: (92-544) 636119-21



Branch Network



Gujar Khan

Gujar Khan Branch
B-III, 215-E, G.T. Road, Gujar Khan.
Tel: (92-51) 3515679-83

Haripur

Haripur Branch
Rehana Plaza, G.T. Road, Haripur.
Tel: (92-995) 627250 - 3

Main Bazar Branch
Main Bazar, Near Sheranwala Gate, Haripur.
Tel: (92-995) 615-103, 615-322

Havelian

Havelian Branch
Near Old TMA Office, Main Bazar Havelian,
Distt.

Abbottabad
Tel: (92-992) 811501-03

Islamabad

Aabpara Branch
Plot # Ramna 6/1-4, Aabpara Market, Sector G-6, Islamabad.
Tel: (92-51) 2603061-64

Barakahu Branch
Fazal ul Haq Plaza, Main Murree Road,
Baharakahu, Islamabad.
Tel: (92-51) 2232881-82

F-6 Markaz Branch
Ground & First Floor, Sethi Plaza, Super Market,
F-6 Markaz, Islamabad.
Tel: (92-51) 2601791-5

F-7 Jinnah Super Market Branch
Unit No. 14, Plot No. 12-B, F-7 Markaz, Jinnah
Super Market, Islamabad.
Tel: (92-51) 2655001-04

F-8 Branch
Panther Plaza, F-8 Markaz, Islamabad.
Tel: (92-51) 2817403-05

F-10 Markaz Branch
Plot No. 2-F, F-10 Markaz, Islamabad.
Tel: (92-51) 2112762-63 , 2112769 , 2112733

F-11 Branch
Shops# 2,3,9,10,11 &12, Ground Floor, Sardar
Arcade, F-11 Markaz, Islamabad.
Tel: (92-51) 2228384-5, 2228388-89

G-9 Markaz Branch
21-B, G-9 Markaz, Islamabad.
Tel: (92-51) 2285849-51

I-9 Branch
Plot No. 2/A, Industrial Area, I-9, Islamabad.
Tel: (92-51) 4859644-47

I-10 Branch
Shop # 7-10, Ground Floor, Ahmadal Plaza, Plot
3-I, Sector I-10 Markaz, Islamabad.
Tel: (92-51) 4432711-13

Jinnah Avenue Branch
Plot # 37-B, Tahir Plaza, Jinnah Avenue, Blue
Area, Islamabad.
Tel: (92-51) 2276712-5, 2801112-5

Jhelum

Jhelum Branch
B-VI-24-S.II, Meher Plaza,
Civil Lines, Jhelum.
Tel: (92-544) 611751-5

Kohat

Kohat Branch
1st Floor, Jinnah Municipal Plaza, TMA, Near
King Gate, Bannu Road-Kohat.
Tel: (92-922) 523037-40

Mansehra

Lari Adda Branch
Near Madni Masjid, Lari Adda, Karakoram
Highway, Mansehra.
Tel: (92-997) 307640-42

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

Par Hoti Branch
Malik Khalid Khan Market, Par Hoti, Mardan.
Tel: (92-937) 560013-4

Muzaffarabad

Madina Market Muzaffarabad A.K. Branch
Mohallah Madina Market, Muzaffarabad.
Tel: (92-5822) 920457-9, 920458-60

Muzaffarabad Branch (AJK)
Secretariat Road, Sathra Muzaffarabad, Azad
Jammu & Kashmir (AJK).
Tel: (92-58810) 42154-56

Nowshera

Nowshera Branch
Shobra Hotel, G.T Road, Nowshera Cantt.
Tel: (92-3) 613174-76

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

Khyber Bazar Branch
Plot # 78, Shoba Chowk ,
Khyber Bazar, Peshawar.
Tel: (92-91) 2564019-21

Saddar Road Branch
6 Saddar Road, Peshawar Cantt, Peshawar.
Tel: (92-91) 9213471-5

University Road Branch
Khattak Plaza, University Road, Peshawar.
Tel: (92-91) 5703400-02

Rawalpindi

Bahria Town Branch
Bahria Heights, Bahria Town, Phase-1
Rawalpindi.
Tel: (92-51) 5730171-3

Bank Road Branch
No. 47/62, Bank Road Saddar, Rawalpindi.
Tel: (92-51) 9273404-6

Bohar Bazar Branch
D-327, Hakim Muhammad Amjal Khan Road,
Bohar Bazar, Rawalpindi.
Tel: (92-51) 5778875, 5778834

Chaklala Scheme III Branch
Plot # 38, Bazar Area, Chaklala Housing Scheme
No.III, Rawalpindi Cantt.
Tel: (92-51) 5766435-8

Chandni Chowk Branch
Umer Farooq Plaza, Block C, Satellite Town,
Chandni Chowk, Murree Road, Rawalpindi.
Tel: (92-51) 4851046-49

G.T Road Tarnol Branch
Khan Malook, Wazir Plaza, G.T. Road, Turnol,
Rawalpindi.
Tel: (92-51) 2226406

Jinnah Road Branch
Property No. 167, Commercial Area,
Moham Pura, Jinnah Road - City Saddar Road,
Rawalpindi City.
Tel: (92-51) 5778511-12

Kalma Chowk Branch
Ground Floor, Rajco Plaza, Kalma Chowk,
Kamala Abad, Rawalpindi.
Tel: (92-51) 568-4491-2

Muslim Town Branch
B-IV, 628-629 Chirah road ,
Muslim Town, Rawalpindi.
Tel: (92-51) 4476013

Peshawar Road Branch
61-A, Chour Chowk, Rawalpindi.
Tel: (92-51) 5469543-4

Sawabi

Sawabi Branch
Amjad Mughalbaz Khan Plaza,
Near TMA Office Mardan Road, Sawabi
Tel: (92-938) 222704-6

Swat

Mingora Branch
Makanbagh Chowk, Mingora Swat.
Tel: (92-946) 714316-18

Wah Cantt

Wah Cantt Branch
Ground Floor, Mall View Plaza, Mall Road,
Wah Cantt.
Tel: (92-51) 4530584-6

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 Investor Account No. / 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 15th Annual General Meeting of Meezan Bank Ltd. to be held on Monday, March 28, 2011 at Beach Luxury Hotel, M.T.Khan Road, Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2011.

Witness:

Signature: _____

Name: _____

Address: _____

CNIC or Passport No. _____

Please affix
Rupees five
revenue
stamp

Signature of Member(s)

NOTES:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the company.

Please affix
correct
postage

The Company Secretary
Meezan Bank Limited
3rd Floor, P.N.S.C. Building
M.T. Khan Road,
Karachi 74000, Pakistan.