



ANNUAL REPORT 2011



Meezan Bank
The Premier Islamic Bank



**THE NEW MEEZAN BANK
HEAD OFFICE BUILDING
INAUGURATED ON
OCTOBER 30, 2011**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



اَلْحَمْدُ لِلّٰهِ رَبِّ الْعٰلَمِيْنَ As we commemorate ten years of Meezan Bank as Pakistan's premier Islamic bank, we couldn't be more humbled and grateful. Indeed, the vibrant growth along with sustained high performance in our first decade is unprecedented in the history of Pakistan.

At the same time, the Meezan team has been hard at work to ready the enabling structures for our future progress; and the recent inauguration of Meezan House - our new state of the art Head Office building in Karachi - has certainly been one of the highlights of this past year. Designed by one of Pakistan's leading architects, the building is a subtle blend of contemporary design and elements from Islamic architecture.

The distinct façade of black stone and glass, coupled with the bright, colourful and spacious interiors create an environment that is pleasurable and symbolic of our values. The granite and glass denote strength and transparency, while wood and the abundance of natural light keep our hearts and minds close to nature. The beautiful array of soothing water bodies inspires us towards purity, dynamism and constant flux.

It is this purity and dynamism that Meezan will continue to strive for in the years and decades to come. By the grace of the Almighty and with the heartening support from our customers and shareholders, the Meezan team is well on its way to making Islamic banking the banking of first choice - Insha'Allah.





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.





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, Innovation, Service Excellence, Social Responsibility

STAFF

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

BRAND PERSONALITY

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

RELATIONSHIPS

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





**THE MOSQUE
AT MEEZAN HOUSE**



QUAID'S CONCEPT OF ISLAMIC BANKING

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

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

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

Quaid-e-Azam 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



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GLASS

Banking is an industry built on trust and Islamic banking is only more so. At Meezan Bank, we appreciate the importance of absolute transparency in our processes, transactions and services. As the pioneering Islamic bank of the country, we shoulder the responsibility of building the foundation that will mould people's views of Islamic banking in the future. Our customers have trusted us to provide them with products and services that fully comply with the principles of Islamic Shariah, and in doing so, have placed immense trust in our propriety. Through the extensive use of glass at Meezan House, we ensure that everyone is continuously reminded of our commitment to absolute transparency.

Corporate Information

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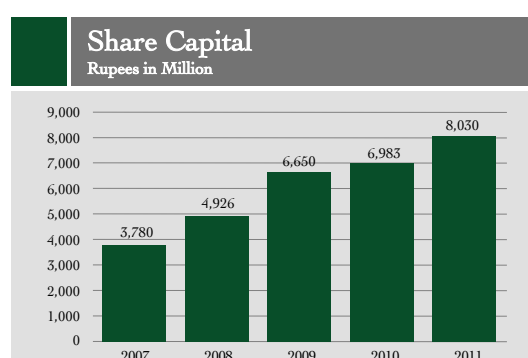
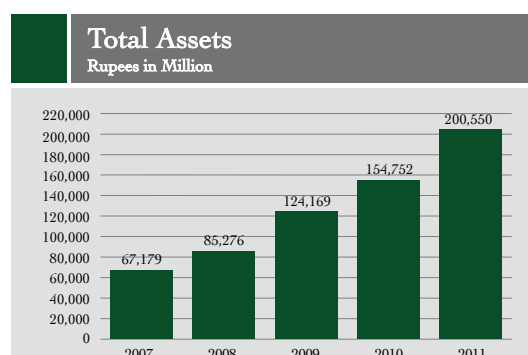
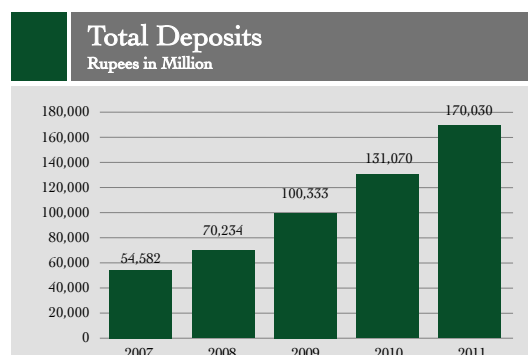
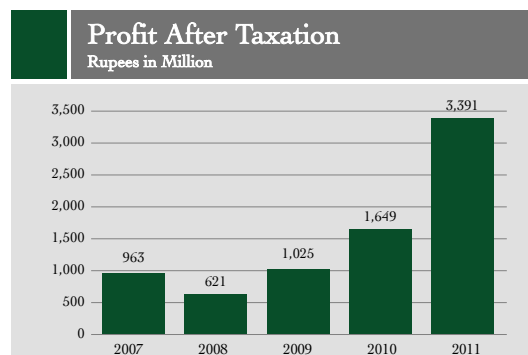
Ten Years at a Glance

	2011	2010	2009	2008	2007
Profit and Loss Account					
Return on financings, investments and placements	18,032	12,290	10,102	6,803	4,574
Return on deposits and other dues expensed	8,666	6,606	4,970	3,088	2,452
Net Spread earned	9,366	5,684	5,132	3,715	2,122
Fee, commission, forex and other income	1,347	2,056	1,332	802	742
Dividend income and capital gain / (loss) on investments	1,158	419	266	(95)	606
Income before provisions and operating expenses	11,871	8,159	6,730	4,422	3,470
Provision against non performing financings and others	(1,424)	(1,450)	(1,443)	(428)	(435)
Provision for diminution in investments and impairment	35	(47)	(89)	(289)	(1)
Income before operating expenses	10,482	6,662	5,198	3,705	3,034
Administrative and operating expenses	6,126	4,536	3,458	2,713	1,765
Profit before Taxation	4,356	2,126	1,740	992	1,269
Taxation	965	477	715	371	306
Profit after Taxation	3,391	1,649	1,025	621	963
Balance Sheet					
Total Financing - net	59,156	54,195	41,710	39,528	34,576
Total Assets	200,550	154,752	124,169	85,276	67,179
Total Deposits	170,030	131,070	100,333	70,234	54,582
Share Capital	8,030	6,983	6,650	4,926	3,780
Total Shareholders Equity	13,329	10,740	9,091	6,341	5,720
Market Capitalization	13,956	11,801	10,467	10,581	14,572
Number of Staff	4,900	4,364	3,669	3,170	2,205
Number of Branches	275	222	201	166	100
Ratios					
Break up Value (Rs.)	16.60	15.38	13.67	12.87	15.13
Market Value per Share (Rs.)	17.38	16.90	15.74	21.48	38.55
Cash Dividend (%)	10	-	-	-	-
Stock Dividend (%)	12.5	15	5	8.6	20
Right Shares at par (%)	-	-	-	35	-
Price Earning Ratio	4.11	8.24	9.20	17.60	15.12
Earning per Share (Rs.)	4.22	2.05	1.62	1.22	1.96
Net Spread to Gross Return (%)	51.94	46.25	50.80	54.61	46.39
Net Profit Before Tax to Gross Income (%)	21.21	14.40	14.87	13.21	21.43
Net Profit After Tax to Gross Income (%)	16.51	11.17	8.76	8.27	16.27
Admin Expense to Income before provisions (%)	51.60	55.59	51.38	61.35	50.86
Financing / Advances to Deposit Ratio-ADR (%)	34.79	41.35	41.57	56.62	56.90
Investment to Deposit Ratio - IDR (%)	57.92	41.94	23.21	20.68	19.30
Capital Adequacy Ratio (%)	14.89	12.41	12.77	9.58	10.71
Return on Average Assets (%)	1.91	1.18	0.98	0.82	1.70
Return on Average Equity (%)	28.18	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
250	360	232	220	164
1,931	1,391	649	480	407
(122)	(69)	(17)	18	63
(1)	30	(2)	(2)	(2)
1,808	1,352	630	496	468
1,028	719	409	255	198
780	633	221	241	270
176	214	(3)	27	47
604	419	224	214	223
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
53.23	51.68	63.02	53.12	48.64
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



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

Rupees in million

Statement of Financial Position												
Assets	2011	11 Vs 10 %	2010	10 Vs 09 %	2009	09 Vs 08 %	2008	08 Vs 07 %	2007	07 Vs 06 %	2006	06 Vs 05 %
Cash and balances with treasury banks	16,641	30	12,781	52	8,387	46	5,764	2	5,644	(4)	5,897	49
Balances with other banks	2,348	(76)	9,940	89	5,260	291	1,345	(64)	3,730	(10)	4,134	45
Due from financial institutions	4,065	(61)	10,512	(70)	34,487	90	18,108	105	8,850	139	3,700	100
Investments	98,489	79	54,967	136	23,290	60	14,527	38	10,535	266	2,878	79
Financings	59,156	9	54,195	30	41,710	6	39,528	14	34,576	28	27,031	37
Operating fixed assets	3,985	30	3,066	27	2,416	28	1,881	82	1,033	95	531	74
Deferred tax asset	801	134	342	68	204	100	-	-	-	-	-	-
Other assets including inventories	15,065	68	8,949	6	8,414	104	4,123	47	2,810	24	2,267	3
	200,550	30	154,752	25	124,168	46	85,276	27	67,178	45	46,438	51
Liabilities												
Bills payable	2,282	29	1,767	41	1,249	18	1,057	(11)	1,192	112	563	116
Due to financial institutions	9,236	58	5,829	(31)	8,468	111	4,008	66	2,416	(44)	4,285	44
Deposits and other accounts	170,030	30	131,070	31	100,333	43	70,234	29	54,582	58	34,449	51
Deferred tax liabilities	-	-	-	-	-	(100)	453	5	430	8	398	134
Other liabilities	5,216	4	5,006	1	4,934	39	3,549	24	2,851	44	1,980	35
	186,764	30	145,672	25	114,984	45	79,301	29	61,471	48	41,675	51
Net Assets	13,786	24	11,080	21	9,184	54	5,975	5	5,707	20	4,763	58
Represented by:												
Share Capital	8,030	15	6,983	5	6,650	35	4,926	30	3,780	0	3,780	86
Reserves	2,058	49	1,380	31	1,050	24	845	17	721	37	528	(21)
Unappropriated Profit	3,240	36	2,377	71	1,390	144	570	(53)	1,219	172	448	67
Surplus/(Deficit) on revaluation of investments	458	35	340	262	94	126	(366)	(2715)	(13)	(286)	7	(87)
	13,786	24	11,080	21	9,184	54	5,975	5	5,707	20	4,763	58
Profit and Loss Account												
	2011	11 Vs 10 %	2010	10 Vs 09 %	2009	09 Vs 08 %	2008	08 Vs 07 %	2007	07 Vs 06 %	2006	06 Vs 05 %
Return on financings, investments and placements	18,032	47	12,290	22	10,102	48	6,803	49	4,574	69	2,704	85
Return on deposits and other dues expensed	(8,666)	31	(6,606)	33	(4,970)	61	(3,088)	26	(2,452)	67	(1,464)	112
Net Spread earned	9,366	65	5,684	11	5,132	38	3,715	75	2,122	71	1,240	61
Fee, commission, forex and other income	1,347	(34)	2,056	54	1,332	66	802	8	742	68	441	68
Dividend income and capital gain	1,158	176	419	58	266	(380)	(95)	(116)	606	142	250	(31)
Income before provisions and operating expenses	11,871	45	8,159	21	6,730	52	4,422	27	3,470	80	1,951	39
Provisions	(1,389)	(7)	(1,497)	(2)	(1,532)	114	(717)	64	(436)	254	(123)	215
Income before operating expenses	10,482	57	6,662	28	5,198	40	3,705	22	3,034	68	1,808	34
Administrative and operating expenses	(6,126)	35	(4,536)	31	(3,458)	27	(2,713)	54	(1,765)	72	(1,028)	43
Profit before taxation	4,356	105	2,126	22	1,740	75	992	(22)	1,269	63	780	23
Taxation	(965)	102	(477)	(33)	(715)	93	(371)	21	(306)	74	(176)	(18)
Profit after taxation	3,391	106	1,649	61	1,025	65	621	(36)	963	59	604	44



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

Rupees in million

Statement of Financial Position												
Assets	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
Cash and balances with treasury banks	16,641	8	12,781	8	8,387	7	5,764	7	5,644	8	5,897	13
Balances with other banks	2,348	1	9,940	6	5,260	4	1,345	2	3,730	6	4,134	9
Due from financial institutions	4,065	2	10,512	7	34,487	28	18,108	21	8,850	13	3,700	8
Investments	98,489	49	54,967	36	23,290	19	14,527	17	10,535	16	2,878	6
Financings	59,156	29	54,195	35	41,710	34	39,528	46	34,576	51	27,031	58
Operating fixed assets	3,985	3	3,066	2	2,416	2	1,881	2	1,033	2	531	1
Deferred tax asset	801	0	342	0	204	0	-	-	-	-	-	-
Other assets including inventories	15,065	8	8,949	6	8,414	6	4,123	5	2,810	4	2,267	5
	200,550	100	154,752	100	124,168	100	85,276	100	67,178	100	46,438	100
Liabilities												
Bills payable	2,282	1	1,767	1	1,249	1	1,057	1	1,192	2	563	1
Due to financial institutions	9,236	5	5,829	4	8,468	7	4,008	5	2,416	4	4,285	9
Deposits and other accounts	170,030	84	131,070	85	100,333	81	70,234	82	54,582	81	34,449	74
Deferred tax liabilities	-	-	-	-	-	-	453	1	430	1	398	1
Other liabilities	5,216	3	5,006	3	4,934	4	3,549	4	2,851	4	1,980	5
	186,764	93	143,672	93	114,984	93	79,301	93	61,471	92	41,675	90
Net Assets	13,786	7	11,080	7	9,184	7	5,975	7	5,707	8	4,763	10
Represented by:												
Share capital	8,030	4	6,983	5	6,650	5	4,926	5	3,780	6	3,780	8
Reserves	2,058	1	1,380	1	1,050	1	845	1	721	1	528	1
Unappropriated Profit	3,240	2	2,377	1	1,390	1	570	1	1,219	1	448	1
Surplus/(Deficit) on revaluation of investments	458	0	340	0	94	0	(366)	0	(13)	0	7	0
	13,786	7	11,080	7	9,184	7	5,975	7	5,707	8	4,763	10
Profit and Loss Account												
	2011		2010		2009		2008		2007		2006	
Return on financings, investments and placements	18,032	88	12,290	83	10,102	86	6,803	91	4,574	77	2,704	80
Return on deposits and other dues expensed	(8,666)	(42)	(6,606)	(45)	(4,970)	(42)	(3,088)	(41)	(2,452)	(41)	(1,464)	(43)
Net Spread earned	9,366	46	5,684	38	5,132	44	3,715	50	2,122	36	1,240	37
Fee, commission, forex and other income	1,347	7	2,056	14	1,332	11	802	11	742	13	441	13
Dividend income and capital gain	1,158	6	419	3	266	2	(95)	(1)	606	10	250	7
Income before provisions and operating expenses	11,871	59	8,159	55	6,730	57	4,422	60	3,470	59	1,931	57
Provisions	(1,389)	(7)	(1,497)	(10)	(1,532)	(13)	(717)	(10)	(436)	(7)	(123)	(4)
Income before operating expenses	10,482	52	6,662	45	5,198	44	3,705	50	3,034	52	1,808	53
Administrative and operating expenses	(6,126)	(30)	(4,536)	(31)	(3,458)	(30)	(2,713)	(36)	(1,765)	(30)	(1,028)	(30)
Profit before taxation	4,356	22	2,126	14	1,740	14	992	14	1,269	22	780	23
Taxation	(965)	(5)	(477)	(3)	(715)	(6)	(371)	(5)	(306)	(5)	(176)	(5)
Profit after taxation	3,391	17	1,649	11	1,025	8	621	9	963	17	604	18



Calendar of Major Events

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

Financial Calendar

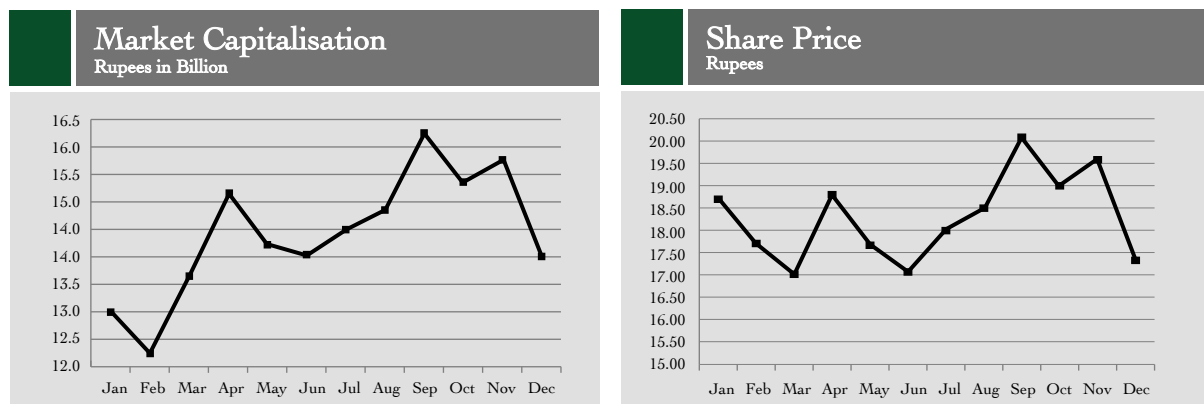
2011

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

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	March 28, 2011

Monthly Market Statistics of Meezan Bank's Share during 2011





Shareholders

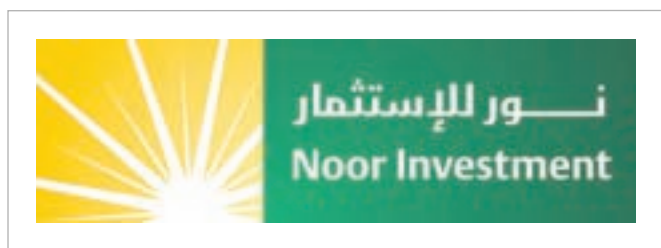
Shareholding Structure	Rs. in millions	%
Noor Financial Investment Co, Kuwait	3,944	49
Pakistan Kuwait Investment Company (Pvt.) Limited	2,409	30
Islamic Development Bank, Jeddah	749	9
Others	927	12
Paid up Capital	8,029	100

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

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

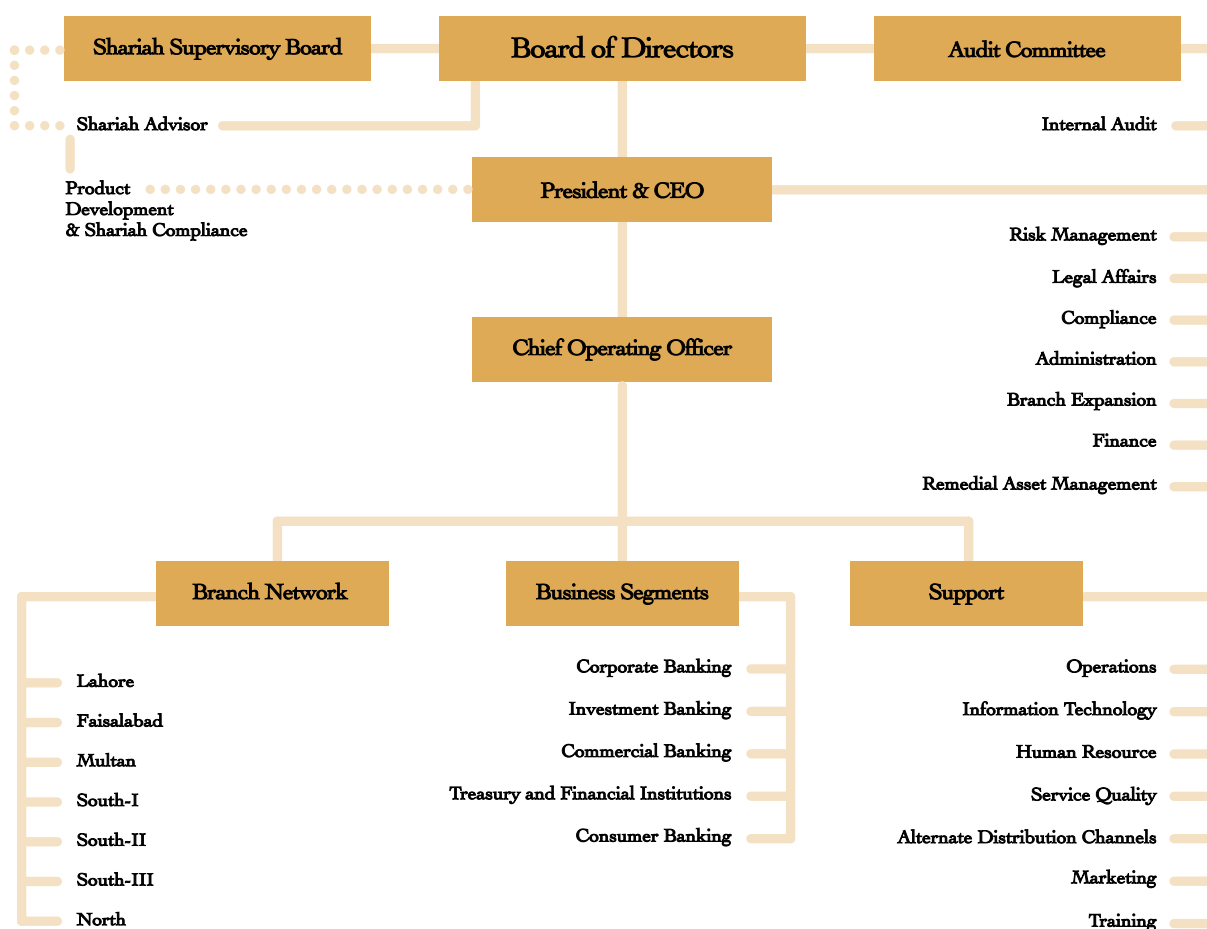
Islamic Development Bank (IDB) is located in Jeddah and is an International Financial Institutions established in 1975 in pursuance of a declaration by the Conference of Finance Ministers, of Muslim countries to foster economic development and social progress in member (Islamic) countries. IDB has an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



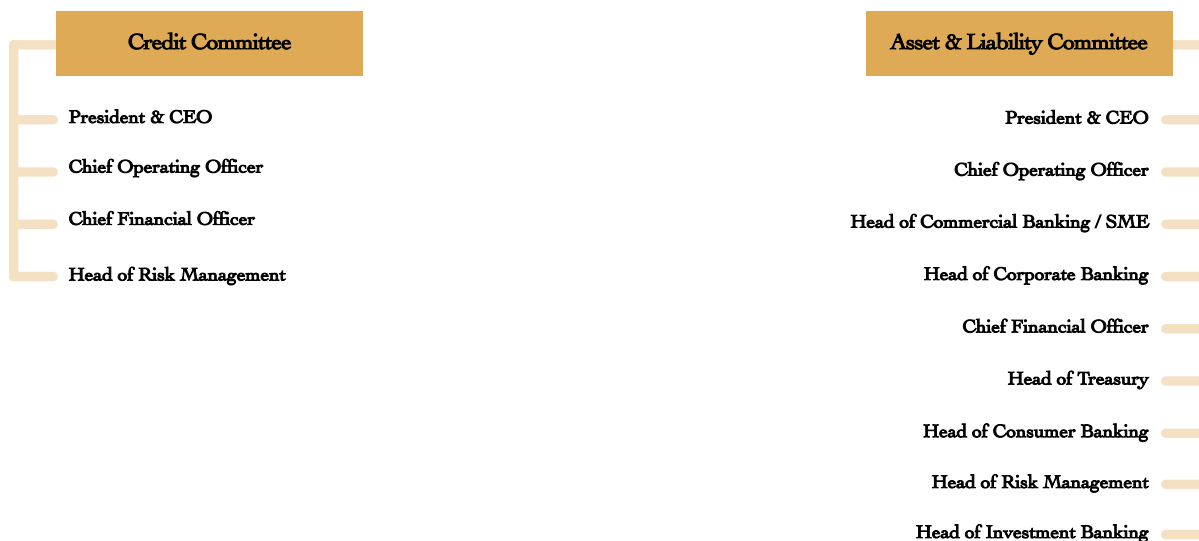


THE BOARD ROOM AT MEEZAN HOUSE

Organisation Structure



Composition of Significant Management Committees





Corporate Information

Board of Directors

H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	Chairman
Abdullateef A. Al-Asfour	Vice Chairman
Rana Ahmed Humayun	
Mohammed Azzarooq Rajab	
Ahmed Abdul Rahim Mohamed	
Alaa A. Al-Sarawi	
Mian Muhammad Younis	
Mohammad Abdul Aleem	
Irfan Siddiqui	President & CEO
Ariful Islam	

Shariah Supervisory Board

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

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
Abdullateef A. Al-Asfour
Irfan Siddiqui

Company Secretary

Tasnimul Haq Farooqui



Management

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

Shariah Advisor

Dr. Muhammad Imran Usmani

Auditors

KPMG Taseer Hadi & Co.

Registered Office

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

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info@meezanbank.com

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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

میزان



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

At Meezan Bank, we believe in maintaining a balance between the needs of our shareholders, our customers, our staff and other stakeholders. This approach will Insha'Allah help us achieve our Vision of providing '... a strong foundation for establishing a fair and just society for mankind'. Our identity is derived from this. In the following pages, we are pleased to present an overview of the history of Meezan Bank.



1997	2002	2003	2004
<p>Establishment of Al Meezan Investment Bank</p>	<p>The Bank acquires Pakistan operations of Societe Generale and is issued the first Islamic Commercial Banking license by SBP. Now a full-fledged scheduled Islamic commercial bank, it is renamed as Meezan Bank</p>	<p>Meezan Bank acts as the Shariah Structuring Advisor for the historic transaction of international Sukuk offering for USD 600 million under a mandate awarded by the Government of Pakistan</p>	
<p>Riba-Free Certificates of Islamic Investment launched.</p>	<p>Deposit base stood at Rs. 5.08 billion</p> <p>Pakistan's first Shariah-compliant Auto Finance product is launched</p> <p>Islamic Export Refinance scheme is introduced in coordination with SBP</p> <p>SME operations start as an independent business unit</p>	<p>Branch network reaches 10 branches nationwide while the deposit base grows to Rs. 7.7 billion</p> <p>Al Meezan Investment Management Limited becomes a subsidiary of Meezan Bank through acquisition of majority shares</p>	<p>Deposit base grows to Rs. 13.7 billion</p> <p>Number of branches reaches 16</p> <p>A 24/7 Call Center is established and ATM/Debit Cards as well as new ATMs are introduced</p> <p>Online Banking is launched across all branches</p> <p>SBP establishes a dedicated Islamic Banking Department and constitutes a Shariah Board</p>

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

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

Meezan Bank wins
Best Islamic Bank in Pakistan

Islamic Finance news Awards



2005

Deposit base grows to
Rs. 22 billion

Number of branches reaches **28**

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

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



BANKING

introduced for the first time in Pakistan

2006

Deposit base grows to
Rs. 34 billion

Number of branches reaches **62** in 21 cities

Best Islamic Bank in Pakistan
Islamic Finance news Awards

Internet Banking launched



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



2007

Import/Export business reaches
Rs. 70 billion

Deposit base grows to
Rs. 54 billion

Introduction of Istisna financing for the working capital needs of customers



Best Islamic Bank in Pakistan

Islamic Finance news Awards



Launch of first Government of Pakistan Ijarah Sukuk

2008

Deposit base grows to
Rs. 70 billion

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

First dedicated Islamic Banking Training Centers established in 3 cities



Best Islamic Bank in Pakistan

Islamic Finance news Awards

Best Islamic Financial Institution in Pakistan



Branch Network expands to 40 cities



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

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

DR. SHAMSHAD AKHTAR

Governor State Bank of Pakistan, January 2006 - January 2009

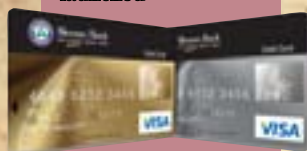


201
Branches
54
Cities

Deposit base crosses
Rs. 100 billion

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

Meezan **VISA**
Debit Cards
launched



Meezan Bank
is now the
11th largest
bank
in Pakistan in
terms of branch
network

Over
222
Branches
Over
63
Cities



Meezan House
inaugurated

Over
275
Branches
83
Cities

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

2009

2010

2011

CFA
ASSOCIATION
PAKISTAN
Islamic Bank of the Year

ASIAMONEY
Best Islamic Bank
in Pakistan

Best Islamic
Financial
Institution in
Pakistan

Islamic Finance news
Awards
Best Islamic Bank in
Pakistan

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

A Hajj and Umrah product

Meezan
launched



TEMENOS
The Banking Software Company

Implementing of new
core banking application
T24 starts

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

Best Islamic
Financial
Institution in
Pakistan

Islamic Finance news
Awards

Best Islamic Bank in
Pakistan

Best Islamic
Bank in
Pakistan

Best Islamic Trade
Finance Bank in Pakistan

Best Islamic Deal - Pakistan

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

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

Meezan
Business
Plus

and Meezan Euro Savings
Account as well as Meezan
Fund Savings Account
launched

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



Total assets
of the Bank cross
Rs. 200 billion

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

Best Islamic
Financial
Institution in
Pakistan

Islamic Finance news
Awards

Best Islamic Bank in
Pakistan

CFA
ASSOCIATION
PAKISTAN

Islamic Bank of the Year

Technical services and
support agreement with



in Sri Lanka

Launch of
Meezan
LaptopEase



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

WESTERN UNION

Home remittance service
available at all branches

Launch of Running
Musharakah for working
capital requirements of
corporate customers

The journey
continues towards
making Islamic banking
the banking of first choice
in Pakistan... *Insha'Allah*

Product Information

Meezan Bank offers a diverse range of Shariah-compliant deposit and financing products through its 275 branches across 83 cities in Pakistan. All products of the Bank are approved by the Shariah Supervisory Board and are 100% Riba-Free.

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

Meezan Rupee Current Account

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

Meezan Rupee Savings Account

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



Meezan Bachat Account

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

Karobari Munafa Account

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

Meezan Business Plus Account

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

As the product is designed to provide free value added services, the share of profit will be minimal. However, as per the rule of Mudarabah, the customer would be liable to share the loss, if any.

Dollar Savings Account

Meezan Bank's Dollar Savings Account is a foreign currency savings account that can be opened by both individuals and businesses. Profit is calculated on daily balance and credited into the account on a monthly basis. The minimum investment required for opening an account is USD 100. 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 businesses. Profit is calculated on the daily balance and credited into the account on a monthly basis. The minimum investment required for opening an account is 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 for quarterly and maturity profit payment option is Rs. 50,000. However, Rs. 200,000 is required as a minimum investment amount for a monthly profit payment option and there is no limit on maximum investment. Pre-mature withdrawals 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 5½ and 7 years. It is ideal for those individuals and businesses who need a regular stream of monthly income. Minimum investment required is Rs. 100,000 for regular customers, while for widows and senior citizens, the minimum investment is Rs. 50,000. Pre-mature withdrawals can be made as per the approved schedule.

Monthly Mudarabah Certificate

The Monthly Mudarabah Certificate is a short-term deposit product for an investment period of one month only. Profit is paid on maturity with a re-investment option available on a continuous basis. Minimum investment required is Rs. 100,000. Pre-mature withdrawals 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 in US Dollars for defined periods ranging from 3 months to 3 years and earn profit six-monthly or at maturity. Minimum investment required is USD 10,000 and there is no maximum investment limit. Pre-mature withdrawals can be made as per the approved schedule.

Meezan Labbaik Savings Aasaan

Meezan Labbaik Savings Aasaan is a deposit product for individuals who wish to save for their spouse, children, parents or other family members for performing Hajj or Umrah on a future date. It is a Recurring Deposit Account, where the

customer deposits contribution as per schedule. The minimum investment required for opening an account is Rs. 1,000.

This is a non-checking account where no cheque book or VISA Debit Card is issued. Profit is calculated on the daily balance and credited into the account on a monthly basis. Apart from a regular 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 and funds collection agent of selected travel agents while delivery of the selected package is the responsibility of the travel agent. Labbaik Travel Aasaan has two variants:

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

Car Ijarah

Meezan Bank's Car Ijarah is an auto finance facility based on the principles of Ijarah. Car Ijarah is a car rental agreement



under which the Bank purchases a new/used car of the customer's choice and rents it out to the customer for a period of 3 to 5 years, agreed at the time of the contract. The Bank offers a low monthly rental and quick processing and delivery. Rental payments start after delivery of vehicle to the customer. The Bank also provides Takaful cover of the car and free accidental death coverage upto Rs. 400,000.

Easy Home

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

Laptop Ease

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

Online Banking

Meezan Bank offers free Online Banking facility on all Pak Rupee Accounts to its customers. This enables the Bank's customers to access their accounts and conduct banking transactions from any of Meezan Bank's over 270 branches nationwide, regardless of which branch or city they have their account in. This facility provides great convenience for depositing and withdrawing cash, making pay orders and availing numerous other banking services.

Meezan VISA Debit Card

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

Internet Banking

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

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



SMS Alerts

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

Meezan ATM Network

Meezan Bank offers a nationwide network of over 200 ATMs located at its branches and at prominent off-site locations across the country. The Bank also offers access to more than 2,000 ATM locations country-wide via 1-Link and MNET networks.

Meezan QuickPay

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

GRANITE

One of the key characteristics that defines Meezan Bank is Strength. For us, the word can be interpreted in many ways: the strength of our branch network or that of our Shariah Board, the strength of our offering of products and services or the strength that we find in the trust and loyalty of our customers. As the largest Islamic bank in Pakistan, we continue to invest in the development of this industry, both in terms of research as well as development of human resource. It is through this constant investment in the future that we can be certain that the times to come shall see a stronger, more prosperous Meezan Bank, Insha'Allah. This dedication to strength and sustainability is the reason we have chosen granite to fortify Meezan House: so that it may constantly remind us of the values we stand for.



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Chairman's Review



“ We believe that the success of the Bank has demonstrated the viability and credibility of the Islamic Banking industry as a whole. ”



Alhamdulillah, all praises and thanks to Allah.

On January 31, 2002 the State Bank of Pakistan issued a license for the first scheduled Islamic Commercial Bank in the country to Meezan Bank Limited. At the ceremony, in which the license was handed over, the then Governor Dr. Ishrat Husain emphasized that he was entrusting Meezan Bank with a great responsibility – the responsibility to make Islamic banking a viable, reliable and vibrant banking industry segment. Alhamdulillah, it is personally very gratifying for me to report that Meezan Bank has fulfilled the task entrusted by the Governor and established a strong foundation for Islamic banking in Pakistan. In doing so Meezan Bank has grown from being the smallest bank at the time to a bank with the ninth largest branch network in the country.

The performance of the Bank has touched new heights. In many ways 2011 may be regarded as a watershed year in the history of the Bank. It has, by the Grace of Almighty Allah, laid the foundations from which it can catapult itself into the league of top-tier banks in Pakistan.

The first pillar of this foundation is the investment in infrastructure. With a network of 275 branches in 83 cities, the Bank is now well positioned to take Islamic banking to every doorstep of the country from the northern reaches of Khyber Pakhtunkhwa to the bustling port city of Karachi. At the same time, the Bank has invested heavily in its technology backbone – significant projects include the implementation of a new core banking solution; hardware upgrades at both the main Data-center and the secondary DR Site; complete revamp of the wide-area network using two separate service providers ensuring 100% redundancy at all locations.

The second pillar is the strong financial footings of the Bank. Profitability was more than double the previous year and Return on Equity of the Bank is now one of highest in the banking industry in Pakistan. This profit has been made even after providing for all potential bad or doubtful financings – the coverage ratio (provision made compared to potential bad and doubtful financings) of the Bank is an impressive 114%. Deposits grew by 30% – more than double the industry average – to close at Rs. 170 billion. The total assets of the Bank crossed Rs. 200 billion placing it at the top end of mid-tier banks in the country. The Bank is very liquid and is well positioned to meet any eventuality.

The third pillar is the impeccable Shariah credibility of the Bank. With a high-powered Shariah Board and a strong Shariah development and compliance team, the Bank prides itself as a 100% Shariah-compliant bank across all activities of the Bank. We are gratified to hear that the name Meezan Bank is now synonymous with Islamic Banking in Pakistan. That is indeed a commendable accolade for the Bank that was given the mandate by the Board of Directors to pursue the highest quality of Islamic banking. We believe that the success of the Bank has demonstrated the viability and credibility of the Islamic Banking industry as a whole.

In addition to the excellent performance of the Bank, the asset management subsidiary Al Meezan Investment Management (AMIM) has also touched new milestones closing the year with total funds under management of Rs. 35 billion – making it one of the largest asset management companies in Pakistan. AMIM is managing a family of 8 mutual funds that includes equity, cash, income, sovereign and pensions funds. It is one of the most respected asset management companies in the country and the only one that is operating exclusively under Islamic Shariah principles.

The Board of Directors has approved the final payout of 12.5% bonus shares. This together with the interim cash dividend of 10% already paid earlier in the year brings the total payout for the year to 22.5%.

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.

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

February 19, 2012

Vice Chairman's Message



As Chairman and Managing Director of Noor Financial Investment Company, Kuwait – the largest shareholder of Meezan Bank – it gives me great pleasure to see that our investment in Pakistan is performing so well. In a short span of 10 years, Meezan Bank has established itself as the largest Islamic bank in Pakistan with a profitable track record.

We are also delighted with excellent performance of the Bank in doubling its profitability for the year ended December 31, 2011. I have no doubt that the management will take the Bank to greater heights in the coming years, while we remain committed to the Vision of establishing “Islamic Banking as banking of first choice”.

Abdullateef A. Al-Asfour
Vice Chairman



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

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.

Meezan Bank disbursed a total of Rs.130.1 million from its charity fund towards promotion of social and welfare causes. Details of charity disbursements are given in Note 18.4.1 to these accounts. A few of the projects undertaken either jointly with some Community Building Organizations (CBOs) or directly by Meezan Bank are detailed below:

CSR Initiatives in the Education Sector

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

The partnership with IBA for their National Talent Hunt Program (NTHP) entered its third year. Under this program, meritorious but needy students from remote and under-developed areas are provided fully-paid scholarships for the Bachelors and Masters Degree programs of IBA. Meezan Bank facilitated IBA in the selection process of NTHP 2011 by providing its branches and staff to conduct the selection interviews in all the major cities of the country. A total of 44 students were selected for the Orientation program and final admission test and out of these, 14 students were accepted by IBA for the Bachelors Program, all of whom have been provided full scholarships.



▣ Sponsorship of Gold Medals on the 7th and 8th Convocation of SZABIST

In order to promote and support excellence in higher education in Pakistan, the Bank sponsored Corporate Gold Medals for students at SZABIST's 7th and 8th Convocation in 2011. Several Gold Medals were awarded to students who attained the highest grades in the courses of Islamic Banking and Micro Finance.



CSR Initiatives in the Health Sector

▣ Children Cancer Hospital

The Bank teamed-up with Children Cancer Hospital on 4th February 2011 - World Cancer Day, to create awareness among its employees, customers and the general public about the perils of cancer and its prevention. This was done by disseminating information about cancer through flyers and detailed presentations about cancer and its prevention by email to all employees of Meezan Bank.



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 standees and distributed flyers of CCH during the month of Ramazan 2011, providing information about the organization and appealing to the public for donation and Zakat. This collaboration was of great help to CCH since substantial funds were collected through this campaign.



□ Sindh Institute of Urology and Transplantation

Meezan Bank has continued its support of Sindh Institute of Urology and Transplantation by providing its extensive branch network as an avenue for them to distribute their flyers and collect donations from general public.



□ Shaukat Khanum Memorial Cancer Hospital

In an effort to help cancer patients, Meezan Bank had signed an MOU with Shaukat Khanum Memorial Hospital for placing their collection boxes in all branches of Sindh and Baluchistan. The Bank continued its efforts in this initiative in Sindh and Baluchistan during 2011 as well. This cooperation, which started in 2010, is now yielding extremely positive results as the collections from this channel are increasing continuously and the hospital is now able to reach out in many areas where previously it had no presence and no mechanism for collection of funds.



This collaboration is also creating awareness about the hospital and cancer disease in Sindh and Baluchistan. The money so collected is deposited in the hospital's account with Meezan Bank and is available for withdrawal immediately by the hospital since all branches of Meezan Bank provide real-time free online account operation.

Trainings

As a part of its continuous efforts to increase awareness and understanding in the general public about Islamic banking, the Bank conducted 39 Islamic banking seminars across the country. The basic purpose of these seminars was to inform and educate the masses and external customers about Riba, its perils and the Halal Islamic banking products. These seminars were not only held in big cities like Karachi, Lahore and Islamabad but even in smaller cities like Jampur, Haroonabad, Hati (Mardan), Dadiyal etc. and were greatly appreciated by the participants.

□ Special Orientation and Presentation to The Citizens Foundation

A special half-day training seminar was conducted at The Citizens Foundation for their managers and executives. The basic purpose of the seminar was to educate them about Islamic banking and its applicability in various sectors of the economy.



CSR Initiatives in the Social Welfare Sector

□ Support for Swat Open Scouts

Meezan Bank provided financial support to the efforts made by the Swat Open Scouts, a civilian association providing emergency assistance in case of a calamity or mishap.

□ Flood Relief efforts

Meezan Bank, in collaboration with the Thardeep Welfare Organization and Ihsan Trust provided flood relief in numerous areas of interior Sindh including Badin, Sanghar and Mirpurkhas which were affected by heavy rains in 2011. The Bank's staff personally managed and supervised the distribution of mosquito nets, dry food items and mineral water as part of the relief efforts.



Business and Operations Review

Business Review

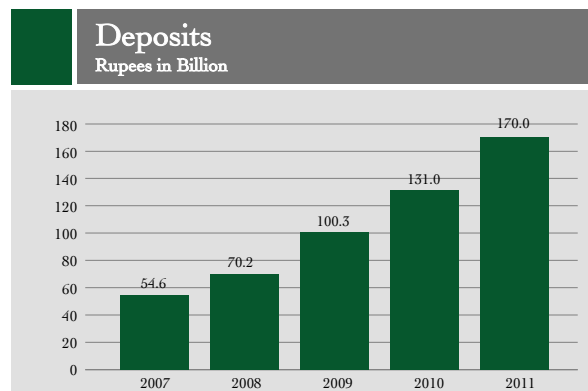
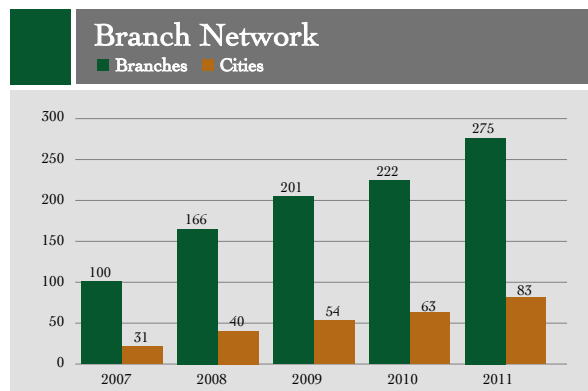
Alhamdulillah, Meezan Bank made good progress during the year under review. The focus has been to consolidate and strengthen systems and processes while, at the same time, maintaining growth.

Branch Network & Deposits

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

The Bank continued with its aggressive branch expansion plan during 2011 and added 53 new branches to its network, thereby closing the year with 275 branches in 83 cities. As a result of its aggressive growth strategy, Meezan Bank now has the 9th largest (2011: 11th) branch network in Pakistan. This extensive network has further strengthened the Bank's ability to deliver comprehensive Islamic banking products and services to customers throughout the country.

Deposit growth has also been impressive. Total deposits at December 31, 2011 crossed Rs. 170 billion compared to Rs. 130 billion for 2010, an increase of 30%, compared to the banking industry average of 14.6 %. Total customer base (number of accounts) increased by 33% from 366,583 to 487,574.

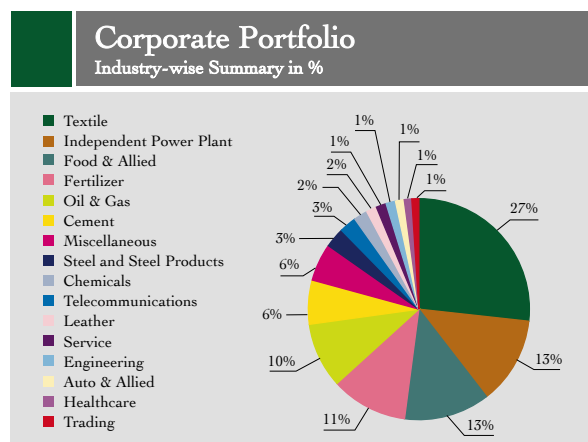


Corporate Banking

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, medium and long-term financing needs along with Trade Finance facilities for imports and exports.

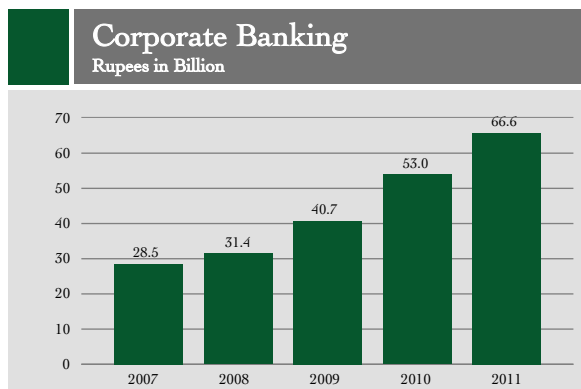
Despite slow economic growth during 2011, the Bank was able to strengthen its Corporate business portfolio by deepening relationships with existing clients and expanding its customer base by booking new clients, including blue-chip companies, in the energy, cement, telecommunications and textile sectors. The Bank has a wide range of products that service both short-term and long-term financing needs of customers.

The total Corporate portfolio of the bank grew by 21.5% to reach Rs. 66.6 billion. In addition, the Bank also grew its Trade Finance (import and export) business by 26.3%, handling total trade business of Rs. 120 billion during 2011. The focus of the Bank's Corporate Banking business remained on targeting short-term working capital facilities including trade and seasonal financing. However, viable long-term deals were also booked after careful assessment.



The Corporate Banking portfolio is well-diversified with a share in almost all major industrial sectors of the country. The Bank has maintained a prudent approach in building its exposure in different sectors and reviews its portfolio from time to time to ensure that a balanced portfolio is maintained.

Looking ahead, the Bank plans to maintain its growth momentum by deepening its relationship with existing Corporate clients as well as building relationships with new names; the emphasis would, however, remain on the top quality and established names in the market.



Investment Banking

Investment Banking Department (IBD) provides a wide range of financing solutions including structured finance, project financing and advisory services to the Bank's extensive corporate client base. IBD is managed by a team of highly qualified and experienced professionals that include MBAs, ACAs, ACCAs, Engineers and CFA charter holders with a proven track record.

The year 2011 proved to be a very successful year for IBD despite the difficult conditions that prevailed in the capital markets. IBD was able to deliver several high value transactions and added over Rs. 7 billion to the Bank's asset portfolio along with healthy fee income of over Rs. 50 million.

The highlight for the year included successful issuance of the first ever short-term Sukuk in Pakistan for Kot Addu Power Company Limited. The development of the short-term Sukuk demonstrates IBD's resolve to develop unique and innovate Shariah-compliant financing solutions. Another significant achievement was the award, by the Ministry of Finance, GOP, of a joint financial advisory mandate for issuance of a series of sovereign Sukuks. In this regard, the first Sukuk auction amounting to Rs. 70.2 billion was completed during December 2011. Following are some notable transactions for the year 2011:

<p>Government of Pakistan</p>  <p>Sukuk Al Ijarah Rs. 235 billion Joint Financial Advisor</p> 	<p>Kot Addu Power Company Limited</p>  <p>Short Term Sukuk Rs. 1,500 million Lead Arranger</p> 	<p>Hub Power Company Limited</p>  <p>Short Term Sukuk Rs. 2,400 million Lead Arranger</p> 
<p>Pakistan Mobile Communications Limited</p>  <p>Syndicated Finance Facilities Rs. 7,081 million Joint Arranger</p> 	<p>Sui Northern Gas Pipelines Limited</p>  <p>Syndicated Finance Facilities Rs. 10,000 million Joint Lead Arranger</p> 	<p>Dawood Hercules Fertilizers Limited</p>  <p>Syndicated Diminishing Musharakah Facility Rs. 4,800 million Lead Arranger</p> 

The Investment Banking team is currently working with the State Bank of Pakistan to facilitate the floatation of a short-term sovereign Sukuk which will address the market's much awaited need for Shariah-compliant short-term government paper.

During the year 2012, IBD's focus will be to promote Asset Backed Securitization transactions and build on its specialized project finance capability. The Bank stands committed to explore alternate avenues of Shariah-compliant financing while maintaining its position as a pioneer of the Islamic banking industry in Pakistan.

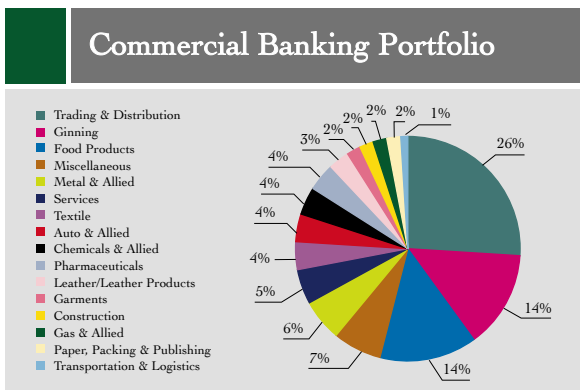
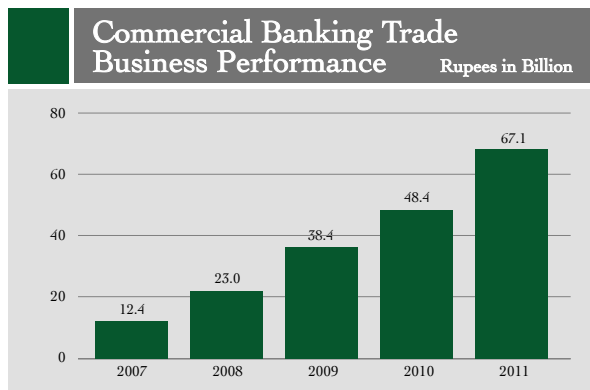
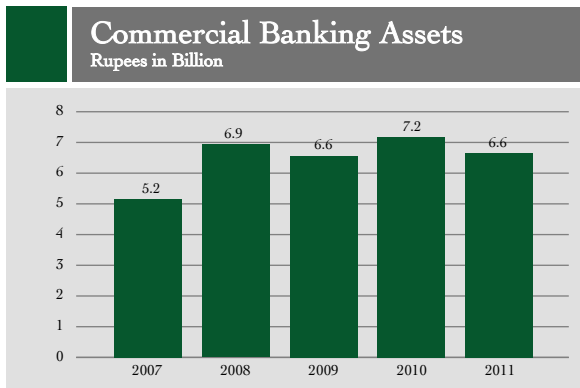


Commercial Banking (including Small & Medium Enterprises)

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.

The Bank consolidated its presence in this market segment during 2011 while maintaining strong financing quality. The Commercial Banking asset portfolio stood at Rs. 6.64 billion whereas the Trade Finance business booked during the year amounted to Rs. 67 billion. The Bank's customer base of over 1,200 relationships country-wide reflects its well-diversified portfolio.

Going forward, the Bank plans to strengthen its Commercial Banking portfolio by expanding in different high-yield & low-risk market segments such as maize, rice, wheat, cotton & other commodities, as well as iron and steel.



Consumer Banking

The Consumer Banking department is comprised of three consumer asset products - Car Ijarah (auto finance), Easy Home (housing finance) and Laptop Ease (laptop finance). These are managed through dedicated sales teams placed at select branches and sales and processing 'hubs' strategically located across Pakistan.

Meezan Bank is the pioneer in providing Shariah-compliant consumer products of car finance, housing finance and laptop finance in the country. Despite the recession and economic uncertainties prevailing in the country during the year, Meezan Bank remained committed to the market and the needs of its customers; a strategic decision that has yielded positive business results.

Meezan Bank Celebrates Azaadi from Riba

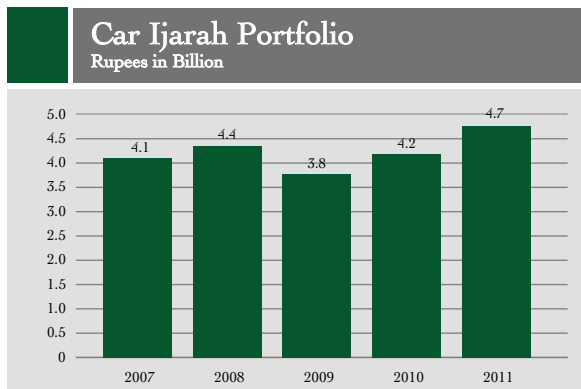
During the month of Ramadan, which also happened to be August, the month of Azadi, Meezan Bank launched a phenomenal campaign for its customers: Riba Sey Azadi Ka Mahina. Whether customers were looking to open a bank account for business or for personal use, Meezan Bank understood that at least in that Holy month, what they needed was a pure, Riba-Free banking experience. It offered a complete range of Current and Savings Accounts, in local and foreign currencies, car financing and much more!

Car Ijarah (Auto Finance)

The automobile industry witnessed a much awaited revival during 2011. Car sales for the year 2011 increased by 7.2% to 136,498 units compared to 126,587 units in the previous year.

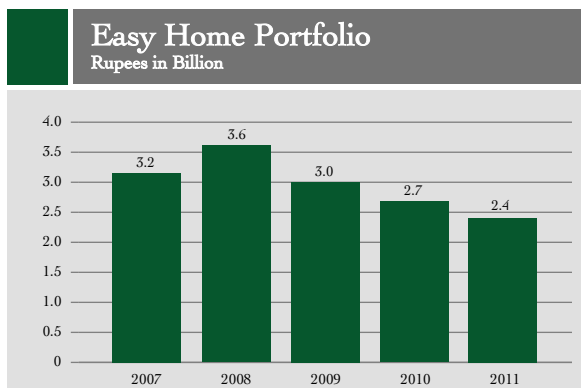
Meezan Bank's Car Ijarah portfolio, that has been built-up over a 10 year period, currently stands at Rs. 4.7 billion with over 8,000 active vehicle contracts - the portfolio includes both new and used cars. One of the notable achievements of the year is the successful launch of a co-branded Ijarah product with Indus motors, the second largest automobile manufacture in Pakistan that produces the Toyota brand.

The Bank follows the strategy of maintaining stringent credit criteria for the Consumer Banking segment. Healthy portfolio management and risk diversification is evident as the ratio of non-performing financing remains at a low level of 1.06% of the portfolio.



Easy Home (Housing Finance)

The year 2011 witnessed the adverse effects of rising inflation and deteriorating law and order situation in the country. As a result, the real estate market in the country remained weak. Despite these challenging market conditions, Meezan Bank continued its housing finance business in line with its objective of providing the benefits of Islamic banking to the consumers. At the close of the year, the total housing finance portfolio of the Bank stood at Rs. 2.4 billion, representing 1,100 customers across Pakistan.



Laptop Ease (Laptop Finance)

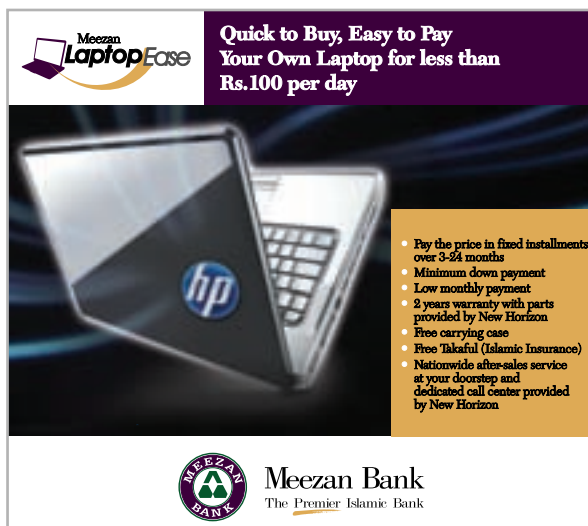
The Bank launched a laptop financing product in April 2011 and received an overwhelming response across the country. In the first eight months of its launch, the Bank financed a total of 656 laptops. Laptop Ease has been launched in collaboration with leading manufacturers of the product.

Adopting a very selective and cautious approach for this product, the Bank maintained a delinquency ratio of 0%, which is an impressive achievement in Pakistan's difficult consumer finance market.

The laptop is a mass market product and one of the objectives of entering this business is to give consumers better access to technology which will result in the socio-economic development of the country and a step towards the fulfillment of the vision for a better Pakistan.

Going forward, Consumer Banking plans to develop innovative new products targeting the mass market.

Market penetration strategy will be to cautiously build a well diversified portfolio, taking advantage of the extensive branch network of the Bank that allows access to markets across the length and breadth of the country.



Quick to Buy, Easy to Pay
Your Own Laptop for less than Rs.100 per day

- Pay the price in fixed installments over 3-24 months
- Minimum down payment
- Low monthly payment
- 2 years warranty with parts provided by New Horizon
- Free carrying case
- Free Takaful (Islamic Insurance)
- Nationwide after-sales service at your doorstep and dedicated call center provided by New Horizon

Meezan Bank
The Premier Islamic Bank

Treasury & Financial Institutions

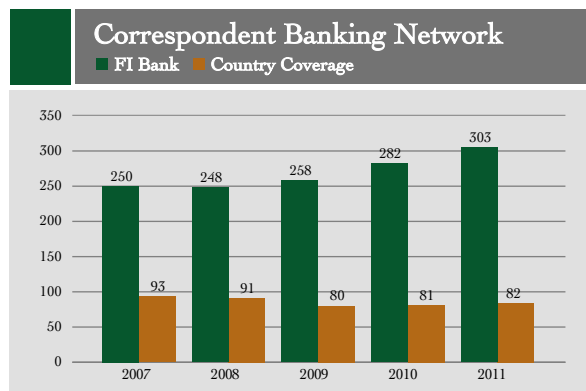
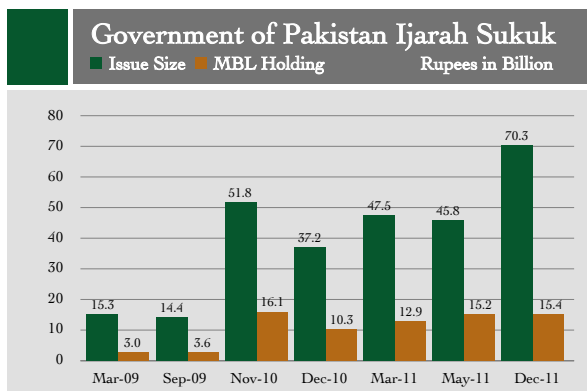
Meezan Bank's Treasury has established itself as an active and formidable player in the local foreign exchange and money markets. The department has done an excellent job in managing the liquidity of the Bank within the constraints of Islamic banking and also worked hard at developing a secondary market for Islamic banking instruments. A substantial portion of the Bank's liquidity has been deployed in the two Government of Pakistan (GOP) Ijarah Sukuk auctions, with Meezan Bank investing an additional amount of Rs. 29 billion during the year. Recognizing its role as the largest Islamic bank in the country and being a primary dealer of SBP, Meezan Bank actively traded the GOP Ijarah Sukuk during the year worth Rs. 11 billion. Going forward, there is demand for a short-term SLR-eligible instrument, which will greatly enhance the ability of Islamic banks to manage their short-term liquidity. Moreover, Meezan Bank is working closely with other Islamic institutions and SBP for the launch of lender of last resort facility for Islamic financial institutions.

During the year, SBP removed the forward cover restriction for importers, as a result of which the Bank was able to increase its trade business. Total trade business for the year amounted to Rs. 168 billion and the volume of remittances stood at USD 27 Million for the same period.

On the interbank FX side, the Bank has become a formidable market player, having a daily volume of USD 40 million in outright FX transactions in both spot and forward trades.

Meezan Bank has internationally renowned banks such as JP Morgan Chase, Deutsche Bank, Commerzbank, HSBC, Standard Chartered, ING, Bank of America, Citibank, Unicredit, Banco Santander, BNP Paribas, Bank of China, Sumitomo Mitsui, etc. on its correspondents list. The complete list of all correspondent banks is given on page 222 of this Annual Report.

Realizing the need to have a one-stop treasury shop for all its customers, a state-of-the-art dealing room has now been established at the Bank's new Head Office, equipped with Reuters, Bloomberg and other electronic trading platforms from various vendors. The department comprises of FRMs, CFAs and ACI-certified individuals. During the year, FI workshops were held in Islamabad, Lahore, Karachi and Multan to update branches on Trade Finance-related developments.



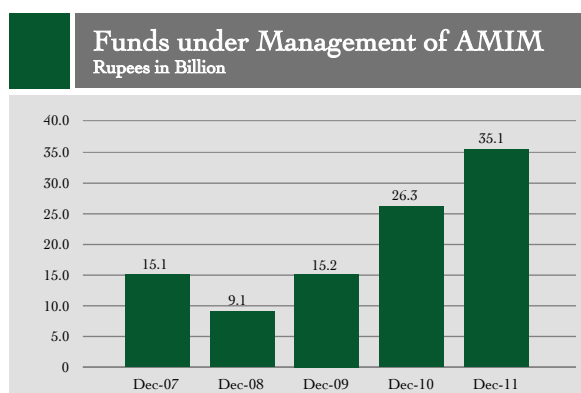
The Chairman of the Bank visiting the new dealing room on the day of inauguration of Meezan House



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 operations since 1995 and has one of the longest and most consistent 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. With assets under management of over Rs. 35 billion as at December 31, 2011, AMIM is one of the largest private sector asset management companies in Pakistan and is rated AM 2 by JCR-VIS Credit rating Company, denoting high management quality with a stable outlook.



The Product Development and 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.

Name of Fund	Type	Net Assets - Rs. million (December 31, 2011)
Meezan Sovereign Fund (MSF)	Open-End Income Fund	18,798
Meezan Capital Protected Fund - II	Open-End Capital Protected Fund	408
Meezan Islamic Fund (MIF)	Open-End Equity	4,346
Meezan Islamic Income Fund (MIIF)	Open-End Income	1,718
Al Meezan Mutual Fund (AMMF)	Open-End Equity	1,410
Meezan Balanced Fund (MBF)	Closed-End Balanced	1,327
Meezan Cash Fund (MCF)	Open-End Money Market	6,601
Meezan Tahaffuz Pension Fund	Voluntary Pension Scheme	476
Total		35,084

Al Meezan launches MCPF-II in partnership with Meezan Bank ▶



MEEZAN CAPITAL PROTECTED FUND-II

Following the success of Meezan Capital Protected Fund-I, Al Meezan Investments in partnership with Meezan Bank launched Meezan Capital Protected Fund-II. This was the second in series of Shariah-compliant Capital Protected Funds, offering protection and growth of funds in the form of 100% capital protection at maturity, competitive, equity market returns, tax credit and much more

Operations Review

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

Product Development & Shariah Compliance

Islamic banking and adherence to the Shariah rules go hand in hand. The foundation of strong Shariah footing 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 and supervision of the Bank's Shariah Advisor - Dr. Muhammad Imran Ashraf Usmani and the SSB and includes the following diversified functions:

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

Meezan Bank strives to provide unique and innovative Shariah-compliant products and services to its customers. With this focus, the Bank executed Running Musharakah transactions with corporate clients such as Hubco, Lucky Cement etc. This new product, based on the concept of Musharakah, gives flexibility to the customer to manage cash-flows and is expected to play a significant role in addressing the short-term financing requirements of customers. During 2011, in addition, the Bank also provided tailor made financing solutions to blue chip multinationals like Linde Pakistan and Nestle Pakistan.

In order to spread the benefits of Islamic banking at a grass root level, the Bank has developed a detailed Agricultural Finance Guide for accommodating the financing requirements of the Agricultural sector.

Several amendments in the operational procedures of current financing products were also made during 2011 to make these products more customer-friendly while ensuring high levels of Shariah-compliance. Meezan Bank issued product guides for Murabaha and Istisna, covering various variants of these products with their accounting entries. The Shariah Supervisory Board of the Bank had also approved a financing product based on the concept of Toll Manufacturing. Apart from this, continuous research is being done for developing solutions for other industries such as gold, fisheries etc.

As an ongoing activity, PDSC department approved more than 1,000 product structures and processes for its clients, as process flow for each and every financing customer is designed and approved by this department and is mandatory for all transactions.

As per the instructions of the Bank's Shariah Advisor, new avenues for liquidity management were explored and the Bank actively participated in structuring and launch of Government of Pakistan Ijarah Sukuk. During the year, the Bank also structured the first ever Islamic short-term Sukuk based on Shirkat ul Aqd for energy sector clients KAPCO and Hubco.

Product base of the Treasury department was enhanced during the year through development of a unique liquidity management product - Bai Muajjal of Sukuk. The Bank also developed product guidelines for trading in currencies.

In Islamic structured finance, the Bank developed Shariah-compliant financing structures for different corporate clients such as SSGC, DG Khan Cement, JDW Sugar Mills, Dawood Hercules Fertilizers Limited, Mobilink (PMCL), SNGPL and Pak Telecom Mobile Limited.

Meezan Bank's research team is also working with the State Bank of Pakistan (SBP) to develop a Shariah-compliant scheme for Islamic long-term finance facility (LTFF) for exporters - that will be the alternative to the conventional scheme currently available - and a SBP Islamic financing window for Islamic banks as an alternative to the conventional discount window.



□ Retail Banking Products

A new saving account for children and teenagers is expected to be launched shortly. The Bank also introduced a brief Urdu summary of deposit account features along with complete Urdu translation of the Terms and Conditions for Mudarabah-based accounts.

Over 750 customers traveled to perform the Holy journeys of Hajj and Umrah during 2011 through Labbaik, Meezan Bank's Hajj & Umrah product for facilitating customers to perform the Holy journey.

□ Internal Training

Providing continuous training to employees at all levels for enhancing their knowledge in Islamic banking & Shariah-compliance matters is a key priority at Meezan Bank. A multi-tier approach has been adopted for Islamic banking training, comprising basic orientation for all new staff, specialized functional modules, Certification programs and product training for different departments as well as advanced-level programs for senior staff members. PDSC staff was instrumental in conducting the Shariah-knowledge related sessions of these programs and also conducted numerous knowledge-sharing sessions at the branches to help improve their Shariah-audit ratings. Over 2,700 people benefited in terms of enhancement in their knowledge and skill set in dimensions of core and advanced Islamic finance during the year through the Bank's regular learning programs as well as brief knowledge-sharing sessions.

During the year, the Bank launched the advanced module of its Islamic Banker Certification course covering detailed topics such as risk management, Islamic accounting standards, pool management and Islamic treasury products. The Bank also conducted five comprehensive advanced-level 6 day courses for Branch Managers, Branch Operation Managers and senior front-office employees across the country.

To provide hands-on access to Shariah-knowledge to its employees, the Bank introduced an Intranet based knowledge portal during the year. This knowledge portal is accessible to all employees of the Bank and contains product policies, guidelines, FAQs, presentations, videos, training audios, articles and other publications. Being cognizant of the importance of the spiritual motivation for an Islamic banker, the Bank also organized several inspirational talks and sessions for its staff by various religious scholars.

□ External Training & Awareness initiatives

The Bank organised numerous training programs, workshops & seminars on Islamic banking, both locally and internationally. During the year, the Bank conducted 39 seminars and Corporate/SME workshops in 23 cities which were attended by more than 4,500 participants including customers, general public and professionals.

The Bank supported the World Islamic Finance Summit held in Pakistan this year and also provided support for promotion of Islamic banking in Pakistan to institutions including SBP, National Institute of Banking and Finance (NIBAF) and Centre for Islamic Economics (CIE) in conducting Islamic banking training sessions. In addition, the Bank participated in various Islamic banking courses and degree programs at different educational institutions including IBA - Karachi, LUMS, Sukkur-IBA, 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 Riphah University, Bahauddin Zakaria University and University of Faisalabad. The Bank also developed self-explanatory educational brochures related to Import Murabaha financing and Istisna.



The World Islamic Finance Summit 2011 primarily focusing on 'Growth and Opportunities of Islamic Banking'

□ Shariah-compliance and Audit

Shariah-compliance is taken very seriously at Meezan Bank and it has always adopted a policy of no compromise on Shariah principles. Shariah-compliance and audit starts at the time of the opening of a branch and go hand-in-hand at each step of every product offering so that every transaction is executed in true letter and spirit as per the instructions of the Shariah Supervisory Board.

The Shariah Audit of over 210 branches was conducted during the year. This audit covers not only branch transactions but also the Shariah knowledge of staff. On the financing side, there is strong emphasis on the evaluation of customers' business activities before setting up or renewing any banking relationship. Furthermore, Shariah-compliance is ensured through customer meetings, factory visits and reviewing random transactions. This ensures that the Bank understands the customers' business cycle and processes and is able to develop tailor-made process flows for successfully providing Shariah-compliant financing solutions to the customers.

For Murabaha transactions, the emphasis is on making direct payments to suppliers in order to ensure transparency of transactions. In addition, random physical inspections are undertaken to verify the relevant purchase evidences and invoices, thus further improving process controls. In Istisna & Tijarah transactions, Shariah-compliance is ensured by conducting physical inspections at the time of taking delivery of the goods.

□ Islamic banking & Shariah Advisory Services

The Islamic Financial Advisory arm of Meezan Bank, with its wealth of experience and accumulated research, assists financial institutions, Mutual Funds, Stock Exchanges and businesses in converting from conventional to Shariah-compliant lines.

Meezan Bank is playing a leading role in the development of Islamic capital markets in the country. The Bank provides Shariah Advisory services to leading asset management companies like Al Meezan Investment Management Limited, National Fullerton Asset Management Company Limited, KASB Funds Limited and AKD Investment Management Limited for establishment and launch of various types of Islamic Mutual Funds.

The Bank also has a pivotal role in developing the first Shariah-compliant Index for benchmarking the performance of Islamic funds. In this context, Meezan Bank advises Al Meezan Investments and Karachi Stock Exchange for matters related to re-composition of the KMI - 30 Index (KSE Meezan Islamic Index).

Meezan Bank has also expanded its advisory horizons beyond Pakistan by entering international financial markets through a 'Shariah Technical Services and Support' agreement with Amana Bank, Sri Lanka. The Bank is now receiving international enquiries for entering into similar advisory arrangements. This has further strengthened the Bank's position as the market leader in providing Shariah-compliant financial solutions.

Meezan Bank also provides advisory services for Islamic consumer sales product to United Sales Pvt. Limited, a subsidiary of Dawlance group, under the umbrella of Diyanat financing.



Operations

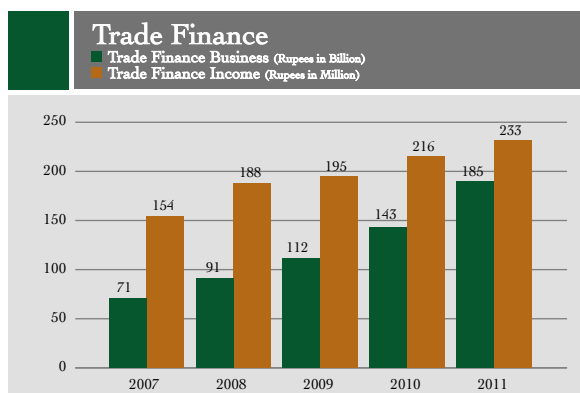
The Operations department is responsible for complete back-office processing for Branch Banking, SWIFT, Cash Houses, Trade Finance, Credit Administration, Treasury, Capital Market, Alternate Distribution Channels, Mutual Funds and Home Remittances. The primary function of the Operations department is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

Centralized Account Opening (CAO) Centres are operating at Karachi, Lahore, Faisalabad and Multan. CAO Centre for the North Region is being set up in Islamabad and will Insha'Allah start functioning very soon.

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 Rs. 185 billion (2010: Rs. 143 billion).

The Bank has recently set-up a Home Remittance Unit to facilitate foreign exchanged remittances into Pakistan. Supported by its strong technology backbone, the Bank ensures seamless delivery of remittances to customers efficiently and accurately.

In the coming year, the Bank's Operations department has lined up projects for centralization of services; this would complement the Bank's expansion drive and introduce economies of scale which will enable the Bank to provide superior services with enhanced internal controls.



Information Technology (IT)

The Bank continued consolidation and expansion of its IT infrastructure and services. Focus was on channelization of all processes of the IT department through the service-management concept. This approach stemmed from the concept that IT's core role is that of an internal service provider to the other functions of the organization and is also intended to transform IT from a cost center to business enabler.

The Bank's IT department focused on the following key initiatives during 2011:

▣ **Business Intelligence Tools**

The Bank is in the process of implementing a number of new business intelligence tools that would improve the Bank's ability to provide timely and accurate information for decision making at all levels. This is becoming increasingly more important in the light of increased competition and the growth of the Bank.

▣ **Improved Communication**

Consolidation of various geographically distributed departments into the Bank's new Head Office building has significantly improved the communication and coordination between departments. These synergies were further strengthened through provision of IP telephony and video conferencing facilities which facilitated efficient and smooth coordination between Head Office and the branch network.

▣ **Information Security**

The Bank focused on evaluating its security framework and organized itself by improving controls in high-risk areas. Detailed penetration testing was performed by reliable third party consultants and an Information Security Audit was also undertaken to identify areas for improvement in the system. The vision is to move from a reactive mode to a proactive mode during 2012.

▣ **Business Continuity Planning**

The Bank recognises the importance of Business Continuity Planning and now has dedicated resources working on various initiatives in this context. The objective is to be able to handle immediate, short-term and long-term business interruptions without impacting customer service. At the same time, critical business processes are being molded in such a way that the process itself has inbuilt 'shock-absorbers' to handle a number of unforeseen contingencies. Business processes are therefore being made more resilient and shock-proof.



Alternate Distribution Channels

Alternate Distribution Channels (ADC) offers an alternative to traditional 'brick and mortar' branches, through offering products that cater to customer needs with a focus on reliability, convenience, and 24/7 access currently available through the Bank's ATMs, Call Center, Internet Banking, SMS Alerts and Visa Debit Cards. In 2011, the overall customer base for ADC products grew by 74%.

The Bank is in the continuous process of enhancing the availability and access of its ADC products to customers. The Bank's nationwide ATM network was further expanded in 2011 with the addition of 32 new ATMs, taking the total number of ATMs to 201. The ATMs offer high levels of convenience to customers through Utility Bill payments and mobile top-ups round the clock.

Meezan Bank's Visa Debit Card continues to gain customer acceptance, with the card base growing to over 250,000 cards. To enhance the usage of this card, the Bank announced a number of promotions with well-reputed retailers such as KFC, Meat One, ChenOne, Pie in the Sky, Cotton & Cotton and Singer, offering complimentary benefits and discounts to customers. Gold card customers continued to enjoy complimentary access to CIP lounges at all airports in major cities of Pakistan.



ChenOne



SINGER Plus

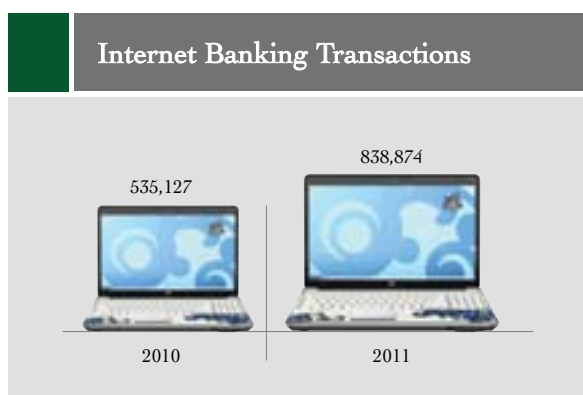


Cotton & Cotton



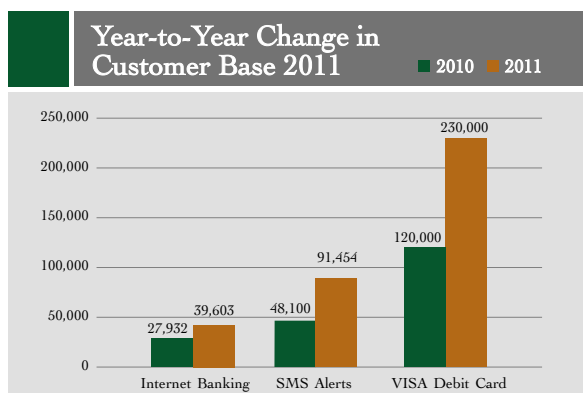
Meezan Bank's Call Center handled more than 950,000 calls during the year and customers can avail its services 24/7 to access their account information or for carrying out banking transactions such as issuance of pay orders, ordering of cheque books and products-related inquiries.

The Bank's Internet Banking facility offers a reliable and convenient way of banking from home or on the go. Using this facility, customers can access a number of value-added services including Utility Bill payments, Mobile Top-ups and Mutual Fund transactions. The sign-up process for Internet Banking was also improved during the year as a result of which the subscriber-base grew by 42% during the year.



Meezan Bank's SMS Alerts service acts as both a convenient utility and a security feature. More than 39,000 new customers availed this facility during the year, taking the total to over 91,000 registered users. SMS Alerts 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.

Meezan Bank's ADC department constantly strives to launch new and innovative products & services to make banking easier for the customers.



Human Resources

The Bank closed the year with approximately 4,300 staff as compared to 3,900 the previous year. Additionally, the Bank has approximately 650 outsourced staff posted at branches across the country.

The year saw execution of the first-ever Employee Satisfaction Survey (ESS) of Meezan Bank. This was conducted in-house by the HR department. More than 2,400 employees participated in the survey.

In addition to the ESS, the Bank also participated in two salary surveys of the Banking sector of Pakistan. The first, conducted by Aon Hewitt Consulting was subscribed by sixteen banks while the second, commissioned by the State Bank of Pakistan, was subscribed by six banks.

Meezan Bank initiated Health Takaful coverage for all employees and their families. This step was greatly appreciated by all employees and represents a major step towards employee well-being. Furthermore, the Life-Takaful coverage limits for employees were also upgraded in line with the market.

The 'Disciplinary Action Committee' works actively to resolve the disciplinary cases of employees. In order to further improve the quality and transparency of this process a 'Disciplinary Action Review Committee' was created in 2011 as a higher forum to review appeals of employees impacted by the decisions of the Disciplinary Action Committee.

Meezan Bank arranged to have its job postings available on the career portals of a large number of universities in Pakistan. This initiative will contribute towards increasing the Bank's outreach to quality Human Resources and enhance the quality of its HR pipeline.

Learning & Development

Learning and Development remained an integral component for personal and professional development of Meezan Bank's employees. In order to inculcate true learning culture in the organization, the Learning and Development Department organized as many as 109 in-house learning programs during 2011; benefiting over 4,600 employees throughout the country at different locations. The trainings included a broad range of topics such as operations, Shariah-related training programs, AML/KYC offerings and sessions on prevention of frauds and forgeries. Similarly, 193 participants benefited from 97 advanced-level learning opportunities at leading ex-house platforms across Pakistan. In addition, the Bank also sent its quality human resource for capacity building overseas in relevant knowledge sharing sessions. In addition to the regular training programs, over 25 knowledge-sharing sessions were conducted at the branches to help them improve their Shariah-audit ratings

As the Bank is expanding fast, a key need was identified to hire and train fresh blood in order to develop a quality human resource pipeline. To achieve this objective, in a major recruitment and learning initiative for capacity building, two new batches of Trainee Officers were hired during 2011. On a pan-Pakistan basis, over 210 Trainee Officers were hired and trained on Islamic banking, personality development and core banking knowledge.

The Bank has also realigned its Learning and Development Department in line with best global practices. New initiatives such as activity-based learning programs, rigorous programs on 'Service Excellence' for branch banking staff and 'Train the



The Learning
Center at
Meezan House



Trainer' programs for the Bank's internal trainers were also conducted. The first Mock-branch, which is in final stages of being set-up will also provide a simulation center and will contribute towards enhancing staff operational understanding and capabilities. Once the Mock-branch becomes fully operational at Karachi, it is planned to further this concept to Lahore and Islamabad. Additionally, a relevant and complete soft skills suite is also being developed which will help the employees in delivering their best with limited resources. The classroom and rotational training programs have also been thoroughly revisited to make them more effective; reflecting the new paradigms being faced by the Bank. In view of the expansion plans of the Bank in 2012, the Department is also planning to induct and train a new Cash Officers batch on a pan-Pakistan basis. A modern and well equipped Library is also now functional at Meezan House, having catalogue of leading international business and Islamic magazines and journals. During early mornings, the Bank has also introduced sessions on 'Quran and its understanding' by renowned Shariah speakers and is further planning to offer Arabic Language programs to staff shortly. These initiatives will supplement the Islamic banking and Shariah-trainings being implemented across the country and enable achievement of the Bank's Vision, Mission and Corporate Values.



Our Service Mission

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

Service Quality

To ensure the promotion and implementation of its Service Mission at all levels, the Bank has in place 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 Service Quality department has instituted Service Level Agreements with various departments with specifically defined Internal Service Measures (ISMs) for key activities. The ISMs have been developed focusing on the service recipients, their business needs and objectives. This initiative has proved to be very effective in improving the quality of service.

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

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

Directors' Report to the Members

On behalf of the Board of Directors it is our pleasure to present the fifteenth Annual Report and audited financial statements, setting out the detailed financial results of the Bank for the year ended December 31, 2011.

As Meezan Bank celebrates ten years as a full-fledged Islamic commercial bank, we would like to acknowledge the commendable team efforts that have got us here. May Allah (swt) reward everyone involved for the collective contributions towards this noble cause. While this report highlights some of the achievements and milestones thus far, let us not forget that the real and ultimate reward is only in the Hands of the Most Merciful.

Economic Overview

Pakistan's economy, not being immune from the economic vagaries of the world, suffered and recorded low GDP growth of 2.4% for the fiscal year ended June 2011. Going forward, the economic planners of the country expect a modest improvement in GDP growth on the back of strong agricultural output as a result of higher crop yields experienced post the devastating floods of 2010. Worker remittances have also increased from US\$ 10 billion in 2010 to US\$ 11.2 billion in the current year while the total foreign exchange reserves stood at US\$ 17 billion on December 31, 2011. At the same time, inflation, a consistent worry for the government, has not only been kept under check, but has reduced from a high of 15.5% in December 2010 to a level of 9.75% in December 2011. As a result, the State Bank of Pakistan (SBP) adopted a monetary easing stance, reducing the policy rate twice during the year by a total of 200 basis points, taking the discount rate to 12% from 14%. Going forward we expect the SBP to maintain this monetary stance and this should spurt economic activity.

The energy crisis, that has plagued the country in recent years, remains a key concern. Other worries include the recent hike in international oil prices, a steady decline in cotton prices and the repayments associated with the IMF program commencing from 2012. These issues coupled with the expansion in current account (US \$2.1 billion in 2H2011), absence of foreign inflows along with decline in foreign direct investment (by 37% YoY to US \$532 million in 2H2011) has led to the recent deterioration in performance of the currency where Rupee lost 4.9% against the Dollar since June 2011.

Pakistan's equity market remained very dull during the year and the benchmark KSE 100 index declined by 5.6% while average daily volumes also declined to a 13 year low on the back of bearish sentiment.

Operating Results

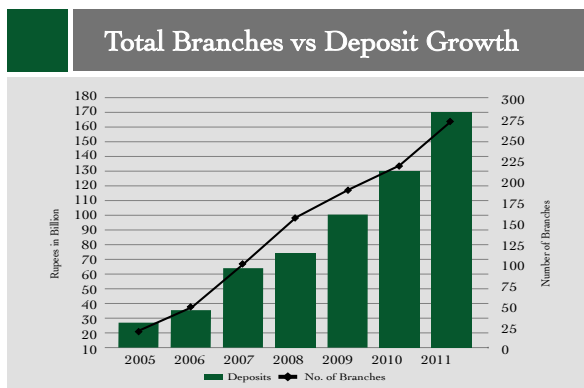
To realize our Vision of establishing 'Islamic banking as banking of first choice' we have consistently pursued the strategy of expanding our branch network throughout the country. With 275 branches spread over 83 cities of Pakistan supported by strong Alternate Delivery Channels including Internet Banking, 24/7 Call Center and ATMs, we are well positioned to deliver 100% Shariah-compliant products to our customers.

Alhamdulillah, Meezan Bank recorded excellent all round results for the year ended December 31, 2011. The Bank's profit after tax more than doubled to Rs. 3,391 million from Rs. 1,650 million in the previous year reflecting a substantial increase of Rs. 1,741 million.

The Bank's total assets crossed the Rs 200 billion mark in the current year – an increase of Rs. 46 billion reflecting a 30% rise from the previous year.

Income from core banking business before provisions grew to Rs. 11,871 million from Rs. 8,159 million in the previous year posting an impressive increase of 45% mainly on account of concerted efforts by the Bank to increase its asset portfolio without compromising on quality. The Bank continued to maintain a high level of liquidity, which is in line with the cautious financing policy adopted by the management and also consistent with the trend seen in other banks in Pakistan during 2011.

Deposit growth has also been consistently strong, increasing from Rs. 131 billion to Rs. 170 billion. This growth of 30% is once again substantially higher than the average growth in deposits for the banking sector as a whole which stood



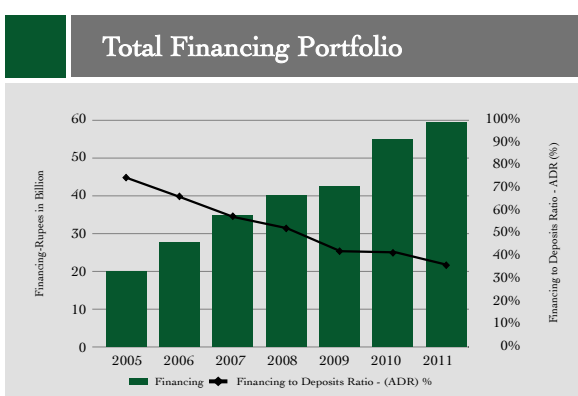


at 14.6%. This growth has been achieved notwithstanding the fact that average cost of deposits has been maintained at levels very close to the previous year.

The growth is attributable to consistent increase in our banking operations stemming directly as a result of our aggressive branch expansion strategy - the Bank established 53 new branches during the year, bringing the total to 275 branches in 83 cities. This is a conscious decision to invest in the future of the Bank which has paid off well in the current year and will, Insha'Allah yield even better results in the years to come.

The investment portfolio touched record levels of Rs. 98 billion from Rs. 55 billion in the previous year. This growth of 78% was on account of Meezan Bank's aggressive participation in the 7th, 8th and 9th auction of the Government of Pakistan Ijarah Sukuk made during 2011. Subsequently the Bank is also playing its role as an active market maker in the Ijarah Sukuk.

Faced with challenging economic circumstances, the total financing portfolio of the Banking industry as a whole declined by 0.05% during the year. Meezan Bank, while maintaining a cautious approach to financing activities, grew its financing portfolio by 9%. This growth is primarily attributed to the Corporate Banking business of the Bank which now represents almost 80% of the total asset portfolio of the Bank and includes top-tier local corporates and multi-national companies.



The profit after tax has been arrived at after making specific provisions amounting to Rs. 948 million and general provision amounting to Rs. 523 million during the year ended December 31, 2011. 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 114% of the non-performing financing portfolio.

The Bank's revenues have increased to Rs. 10.48 billion from Rs. 6.66 billion, a growth of 57% while administrative and operating expenses increased to Rs. 5.96 billion from Rs. 4.46 billion, a rise of 34%. The rise in expenses is primarily due to higher staff expenses and rent & costs associated with branch expansion – an investment which has borne fruit for the Bank, as evident from strong growth in deposits and profits over the year.

The Trade Finance business volume handled by the Bank also grew by 31% from Rs. 143 billion in 2010 to Rs. 188 billion in 2011. The trade business is supported by the Bank's growing network of correspondent banking relationships around the world.

The key business results achieved in 2011 are as under:

	2011	2010	Growth
Branch Network	275 Branches	222 Branches	24% ↑
Presence	83 Cities	63 Cities	32% ↑
Deposit	Rs. 170 Billion	Rs. 131 Billion	30% ↑
Total Assets	Rs. 201 Billion	Rs. 155 Billion	30% ↑
Profit After Tax	Rs. 3.39 Billion	Rs. 1.65 Billion	105% ↑
Return on Equity	28.2%	16.6%	70% ↑
Trade Finance Business (Import and Export)	Rs. 188 Billion	Rs. 143 Billion	31% ↑

Financial Results

Rs. in million

PROFIT AND LOSS ACCOUNT	2011	2010
Profit/ return on financings, investments and placements	18,032	12,290
Return on deposits and other dues expensed	(8,666)	(6,606)
Net spreads before provisions	9,366	5,684
Provision against non performing financings and investments	(1,389)	(1,496)
Net spreads after provisions	7,977	4,188
Fee, commission and brokerage income	757	616
Dividend income	939	322
Income from dealing in foreign currency	572	1,381
Capital gain on investments	219	97
Other income	18	59
Core banking income	10,482	6,663
Administrative and other expenses	(6,126)	(4,536)
Profit before tax	4,356	2,127
Taxation	(965)	(477)
Profit after tax	3,391	1,650

The Islamic Banking industry continues to grow in Pakistan and five full-fledged Islamic banks and twelve conventional banks with Islamic windows are presently operating in the country. Islamic banks now account for over 8% (2010: 7%) of the total banking industry. This augurs well for the Islamic Banking sector and we are confident that Islamic banks will further increase their market share in the coming years.

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

Earning Per Share

Earning Per Share increased from Rs. 2.05 to Rs. 4.22 per share on enhanced capital of Rs. 8 billion, reflecting an increase of 105%.

Dividend

The Board has now recommended the issue of 12.5% Bonus Shares (2010: 15%) for year 2011. This declaration together with the earlier cash dividend of 10% paid in July 2011 brings the total payout for the year to 22.5% and maintains the Bank's unbroken payout record since the date of listing on the Stock Exchange. This will increase the Bank's paid up capital to Rs. 9 billion. Accordingly, the Bank will meet SBP minimum capital requirement for 2012 of Rs. 9 billion a year in advance.

Credit Rating

The JCR-VIS Credit Rating Company limited, an affiliate of Japan Credit Rating agency, has upgraded the Bank's short-term rating from A-1 (A-One) to A-1+ (A-One Plus), the highest standard in short-term rating. The long-term entity rating has been maintained at AA- (Double A Minus) with stable outlook. The rating indicates sound performance indicators of the Bank.

Corporate Awards and Recognition

The Bank won various accolades including 'Best Islamic Financial Institution in Pakistan' for 2011 by Global Finance magazine and 'Best Islamic Bank in Pakistan' for 2011 by Islamic Finance News of REDmoney Group, Malaysia.



Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the State Bank of Pakistan. The following statements are a manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement.

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. The accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
6. There are no doubts upon the Bank's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
8. Key operating and financial data for the last six years in summarized form, categories and pattern of shareholding as required by the Companies Ordinance, 1984 are annexed to the report.
9. The value of investments of the Bank's recognized Provident Fund based on un-audited accounts as at December 31, 2011 amounted to Rs. 573.14 million. The value of investments of Gratuity Fund amounted to Rs. 167.43 million based on un-audited accounts as at December 31, 2011.
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 regulation relevant for the year ended December 31, 2011 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 includes robust organizational structure, policies, risk assessment and monitoring process that are closely aligned with our strategy. Overall responsibility of risk management rests with the Board of Directors and it performs its duties through Risk Management Committee (RMC) comprising of Board members.

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

1. Credit Committee
2. Asset Liability Management Committee (ALCO)
3. Internal Controls and Operational Risk Management Committee (ICORMC)

The Credit Committee is responsible for approving, monitoring and ensuring that financial transactions are within the acceptable risk rating criteria. ALCO 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 ICORMC ensures adequate internal controls and systems are in place thereby ensuring operating efficiency.

While the RMC through the aforementioned specialized committees oversee the risk management framework of the Bank, the Risk Management Department (RMD) is mandated to implement this framework as a function independent of commercial lines of business.

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 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 mainly through cash flow matching, interbank placements and investments in GOP Ijarah Sukuks. The Bank ensures that the key operational risks are measured and managed in a timely and effective manner through policies and procedures, enhanced operational risk awareness, segregation of duties, dual checks and improving early warning signals.

The Scope of Risk Management Department has been enhanced in view of the regulatory requirements including Basel II, changing industry environment and significant growth of the Bank. Full-fledged credit risk function catering Corporate, Commercial and SME, Consumer, Financial Institutions and Investment Banking segments has been established. The role of treasury middle office in monitoring activities of treasury operations has been strengthened with necessary capacity building including implementation of treasury based module. Implementation of loss data management and mitigation system and placement of additional resources in the area of operational risk signifies the importance the Bank gives to operational risk management. Process of developing and updating policies and procedural manuals in major risk areas of the Bank has been expedited and further steps for better management information reports from risk perspective have already been initiated.

The above mentioned elements collectively ensure that the Bank's risk profile is actively monitored and adjusted according to the Bank's strategy and the operating environment in a manner which ensures protection to the depositor and value to the shareholder.

Reporting on Internal Controls

Keeping in view SBP's Guidelines on Internal Controls, the external auditors submitted their detailed review report on the Bank's Internal Controls exercise as at December 31, 2010 in June 2011 to the Bank for onwards submission. The Bank submitted the report to SBP before the required date of submission.

Currently, the Bank is in the process of completing various stages in accordance with the SBP prescribed Internal Controls roadmap.

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2011 is annexed with the report.

Directors

During the year, Mr. Naser Abdul Mohsen Al-Marri and Mr. Hussam Fawzi Al-Kharafi resigned while Mr. Abdullateef A. Al-Asfour was appointed by the Board as Director to fill the casual vacancy. The Board welcomes the new Director 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, have completed their term of five years and are not eligible for reappointment as per the Code of Corporate Governance. The Board of Directors and Audit Committee place on record their appreciation for the services rendered by the retiring Auditors.

On recommendation of the Audit Committee, the Board recommends appointment of A.F. Ferguson & Co., Chartered Accountants, as the statutory auditors of the Bank for the year ending December 31, 2012. A.F. Ferguson & Co. has previously been our statutory auditors.

Future Outlook and Strategy

Meezan Bank has completed 10 successful years of Islamic banking in Pakistan - achieving significant milestones on its meritorious journey. The Bank has a focused strategy to maintain this trajectory and is committed to its Vision of establishing Islamic banking as banking of first choice.

2012 will be a challenging year in the backdrop of the declining discount rates scenario and the current economic slowdown. While on the one hand the economic slowdown would require the Bank to further increase focus on quality and prudence in its financing decisions, on the other, a lower discount rate would result in compression of the Bank's net spread.



To address these challenges, the Bank will undertake various initiatives and focus on providing value added services. At the same time efforts are being made via operational and technological improvements while simultaneously striving for disciplined expense growth and strengthening internal controls and regulatory compliance culture to gain market share. Some of the major initiatives for 2012 include:

- **Branch Expansion:** Despite the economic challenges, the Bank intends to continue its aggressive branch growth strategy and add 35 new branches during the year, bringing the total branch network to 310 branches. The Bank's priority is to ensure that Islamic banking products and services are made available across the length and breadth of Pakistan through an excellent branch network critical for effective market penetration.
- **Deepening existing and adding new Alternate Delivery Channels:** 100 new ATMs will be added to the existing network of 201 ATMs. Plans are underway to up-grade the Bank's 24 hour Call Centre and additional functionality including out-bound campaign-management will be added.
- **Investing in Technology:** The Bank recognizes the importance of a strong technology backbone to support its growing customer base and will accordingly continue to add to its hardware base and implement new software solutions to enhance the efficiency of transaction processing and quality of MIS.
- **Improvement in systems and controls:** Significant focus is being given to the 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.
- **Improvements in 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 enhance on its existing training and development infrastructure, balancing Shariah-based training and branch banking and soft-skills training.

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

Far more importantly, Meezan Bank's endeavor towards its Vision – of establishing Islamic banking as banking of first choice – requires that we do not forget the broader picture. The Meezan family now has around 5,000 ambassadors of what the Bank stands for: 100% Shariah-compliance; integrity and fairness with efficiency; innovation with God-consciousness; and excellence with humility – principles that if shared, will make our world a better place for all. In today's local and global market environments, where stories of failure far outweigh the legends of success, it is our firm belief that without the culture of humility and gratitude that we experience at Meezan Bank, the contents of this report would have been very different indeed.

As one of Pakistan's fastest growing banks - Meezan Bank has gone from strength to strength over the past decade in, Alhamdulillah: its infrastructure; its brand image and credibility; its offerings; its team cohesion and culture, and its relationships. We can tire ourselves maintaining what we have achieved, or we can reinvigorate ourselves by reaching out to higher and newer horizons. The aspirations of every Meezan Bank employee and how we strive towards those aspirations will determine our destiny. May Allah help us all remain steadfast in His way, and help us ensure that every new day is better than the last, and every new year is better than the last.

Acknowledgement

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

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

On behalf of the Board.

Ebrahim Bin Khalifa Al-Khalifa
Chairman

Irfan Siddiqui
President and CEO

February 19, 2012

Annexure to the Directors' Report for the year ended December 31, 2011

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

NAME OF DIRECTORS	Number of Shares as at Jan. 01, 2011	Number of Shares purchased during the year	Bonus Shares allotted during the year	Number of Shares sold during the year	Number of Shares as at Dec. 31, 2011
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	4,669,701	-	700,455	-	5,370,156
Mr. Rana Ahmed Humayun	933,757	-	140,063	(1,073,820)	-
Mr. Mohammad Abdul Aleem	128,355	-	19,253	-	147,608
Mr. Irfan Siddiqui	153,941	2,400,000	23,091	-	2,577,032
Mr. Ariful Islam	-	1,440,155	-	-	1,440,155
CHIEF FINANCIAL OFFICER					
Mr. Shabbir Hamza Khandwala	-	425,000	18,750	-	443,750
COMPANY SECRETARY					
Mr. Tasnimul Haq Farooqui	177	-	26	(203)	0.00

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. Abdullateef A. Al-Asfour- Vice Chairman*	2
Mr. Naser Abdul Mohsen Al-Marri**	1
Mr. Hussam Fawzi Al-Kharafi***	N/A
Mr. Rana Ahmed Humayun	3
Mr. Mohammed Azzaroog Rajab	0
Mr. Ahmed Abdul Rahim Mohamed	4
Mr. Nawal Ahmed****	0
Mr. Alaa A. Al-Sarawi	3
Mian Muhammad Younis	4
Mr. Mohammad Abdul Aleem	4
Mr. Irfan Siddiqui- President & CEO	4
Mr. Ariful Islam	4

* Appointed in place of Mr. Hussam Fawzi Al-Kharafi on June 07, 2011

** Ceasing of Office due to change in nomination by sponsor shareholder on April 30, 2011.

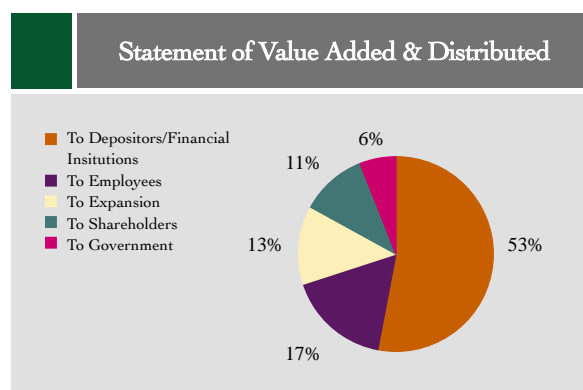
*** Appointed in place of Mr. Nawal Ahmed on March 26, 2011 and ceasing of office due to change in nomination by sponsor shareholder on April 30, 2011.

**** Resigned on March 06, 2011



Statement of Value Added and Distributed

	2011 Rupees in '000	%	2010 Rupees in '000	%
Value Added				
Profit / return earned on financings, investments and placements - net of provision	16,642,997	102.2%	10,794,073	96.9%
Fee, commission and brokerage income	757,136	4.6%	615,752	5.5%
Dividend income	938,983	5.8%	321,898	2.9%
Income from dealing in foreign currencies	571,880	3.5%	1,381,044	12.4%
Capital gain on sale of securities and other income	236,756	1.5%	156,336	1.4%
	19,147,752		13,269,103	
Administrative and other expenses	(2,858,855)	(17.6%)	(2,125,173)	(19.1%)
	16,288,897	100%	11,143,930	100%
Value allocated as follows:				
To Depositors/ Financial Institutions Return on deposits and other dues expensed	8,665,622	53%	6,606,474	59%
To Employees Salaries, allowances and other benefits	2,790,518	17%	2,017,611	18%
To Shareholders Dividend - Bonus Shares	1,003,742	6%	1,047,383	10%
Dividend - Cash	802,993	5%	-	-
	1,806,735	11%	1,047,383	%
To Government Income Tax	964,757	6%	477,372	4%
To Expansion Depreciation and amortisation	476,457	3%	392,885	4%
Retained in Business	1,584,808	10%	602,205	5%
	2,061,265	13%	995,090	9%
	16,288,897	100%	11,143,930	100%





Shariah Advisor's Report

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

By the Grace of Allah, the year under review was the tenth 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 and/or Shariah Advisor. During the year, the Shariah Supervisory Board (SSB) of Meezan Bank held two meetings to review various products, concepts, transactions, processes and their Shariah-compliance, referred to them by the Shariah Advisor.

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

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

- 1. Research & New Product Development:** It is encouraging that Meezan Bank has executed 'Running Musharakah' transactions. This new product of 'Running Musharakah' is based on the concepts of Musharakah (Shirkat ul Aqd). Also during the year 2011, Meezan Bank provided tailor made financing solutions to few blue chip multinationals, which shows the extension in reach of Islamic banking products & services. New avenues for liquidity management were also explored and the Bank actively participated in the structuring and launch of new Sukuk.

In order to enhance the product base of Treasury department, Meezan Bank developed a new liquidity management product named as 'Bai Muajjal of Sukuk'. The Bank also developed product guidelines for trading in currencies and refined the product pricing of 'Bai Salam' which helped the Bank in enhancing its customer facilitation. During the year, Shariah Supervisory Board of the Bank had also approved a financing product based on the concept of 'Toll Manufacturing'. It is also heartening to note the progress of 'Meezan Labbaik' in terms of number of satisfied customers and improved product features.

- 2. Training & Development:** During the year, more than 100 Islamic banking training sessions were held in which around 2,786 employees participated throughout Pakistan, as compared to 2,117 employees who participated in 85 Shariah trainings last year.

In the year 2011, Meezan Bank conducted more than 39 seminars and Corporate/SME workshops in 23 cities which were attended by more than 4,540 participants representing customers, general public and professionals. One initiative taken in this field was Corporate/SME workshops which were focused towards enhancing the working and theoretical knowledge of the Bank's Corporate/SME financing customers.

The bank also conducted five comprehensive advanced-level 6 days course for Branch Managers, Operation Managers and senior front end employees in all the 7 regions of the Bank.

It is a matter of great pleasure that Intranet based Knowledge Portal is launched for employees of the Bank. This Knowledge Portal is accessible to each employee of the Bank and contains product policies, guidelines, FAQs, presentations, videos, training audios, articles and other publications. This would Insha'Allah increase the knowledge and understanding of all employees regarding Islamic banking and Meezan Bank products.

The Bank also supported the World Islamic Finance Summit held in Pakistan and also continued its support for promotion of Islamic banking in Pakistan to institutions including SBP, National Institute of Banking and Finance (NIBAF) and Centre for Islamic Economics (CIE) in conducting Islamic banking training sessions. The Bank supported various Islamic banking courses and degree programs in different institutes including IBA - Karachi, LUMS, Sukkur-IBA, Institute of Business Management (IoBM), PAF-KIET, Sheikh Zayed Islamic Center (University of Karachi) and Riphah International University (Islamabad).

- 3. Shariah Advisory:** During the year, Meezan Bank expanded its advisory wing, mainly with the intention of sharing its experience of successful Islamic banking, by entering new international financial markets through 'Shariah Technical Services and Support' agreement with Amana Bank, Sri Lanka. In the area of Islamic Capital Markets, Meezan Bank

continued to advise Al Meezan Investment Management Limited (AMIM), National 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. Furthermore, Meezan Bank also continued to provide advisory for Islamic consumer sales product to United Sales (Pvt.) Limited (USL), a subsidiary of 'Dawlance' group under the umbrella of Diyanat financing.

Review of Assets

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

It is encouraging to note that the share of Istisna increased to 15% from 11% and share of Diminishing Musharakah increased to 31% from 26% of the financing portfolio, hence the reliance on Murabaha has lowered to 27% from 33%. The shares of Ijarah and Tijarah transactions share moved downward from 13% & 3% to 11% & 1% respectively. The Bank's total financing portfolio reached Rs. 64.48 billion (gross) as of December 31, 2011. 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' and 'Qard'. The total deposits of the Bank observed a growth of 30% and reached a sum of Rs.170 billion as at December 31, 2011. During the year, the Bank accepted deposits on the modes of Musharakah for short-term liquidity management from inter-bank market and corporate clients.

It is good to know that improved profit payment mechanism for Certificate of Islamic Investments (COIIs) and other Term Deposits has successfully been implemented at Meezan Bank, as directed by the Shariah Supervisory Board of the Bank. With this new mechanism the profit payment dates for all Mudarabah based saving products will be the same, based on the actual declared profit rates.

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

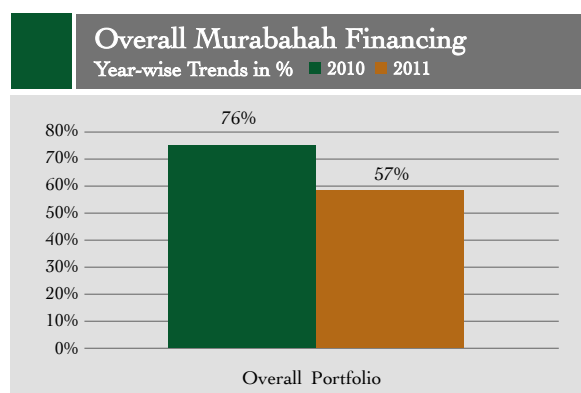
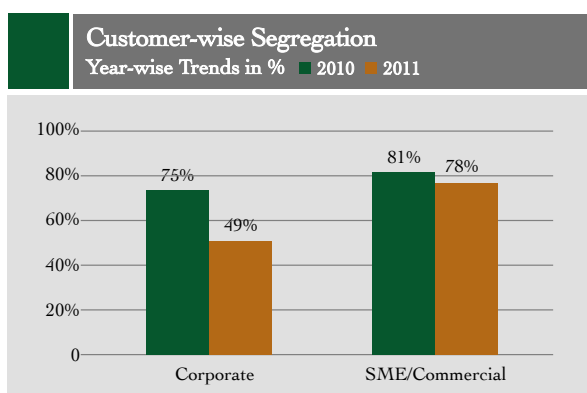
As an ongoing activity, the PDSC Department approved more than 1,000 product structures and process flows for its clients. Moreover, random physical inspections and concrete measures are taken to verify the relevant purchase evidences/invoices, thus further enhancing the controls. In Istisna and Tijarah transactions, existence of goods was ensured by conducting 100% physical inspections at the time of taking delivery of the goods.

It is a matter of concern that during the year 2011, a decrease of 19% was registered in terms of direct payment for Murabaha financing as the overall percentage of direct payment decreased to 57% in the year 2011 against 76% in the year 2010. As a result of this decrease in customer wise break-up, a downward impact was witnessed in both Corporate and SME/Commercial side. It is highly recommended to make efforts to improve this percentage of direct payment in Murabaha transactions.

Summary of Direct Payment in Murabaha Financing for Meezan Bank

MURABAHAH FINANCING - DIRECT PAYMENT	2010	2011	Growth/Decline
Overall Portfolio	76%	57%	-19%
Customer Wise Segregation			
Corporate	75%	49%	-26%
SME/Commercial	81%	78%	-3%

(The percentages above are rounded off)



In addition to the above compliance measures, this year Shariah audit & compliance review of 210 branches and 4 departments was conducted in order to get first hand knowledge of the activities being carried out at these branches and departments. These audited branches constitute around 97% of the total branch network of the Bank at the start of the year 2011.

Moreover, at the same time the basic understanding of the structures and concepts of Islamic banking & finance staff was also assessed through interviews of the concerned staff and training sessions were conducted there and then to overcome any shortcomings during the course of these Shariah audit & compliance reviews.

The audit covered overall Shariah-compliance of the Bank's operations and their alignment with the guidelines given by Shariah Advisor and the SSB. In the process, following areas were 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 so that Murabaha disbursements are not availed to set off previous balances with the supplier
- Agreements for Murabaha, Ijarah, Diminishing Musharakah, Istisna, Tijarah and Bai Salam
- Declarations, description of assets, relevant purchase invoices, sequence and order of the documents and time difference between purchases and declaration in Murabaha
- Murabaha Monitoring Sheets (MMS) and Delayed Declaration Reports (DDR)
- Purchase deeds, treatment of ownership related cost & recovery of rentals in Ijarah transactions
- Ownership ratio in Diminishing Musharakah for housing and issuance of timely unit sale receipts
- Investment made in stock with reference to the stock screening criteria
- Import finance transactions and related documentation
- Extensive reviews of client payment, purchase cycle and periodic assessment of clients' processes
- Other related documents and procedures followed by different functional areas
- Profit sharing ratio, profit weightages, pool working, asset & deposit allocation for deposit products

During the year, in some of the Murabaha transactions the use of fabricated invoices as Murabaha purchase evidence was observed; in this regard related controls were suggested to avoid such mistakes in future. A detailed Shariah review is under process, the finalization of which will decide on the permissibility or otherwise of the income accrued of Rs. 10.95 million on such transactions. Pending finalization we have created a provision of Rs. 10.95 million. Moreover, an amount of Rs. 0.762 million was disbursed in charity account while a provision of Rs. 1.1396 million was also created for the fiscal year 2011 to eliminate the non-compliant portion and purify the dividend income earned from the investment made in Shariah-compliant stocks by the Bank. During the year, there were some transactions executed by the Treasury department where correct templates for alternate of future sale product were not followed. Moreover, some mistakes were also identified in recording of the Treasury transactions. Though these mistakes were not found to be of a nature to invalidate these transactions but the concerned departments must put more efforts in improving the controls related systems of Treasury function to avoid such mistakes in future.

In addition to the above, as a normal course, the Bank transferred an amount of Rs. 27.01 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 monthly reporting sheet, after thorough review by the branch/departmental management, to PDSC for review and continuous monitoring of Murabaha transactions to avoid any mistakes/errors.

Charity

During the year, an amount of Rs. 56.69 million was transferred to the Charity Account and an amount of Rs. 129.49 million was disbursed from charity saving account after the approval of the Shariah Advisor. Details of Charity are available in note # 18.4.

Recommendation

Based on the review of various transactions I 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, it is recommended to increase the scope of Islamic banking knowledge assessment process already implemented for new branch and operation managers to area managers, department heads and new joiners at senior level.
- Additional checks and balances should be put in place to mitigate the risk of loss of income due to non Shariah-compliance, especially in crucial functions like Treasury. In this regard, related control clusters of the Bank be made responsible to ensure that all Shariah-related guidelines are adhered to in true letter and spirit.
- Considering the growing branch network and induction of new employees, the Bank should continue its focus on employees training related to 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 should continue to organize special training workshops for the executives of their financing clients and continue conducting customer awareness seminars.
- The Bank needs to take immediate measures to improve the percentage of direct payments in Murabaha transactions.
- 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 the management and employees to ensure application of Shariah principles and guidelines issued by the Shariah Supervisory Board and Shariah Advisor and to ensure Shariah-compliance in all activities of the Bank. The prime responsibility for ensuring Shariah-compliance of the 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: 10th Rabi ul Awal 1433 H / February 3, 2012

جہیزنی امداد و خیرات

رواں سال میں کل 56.69 ملین روپے جہیزنی اکاؤنٹ میں منتقل کیے گئے۔ کل 29.49 ملین روپے شریعہ ایڈوائزر سے منظوری کے بعد جہیزنی سینگلز اکاؤنٹ سے ادا کیے گئے۔ جہیزنی سے متعلق تفصیلات نوٹ نمبر 18.4 میں مذکور ہیں۔ شریعہ سپروائزر اور جہیزنی اکاؤنٹ کی ہدایات کے مطابق ایک رعایا ادارہ احسان ٹرسٹ کے نام سے قائم کیا جانے کا ہے تاکہ جہیزنی فنڈز کا درست اور موثر استعمال ہو سکے۔

تجاویز

متحدہ طور پر جائزہ لینے کی بنیاد پر جس درجہ ذیل امور منظور کرنا ہوں:

- سٹے ملازمین کو ملازمت فراہم کرتے ہوئے ان میں اسلامی بینکاری کے مقاصد تک پہنچنے کے مزاج و بہت کو خصوصی طور پر مد نظر رکھنا ضروری ہے۔ نیز رعایت کی اسلامی بینکاری سے متعلق معلومات کو جانچنے کے لیے جو نظام و بینک میں درج ہے اس کے دائرہ کار میں مزید وسعت پیدا کی جائے اور برائے منجھڑ سے لے کر ایئر پلیننگ اور شیپوں کے سربراہوں تک کی اسلامی بینکاری سے متعلق معلومات کو جانچنے کا ایک نظام ترتیب دیا جائے۔
- شریعت کی خلاف ورزی کے نتیجے میں آمدنی میں نقصانات کم کرنے کے لیے اضافی گمرانی اور کنٹرول کے طریقہ کار وضع کیے جائیں، خصوصاً ایسے شعبوں میں جن کے معاملات شرعی اہتمام سے وقت نظر کے بھی متقاضی ہیں اور جہاں معاملات سے حاصل ہونے والے نفع کی مقدار بھی موزوں زیادہ ہوتی ہے، (مثلاً ٹریڈری ڈپارٹمنٹ) ایسے شعبوں کے معاملات کی گمرانی میں اور بھی زیادہ ترقی و تحقیق و درکار ہے۔ چنانچہ بینک کے کنٹرول سے متعلق تمام افراد 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 منتقلی پر ترقی، اس کی برائے اور ملازمین کی تعداد میں اضافہ کی بنا پر اسلامی بینکاری کی پروڈکٹس اور بینک کی طرف سے پیش کردہ خدمات کے بارے میں ملازمین (اور خصوصاً فرنٹ آفس کے ملازمین) کا مہیا معلومات مزید بڑھانا اور ان کی مزید تربیت کا انتظام کرنا ہمارا کام ہے، بینک کو چاہیے کہ اس جانب اپنی توجہ برقرار رکھے۔
- کارپوریٹ، گورنمنٹ اور ایس ایم ای ڈیپارٹمنٹس اور بینک کے تمام علاقہ جات (Regions) اپنے فرائض کو نبھانے کے لیے خصوصی تربیتی پروگرام منظور کریں، نیز کارپوریٹ کی آگہی کے لیے شروع کیے گئے سیمیناروں کا سلسلہ جاری رکھیں۔
- بینک کو چاہیے کہ وہ متروہ دوسروں میں براہ راست ادائیگیوں کے فی صدی تناسب میں اضافے کے لیے فوری اقدامات کرے۔
- نفع کی تقسیم اور اپنل منسٹ کے لیے مشہور نظام اور کنٹرول کو قائم کرنے کے لیے بینک کو یہ بھی چاہیے کہ IT کی بنیاد پر کی جانے والی پالیسیاں مختلف اداروں کو (مختلف ہنڈل کی طرف) منسوب کرے، اور نفع کی تقسیم کے نظام کو جلد از جلد عمل میں لائے۔

مختصہ کلام

بینک کے چارٹر کے تحت تمام انتظامیہ اور ملازمین کے لیے ضروری ہے کہ وہ شریعہ سپروائزر اور شریعہ ایڈوائزر کی طرف سے جاری کردہ بینک کے تمام معاملات سے متعلق ہدایات پر عمل درآ رہے اور کوئی بھی نفاذ نہیں۔ بینک کے معاملات کے شریعت کے مطابق ہونے کی بنیاد پر ذمہ داری بینک کی انتظامیہ پر عائد ہوتی ہے۔

بینک کی طرف سے انتظام کردہ مختلف متروہ ان کی مختلف دستاویزات اس کے طریقہ کار اور پائزرز کو تقسیم ہونے والے نفع کا طریقہ کار اور ان کے متعلق انتظامیہ کی ذمہ داری کے تحت ہونا چاہیے۔ ہمارے کے جائزہ کی بنیاد پر ہماری رائے میں رواں سال میں بینک کی طرف سے کیے گئے متروہ اسلامی شریعت کے ان اصولوں اور ہدایات کے مطابق ہیں جو میدان بینک کے شریعہ سپروائزر اور جہیزنی اکاؤنٹ اور شریعہ ایڈوائزر اور اسٹیٹ بینک آف پاکستان کی طرف سے جاری کی گئی ہیں۔ اس جائزہ کے دوران جو غیر شرعی آمدنی پائی گئی وہ جہیزنی میں منتقل کی جارہی ہے۔

اللہ تعالیٰ سے دعا ہے کہ ہماری رہنمائی ان راہوں کی طرف کرے جو اس کی رضا کا باعث ہوں، ہمیں دنیا اور آخرت میں کامیابیوں سے نوازے اور ہماری غلطیوں اور خطاوں سے درگزر فرمائے۔ آمین۔

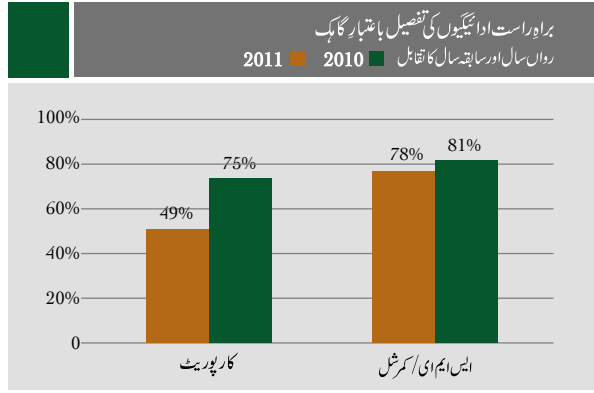
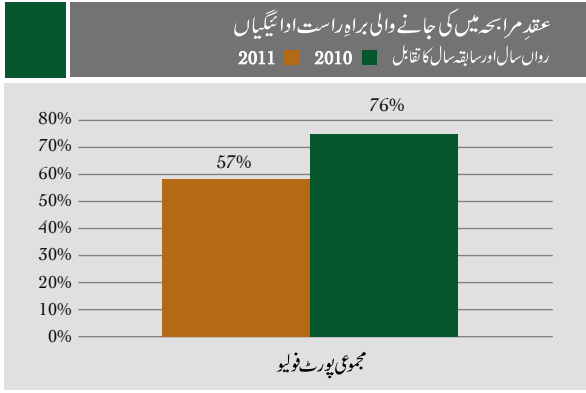
والسلام علیکم ورحمۃ اللہ وبرکاتہ



ڈاکٹر محمد عمران عثمانی

ممبر شریعہ سپروائزر اور جہیزنی اکاؤنٹ، شریعہ ایڈوائزر

مؤرخہ: 10 رجب الاول 1433ھ / 30 فروری 2012ء



ذکورہ بالا اقدامات کے ساتھ ساتھ اس سال بینک کی 210 برانچوں اور میزبان بینک کے 4 مختلف شعبوں کا شریعہ آڈٹ کیا گیا تاکہ ان برانچوں/شعبوں میں ہونے والے فتوہ کی براہ راست جانچ پر متاثر کیا جاسکے۔ 2011ء کی ابتدا میں موجود برانچوں میں سے تقریباً 97% برانچوں کا آڈٹ کر لیا گیا۔

- نیز بینک کے متعلقہ اہلکاروں کی اسلامی بینکاری کے بنیادی ڈھانچوں اور مصنوعات کے بارے میں معلومات کو بھی ترقیاتی مجالس اور اجتماعات کے ذریعے جانچا گیا۔
- بینک کی مجموعی طور پر شریعی قوانین کی مطابقت اور شریعی دائرہ و دائرہ اور شریعی پروڈکٹوں کی طرف سے دی گئی ہدایات پر عمل کو جانچنے کے لیے آڈٹ کیا گیا۔ جس کے دوران درج ذیل امور کو بطور خاص پرکھا گیا:
 - انوائس اور خریداری کے دستاویزوں کی جانچ پر متاثر کیا گیا، نیز بعض سپلائرز کے مقام کو جانچ کر کے اس کے موجود ہونے کی بھی تصدیق کی گئی ہو۔
 - عقدہ مراہمی کی انجام دہی کے وقت اصلی ٹوٹ خریداری فراہم کیے گئے ہوں، تاکہ سپلائرز کی سابقہ ادائیگیوں کی ادا گئی مراہمی کی حتمی طور سے کی جائے۔
 - مراہمی باہرہ و مشارکتہ قسمہ، اصحان، ہمارہ اور علیہ سلم کے معاہدات
 - ڈیباکریٹیشن، اٹاٹوں کی تفصیلات، متعلقہ خریداری کی رسیدیں، دستاویزات کے اخذ کی ترتیب، مراہمی میں بینک کی طرف سے کی جانے والی خریداری میں مدت کا فرق کتابت ہے۔
 - مراہمی موڈرن ٹیکنالوجی اور ذخیرے سے موصول ہونے والی ڈیباکریٹیشن
 - پرچیز ڈی (رسید خریداری) حکمیت سے متعلق اطراہات کی تفصیلات، ہمارہ و ہمارہ میں اجرتیں موصول کرنے کا طریقہ کار۔
 - مشارکتہ قسمہ کی بنیاد پر کی گئی حتمی ملاری (House Financing) میں حکمیت کا تناسب اور وقت پر خریداری کی رسیدوں کا اجرا۔
 - اسٹاک ایکسچینج میں اسکریننگ سے متعلق ہدایات کی کس حد تک اتباع کی گئی۔
 - اپورٹ فاکٹرز ٹرانزیکشنز اور متعلقہ دستاویزات۔
 - گاہکوں کی ادائیگیوں، پرچیز سائیکل، ماورگاہک کے طریق قبول کا وہاں تو قیام جائزہ
 - دیگر متعلقہ دستاویزات اور ان کی مطابقت کا طریقہ کار۔
 - قطع کی شرح کا تناسب، قطع کے اوزان، ہمارہ کا طریقہ کار، اہلیت پر وائٹس کے لیے اٹاٹوں اور ڈیباکریٹیشن کی قیمتیں۔

اس سال دوسرا ایڈاپٹیو ڈکریٹو معاملہ جو بعض برانچوں میں دیکھا گیا وہ ہمارہ خریداریوں کی ادائیگیوں کے لئے مراہمی کے ذریعہ حاصل شدہ رقم کا لٹلا استعمال تھا، نیز انوائسوں میں بھی تبدیلی کر دی گئی تھی۔ اس معاملہ کا شرعی اثہار سے متعلق جانچا جا رہا ہے، جس کے بعد حتمی طور پر ان معاملات کے ذریعہ کمانے گئے 10.95 ملین روپوں کے جواز باہرہ جواز کا فیصلہ کیا جائے گا۔ جب تک حتمی طور پر اس رقم کا فیصلہ نہیں ہو جاتا اس وقت تک کے لیے 10.95 ملین روپوں کو بینک کی آمدنی سے الگ کر دیا گیا ہے۔ مزید برآں، 0.762 ملین روپے چربی ایکاؤنٹ میں جمع کروائے گئے اور 1.1396 ملین روپے چربی ایکاؤنٹ میں دے دئے جانے کی بھی ہدایت کر دی گئی ہے تاکہ اسٹاک ایکسچینج میں جائزہ گیری کی سرمایہ کاری پر جوڈیوٹے حاصل ہو اس میں سے سو فی صد رقم کو الگ کر دیا جائے۔ دوران سال بینک کے گریڈری فراہم کنندہ میں چند ایسے فتوہ دئے گئے جن میں فتوہ مستحبات سے متعلق مجوزہ دستاویزات کو استعمال کرتے ہوئے فتوہ حتمی نہیں کی گئی۔ نیز ان فتوہ کے ماسبات کو ملحوظ کرنے میں بھی چند غلطیاں ظاہر ہوئیں۔ اگرچہ یہ غلطیاں اس دور سے ہی جنم لیں جن کی بنا پر یہ فتوہ قاسد ہو جائیں، البتہ متعلقہ شعبے کو چاہیے کہ وہ گریڈری کے کنٹرول سے متعلق کلام میں مزید بہتری لائے، تاکہ آئندہ ایسی غلطیوں سے اجتناب کیا جاسکے۔

ماقبل میں ذکر کردہ رقم کے علاوہ کسٹمرز کی طرف سے متعدد مجموعی فتوہ میں تاخیر سے ادائیگی کی مد میں حاصل شدہ 27.01 ملین روپے چربی ایکاؤنٹ میں منتقل کروئے گئے۔

مراہمی موڈرن ٹیکنالوجی سے متعلق ہمارہ کی مسلسل گہرائی کے لیے ایک پیچیدہ ٹرانزیکشن کا کام قائم کیا گیا ہے جس کے مطابق دو مقام برانچوں جو مراہمی کی بنیاد پر قبول فراہم کرتی ہیں ان کے لیے یہ ضروری ہے کہ ہر مراہمی سے متعلق بنیادی معلومات پر مشتمل شیٹ برانچ/ڈیباکریٹیشن جنٹس کے جائزے کے بعد بروڈ ویلٹ میں شریعی ڈیباکریٹیشن (PDSC) کو ارسال کی جائے تاکہ تمام فتوہ مراہمی کی مطابقت میں لٹھی سے محفوظ رہا جاسکے۔ فتوہ اصحان اور ہمارہ کے لیے بھی ایسی حکم مرتب کیا جانا چاہیے۔

میں بہت سی مختلف انواع کے شریعہ کیپٹل سٹیٹ میٹیل فنڈز کو چلانے اور KMI-30 انڈیکس (KSE Meezan Islamic Index) (جو کہ پاکستان کا پہلا شریعہ کیپٹل اسلامک انڈیکس ہے) کی تیاری کے لیے مشاورت فراہم کرتا رہا۔ مزید برآں میوزن بینک نے پینا پنڈ سٹریٹجی (USI)، جو کہ ڈائریکٹس گروپ کی ذیلی کمپنی ہے، کو دیپانٹ فنانسنگ کے تحت اس کی پروڈکٹس کے سلسلے میں شریعہ اعتبار سے مشاورت کی فراہمی کو جاری رکھا۔

انٹرنیشنل کا جائزہ

موجودہ سال میں میوزن بینک نے ابتدائی طور پر مراکش، امارات متحده، مسعود، اصفہان، اجماع اور دیگر ممالک میں سرمایہ کاری کی بنیاد پر مجموعی سرمایہ کاری فراہم کی۔ یہ بات حوصلہ افزا ہے کہ میوزن بینک کی مجموعی سرمایہ کاری میں عقیدہ اصفہان کا تناسب 11% سے بڑھ کر 15% اور ممالک متحده کا تناسب 26% سے بڑھ کر 31% ہو چکا ہے۔ چنانچہ مجموعی سرمایہ کاری میں مراکش کا تناسب 33% سے کم ہو کر 27% ہو چکا ہے۔ جبکہ متحدہ امارات اور امارات متحده کی مقدار بالترتیب 13% اور 3% سے کم ہو کر 11% اور 1% ہو گئی ہے۔ بینک کا مجموعی سرمایہ کاری پورٹ فولیو (برطانیہ 31 دسمبر 2011ء) 64.48 ارب تک پہنچ چکا ہے۔ بینک کے یہ تمام مجموعی سرمایہ کاری معاہدات کا استعمال کرتے ہوئے کیے گئے جو شریعہ اعتبار سے درست ہیں۔

ڈیپانٹس کا جائزہ

بینک نے اپنی ڈیپانٹ سائیڈ پر کئی ایسی شرما جائز ڈیپانٹ پروڈکٹس پیش کی ہیں جو مضاربت اور قرض پختی ہیں۔ برطانیہ 31 دسمبر 2011ء میں ڈیپانٹس میں تیس فی صد اضافہ ہوا ہے اور بینک کا مجموعی ڈیپانٹ 170 ارب روپے تک پہنچ چکا ہے۔ اس سال بینک نے دیگر بینکوں اور کارپوریٹ گاہکوں سے مشارکت کی بنیاد پر قرض لیوا عہدت کے لیے رقم وصول کی ہیں۔ یہ بات قابل ستائش ہے کہ (Certificates of Islamic Investments, COIIs) اور دیگر معیاری ڈیپانٹس سے متعلق نفع کی تقسیم کا زیادہ بہتر طریقہ کار، شریعہ پر مبنی اور بڑی ہدایات کی روشنی میں عمل میں لایا گیا ہے جس کے نتیجے میں تمام مضاربت ڈیپانٹس پروڈکٹس کے نفع کی تقسیم کی تاریخیں ایک ہی ہوں گی اور حقیقی نفع کے اعتبار سے نفع تقسیم کیا جائے گا۔

دو سال میں بینک کی ڈیپانٹ سائیڈ سے متعلق درج ذیل امور انجام دیے گئے:

مختلف انٹرنیشنل اور فنڈز کو مختلف پوزیشنوں پر منسوب کرنا، مضاربت کی بنیاد پر نفع شدہ رقم کے مجموعی نفع کے تناسب کا اعلان کرنا، ماہانہ اوزان صحیح کرنا، سرمایہ کاریوں میں نفع تقسیم کرنا وغیرہ۔

شریعت اور کیپٹل سٹریٹجی

بینک کی تمام پروڈکٹس اور عہدات کے شریعی طور پر جائز ہونے کی یقین دہانی کے لیے PDSC ڈیپارٹمنٹ بینک کے مختلف اقسام کی عملی طور پر پورے سال نگرانی کرتا رہا ہے۔ دو سال میں سرمایہ کاری کی منظوریوں، مجموعی سرمایہ کاری کی ازسرنو تہدید، ہر گاہ کہ کے لیے فتویٰ کی صفحہ کا الگ الگ طریقہ کار اور مشائخ دستاویزات کا شریعی اعتبار سے جائزہ لیا گیا تاکہ گاہکوں کو دی جانے والی مجموعی سرمایہ کاری شریعی اعتبار سے درست ہوں۔

بینک کے پروڈکٹ ڈیپانٹ اور شریعت کیپٹل سٹریٹجی ڈیپارٹمنٹ نے ہزاروں سے زائد فتوؤں کے پروڈکٹس (مالی معاملات کی انجام دہی کا تفصیلی طریقہ کار) منظور کئے۔ بینک کی طرف سے دی جانے والی برقی سرمایہ کاری کا طریقہ کار بھی شہید بنا تا اور منظور کرتا ہے۔

یہ مختلف صارفین بینک کے وکیل کے طور پر جو ایشیا، عربیہ تے ہیں ان کی تحقیق کے لیے کئی مقامات پر بینک کی طرف سے باقاعدہ نمائندگی نے جا کر معاہدہ کیا تاکہ یہ معلوم ہو کہ واقعی ایشیا عربیہ تے ہیں۔ اصفہان اور امارات میں جب تیار شدہ ایشیا کا بینک نے قبضہ کیا تو 100% معاملات میں یہ معاہدہ کیا گیا۔

یہ بات قابل تشویش ہے کہ دو سال 2011ء کے دوران فتوہ و مزاج میں براہ راست ادائیگیوں کے مجموعی تناسب میں نہایت کمی (سابقہ برس کے مقابلے میں انہیں 19 فی صد کمی) واقع ہوئی ہے۔ 2010ء میں براہ راست ادائیگیوں کا تناسب 76% رہا تھا، جبکہ یہ تناسب 2011ء میں کم ہو کر 57% ہو گیا۔ اس طرح کل 19% کمی واقع ہوئی۔ چنانچہ کارپوریٹ سٹریٹجی اور چھوٹے اور درمیانے طبقے (SME) کے گاہکوں کے ساتھ کئے جانے والے فتوہ و مزاج میں براہ راست ادائیگیوں کے تناسب میں اضافہ کیا جانا چاہیے۔

عقیدہ مراکش میں براہ راست ادائیگیوں کا خلاصہ

شرح ترقی	2011	2010	عقیدہ مراکش میں کی جانے والی براہ راست ادائیگیاں
-19%	57%	76%	مجموعی پورٹ فولیو
			با اعتبار گاہک
-26%	49%	75%	کارپوریٹ
-3%	78%	81%	ایس ایم ای / کمرشل

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

شريعة ایڈوائز رپورٹ

الحمد لله رب العالمين، والصلاة والسلام على خاتم الأنبياء والمرسلين،

محمد المصطفى الأمين، وعلى آله وأصحابه أجمعين، وبعد:

الحمد لله، وزير ملاحظہ سال میزان بینک لائیو اسلامی تجارتی بینکاری کا دسواں سال ہے۔ اس سال بینک نے شریعہ ایڈوائزری بورڈ/شریعی ایڈوائزری کمیٹی کی منظوری کے بعد کئی نئی اور متنوع الاقسام پر پروڈکٹس متعارف کرائیں۔ رواں سال شریعی ایڈوائزری کمیٹی کی طرف سے میزان بینک کی مختلف جدید پروڈکٹس، خصوصاً طریقہ قیام اور ان کے عملی انعقاد کو چیک کرنے کا طریقہ کار شریعی بورڈ/شریعی ایڈوائزری بورڈ کے گوشہ اور جائزہ کے لیے پیش کیا گیا۔ چنانچہ اس سلسلے میں میزان بینک کے شریعی بورڈ/شریعی ایڈوائزری کمیٹی کے اراکین نے مندرجہ ذیل امور پر غور کیا۔

متنوع کی جانچ پڑتال کے طریقہ کار کو مزید موثر بنانے کے لیے ایک مستقل شعبہ "پروڈکٹ ڈیولپمنٹ اینڈ شریعی ایڈوائزری کمیٹی (PDSC)" میری زیر نگرانی کام کر رہا ہے۔ اس شعبے کی ذمہ داریوں میں نئی پروڈکٹس کے لیے تحقیق و تامل، موجودہ پروڈکٹس اور طریقہ عمل میں مزید بہتری، اسلامی بینکاری کی تربیت اور شریعی ایڈوائزری کمیٹی کے عملی انعقاد، بینک کے شریعی بورڈ/شریعی ایڈوائزری کمیٹی کے ساتھ رابطہ اور مقامی اور بین الاقوامی اداروں کو اسلامی قوانین اور احکامات کی وضاحت کی ضرورت کی خدمات شامل ہیں۔

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

نئی پروڈکٹس کی تیاری اور تحقیق

یہ بات حوصلہ افزا ہے کہ میزان بینک نے اس سال رنگ بھر مار کے متنوع کی جانچ پڑتال کی ہے۔ رنگ بھر مار کا ایک نئی پروڈکٹ ہے جو بھارت کے بینکاری کے بنیادوں پر قیام فرام کرنے کے نعرے پہلے سے مزید بڑا ہے۔ رواں سال 2011 میں بینک نے چند بڑی ملٹی نیشنل کمپنیوں کے ساتھ خصوصی طور پر ان ہی کمپنیوں کے طریقہ کار کے مطابق سپارک ڈیوٹ کے ذریعے انہیں قبول فرام کی ہے، جس سے اسلامی بینکاری کی پروڈکٹس اور خدمات کے بارے میں یہ بات واضح ہوئی ہے کہ اسلامی بینکاری ہر قسم کی کاروباری قبول ضرورت کو پورا کرنے کے صلاحیت رکھتی ہے۔ ادارہ ایسی (Liquidity Management) کے نئے مواقع تلاش کئے گئے اور بینک نے اسٹیٹ بینک کی طرف سے جاری کردہ منسک کی تیاری اور اجراء میں فعال کردار ادا کیا۔

نور علی ڈیپازٹس کے لیے میزان بینک کی طرف سے ایک نئی پروڈکٹ جاری کی گئی جس کا نام منسک کی تیاری ہے۔ کرنسی کی خرید و فروخت کے بارے میں شریعی رہنمائی کے لیے پالیسی وضع کی گئی، نیز ایف اے سی کے تحت بھی مزید وضاحت جاری کی گئی جس کے نتیجے میں منسک کی پروڈکٹ کا کھولنے کے لیے مزید قیام عمل ہوئی۔ شریعی بورڈ نے ایک اور قبول نئی پروڈکٹ "سال مینجمنٹ پیکیج" بھی منظوری سے جس پر جلدی عمل شروع ہو جائے گا۔ "میزان لوئیک" نے بھی گزشتہ سالوں کے مقابلے میں معیار کے اعتبار سے ترقی کی ہے جس کا نتیجہ صارفین کے اعتماد میں اضافہ اور ماحولیاتی عمل میں ظاہر ہوا۔

ٹریڈنگ اور ڈیولپمنٹ

اس سال 100 سے زائد اسلامی بینکاری کی ترقیاتی کامیابیوں کا اعتراف کیا گیا۔ جبکہ گزشتہ برس کل 85 کامیابیوں منسک ہوئی تھیں جن میں کل 2117 ملازمین نے شرکت کی تھی۔

دوران سال پاکستان بھر میں 23 شعبوں میں اسلامی بینکاری کی ترویج و تھیر کے لئے 39 سینما، مارکٹ، اور کارپوریٹ ایس ایم ای اور کٹا پن منسک کی گئیں جن میں 4540 حاضرین نے شرکت کی۔ ان حاضرین میں صدارتی، مہمان اور پبلسٹی شامل تھے۔ کارپوریٹ ایس ایم ای، ایس ایم ای، ایس ایم ای اور گورنمنٹ کے بارے میں قصور کو واضح کرنے کے لیے اور کٹا پن منسک کے انعقاد کی طرف سے ایک کامیابی منسک ہوا۔

بینک نے براؤن شہزادہ، شیخ زبیر اور منسک فرنیچر ایڈوائزری کمیٹی کے لیے بینک کے پانچوں رجسٹری میں پانچ گورنمنٹ کرانے۔ یہ گورنمنٹ رجسٹریوں پر مشتمل تھے۔

یہ بات بھی قابل مسرت ہے کہ میزان بینک کے ملازمین کے لیے اعترافیت پر "لوٹجی پورٹ" کا پتہ چل گیا ہے۔ اس "لوٹجی پورٹ" میں پروڈکٹ کی پالیسی، جاہیات، FAQs، پبلسٹیٹیو، ویڈیو یوتیوب، ترقیاتی اصوات، مضامین شامل ہیں۔ بینک کا ہر ملازم ان تمام امور سے جب جانے استفادہ کر سکتا ہے۔ اس اقدام سے انٹرنیٹ ملازمین کی طرف سے اضافی فائدہ کے مواقع میں مزید اضافہ ہوا ہے اور امید کی جاتی ہے کہ اس کے ذریعے انٹرنیٹ ملازمین اور میزان بینک کے پروڈکٹس کے بارے میں میزان بینک کے ملازمین میں پانچ ہو سکیں گے۔

بینک نے پاکستان میں منسک شدہ "ورلڈ اسلامک فائنانس سوسائٹی" کو منسک کرنا ہے۔ یہ پاکستان میں اسلامی بینکاری کی مزید ترقی کے لیے اپنی معاونت جاری رکھی۔ اس سلسلے میں اسٹیٹ بینک آف پاکستان پبلسٹیٹیو آف ویکنگ اینڈ فائنانس (NIBAF) اور مرکز اقتصاد اسلامی (CIE) جیسے اداروں کی مختلف ٹریڈنگ سیکشن میں بینک نے معاونت کی۔ بینک نے مختلف اداروں میں اسلامی ویکنگ کے متعدد گورنمنٹ اور ڈگری پروگرام منسک کرائے۔ ان اداروں میں PAF-KIET، IOB، MIBA، SUKKAR، LUMS، IBA، اور ایم ایم ایم (پشاور) اور انٹرنیشنل اسلامک بزنس (اسلام آباد) کے ساتھ شریعی ٹریڈنگ سیکشن اور کٹا پن منسک کا بھی انعقاد کیا گیا۔

شریعی ایڈوائزری

رواں سال میزان بینک نے اپنی ایڈوائزری سے متعلق خدمات میں مزید اضافہ کیا، جس کا بنیادی مقصد یہ تھا کہ اسلامی بینکاری کے انعقاد کے تجربے میں جو کامیابی میزان بینک کو حاصل ہوئی ہے اس میں دوسروں کو بھی شریک کر لیا جائے۔ چنانچہ اس سال بینک نے بین الاقوامی قبولی بازاروں میں داخل ہونے کے ساتھ ساتھ "شرعی ٹیکنیکل سرویس اینڈ سپورٹ" ایگریمنٹ کیا۔ اسلامی حکومتی مارکیٹ کے میدان میں میزان بینک بدستور ایگریمنٹ انٹرنیشنل منسک (AMIM)، بین الاقوامی منسک (NAFA)، اور KASB اسلامک فنڈز ایڈوائزری (AKD) انٹرنیشنل



Statement of Sources and Uses of Charity Fund

For the year ended December 31, 2011

	2011	2010
	—————Rupees in '000 —————	
Opening balance as at January 01	88,727	118,233
Additions during the year		
- Received from customers on delayed payments	27,076	41,077
- Dividend purification	2,546	343
- Non-shariah compliant income	27,070	64,889
- Profit on Charity savings account	2,398	1,818
	59,090	108,127
	147,817	226,360
Less: Distribution of Charity		
- Education	-	(2,283)
- Health	-	(200)
- Relief, welfare and disaster recovery	(130,110)	(135,000)
- Social welfare	-	(150)
	(130,110)	(137,633)
Closing balance as at December 31	17,707	88,727

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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Chartered Accountants
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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 transactions 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 2011.

Date: 19 February 2012

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2011

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 eight 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 vacancy occurred in the Board during the year will be 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. As required in above clause, the management of the Bank has also carried-out the Training Session on Corporate Governance for Board of Directors of the Bank on October 29, 2011.
10. There was no new appointment of the Company Secretary, CFO or Head of Internal Audit during the year ended December 31, 2011.
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.



Irfan Siddiqui
President & CEO

February 19, 2012



Statement of Internal Controls

The 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 annual results of the Bank.

Based on observation and weaknesses found and identified by the auditors both internal and external and the Compliance and Shariah audit teams, improvements are brought about by the management 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 2012.

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

On behalf of the Board

A blue ink signature of Ariful Islam, Chief Operating Officer.

Ariful Islam
Chief Operating Officer

A blue ink signature of Irfan Siddiqui, President & CEO.

Irfan Siddiqui
President & CEO

February 19, 2012

Notice of Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting of the Members of Meezan Bank Limited will be held Insha'Allah on Thursday, March 29, 2012 at 9:00 a.m. at Meezan House C-25, Estate Avenue, SITE, Karachi to transact the following business:

Ordinary Business

1. To confirm the minutes of the 15th Annual General Meeting held on March 28, 2011.
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, 2011 together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors of the bank for the year ending December 31, 2012 and to fix their remuneration. M/s. A. F. Ferguson & Co., Chartered Accounts has consented to act as auditors. The retiring auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed the period of five (5) years in accordance with the Clause (xii)(a) of the Code of Corporate Governance and therefore, are not eligible for re-appointment.
4. To approve interim Cash Dividend @ 10% (i.e. Rs. 1 per shares) already paid in August 2011.

Special Business

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

“Resolved that:

- a. a sum of Rs 1,003,741,630 out of free reserves of the Bank for the issue of bonus shares be capitalized and applied for the issue of 100,374,163 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 29, 2012 in the ratio of 12.5 ordinary shares for every 100 ordinary shares held (12.5%) and that such new shares shall rank pari passu in all respect with the existing ordinary shares.
 - b. Members entitled to fraction of shares as a result of their holding shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange
 - c. For the purpose of giving effect to the foregoing, the President/Chief Executive or the Company Secretary be and are hereby individually authorized to take any and all actions which may deemed fit for the issuance, allotment, distribution, etc. of the said bonus shares.”
6. To approve the remuneration paid/payable to the Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2011 for attending Board Meetings and Meetings of the Committees formed by the Board and to pass the following resolution as Ordinary Resolution:

“Resolved that the remuneration paid/payable to the Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2011 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, be and is hereby approved.”

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

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

By Order of the Board



Tasnimul Haq Farooqui
Company Secretary

Karachi

March 07, 2012



Notes:

- i) The Members' Register will remain closed from March 19, 2012 to March 29, 2012 (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 purpose.

Statement Under Section 160 (1) (B) of the Companies Ordinance, 1984

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

I) Issue of Bonus Shares

In order to meet the requirement of State Bank of Pakistan to increase the paid up capital of the commercial banks to Rs. 9 billion by December 31, 2012, the Board of the Bank are of the view that Bank's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 1,003,741,630 for the issue of 100,374,163 bonus shares of Rs. 10/- each in the ratio of 12.5 ordinary shares of every 100 ordinary shares held i.e. 12.5%.

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.



WATER

Being a service industry, banking is an ever-changing landscape. The fluidity of water is suggestive of the changing needs of our customers. Their constantly evolving needs require that we continue to research and develop new products and improve our existing products. By adapting and changing our product offering to reflect the needs of the times, we have been able to remain at the helm of the Islamic Banking industry. The various water bodies placed strategically around the office are home to many kinds of beautiful fish, whose constant movement in the water adds colour to our workplace and reminds us of the dynamic nature of the professional landscape in which we exist.



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Auditors' Report to the Members

We have audited the annexed statement of financial position of **Meezan Bank Limited** ("the Bank") as at 31 December 2011 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 2011, 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 2011 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: 19 February 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain

Statement of Financial Position

As at December 31, 2011



	Note	2011	2010
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	16,641,160	12,780,806
Balances with other banks	8	2,348,076	9,939,660
Due from financial institutions	9	4,065,406	10,511,855
Investments	10	98,488,574	54,966,907
Financings	11	59,155,585	54,195,163
Operating fixed assets	12	3,985,248	3,066,100
Deferred tax assets	17	801,391	342,175
Other assets including inventories	13	15,064,954	8,949,759
		200,550,394	154,752,425
LIABILITIES			
Bills payable	14	2,282,045	1,767,370
Due to financial institutions	15	9,235,960	5,829,296
Deposits and other accounts	16	170,030,431	131,070,328
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	5,215,607	5,005,440
		186,764,043	143,672,434
NET ASSETS			
		13,786,351	11,079,991
REPRESENTED BY			
Share capital	19	8,029,933	6,982,550
Reserves	20	2,058,319	1,380,010
Unappropriated profit		3,240,421	2,377,563
		13,328,673	10,740,123
Surplus on revaluation of investments	21	457,678	339,868
		13,786,351	11,079,991
CONTINGENCIES AND COMMITMENTS			
	22		

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

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

Irfan Siddiqui
President and
Chief Executive

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director



Profit and Loss Account

For the year ended December 31, 2011

	Note	2011	2010
		Rupees in '000	
Profit / return earned on financings, investments and placements	23	18,032,152	12,290,549
Return on deposits and other dues expensed	24	8,665,622	6,606,474
Net spread earned		9,366,530	5,684,075
Provision against non-performing financings (net)	11.12	1,471,614	1,330,057
(Reversal) / provision for diminution in the value of investments	10.9	(34,981)	46,862
(Reversal) / provision against off-balance sheet obligations	18.3	(6,113)	37,682
(Reversal) / provision against amounts due from financial institutions	9.4	(41,365)	81,875
Bad debts written off directly		-	-
		1,389,155	1,496,476
Net spread after provisions		7,977,375	4,187,599
OTHER INCOME			
Fee, commission and brokerage income		757,136	615,752
Dividend income		938,983	321,898
Income from dealing in foreign currencies		571,880	1,381,044
Capital gain on sale of investments - net	25	219,391	97,155
Other income	26	17,365	59,181
Total other income		2,504,755	2,475,030
		10,482,130	6,662,629
OTHER EXPENSES			
Administrative expenses	27	5,958,595	4,460,804
Other provisions / write offs		168,242	18,306
Other (reversals) / charges	28	(1,007)	56,559
Total other expenses		6,125,830	4,535,669
		4,356,300	2,126,960
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		4,356,300	2,126,960
Taxation - Current	29	1,703,310	1,025,135
- Prior years		(220,027)	(332,808)
- Deferred		(518,526)	(214,955)
		964,757	477,372
PROFIT AFTER TAXATION		3,391,543	1,649,588
		Rupees	
Basic and diluted earnings per share	30	4.22	2.05

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

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

Irfan Siddiqui
President and
Chief Executive

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

Statement of Comprehensive Income

For the year ended December 31, 2011



	2011	2010
	Rupees in '000	
Profit for the year	3,391,543	1,649,588
Other comprehensive income	-	-
Comprehensive income transferred to equity	3,391,543	1,649,588
Components of comprehensive income not transferred to equity		
Surplus on revaluation of investments	177,120	322,896
Deferred tax on revaluation of investments	(59,310)	(76,952)
Total comprehensive income	3,509,353	1,895,532

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

Handwritten signature of H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa in blue ink.

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

Handwritten signature of Irfan Siddiqui in blue ink.

Irfan Siddiqui
President and
Chief Executive

Handwritten signature of Abdullateef A. Al-Asfour in blue ink.

Abdullateef
A. Al-Asfour
Director

Handwritten signature of Mohammad Abdul Aleem in blue ink.

Mohammad
Abdul Aleem
Director

Cash Flow Statement

For the year ended December 31, 2011

	Note	2011	2010
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,356,300	2,126,960
Dividend income		(938,983)	(321,898)
		<u>3,417,317</u>	<u>1,805,062</u>
Adjustments for non-cash charges			
Depreciation		436,739	359,075
Amortization		39,718	33,810
Provision against non-performing financings (net)		1,471,614	1,530,057
(Reversal) / provision for diminution in the value of investments		(34,981)	46,862
(Reversal) / provision against amounts due from financial institutions		(41,365)	81,875
Loss / (gain) on sale of operating fixed assets		31,251	(18,910)
		<u>1,902,976</u>	<u>1,832,769</u>
		<u>5,320,293</u>	<u>3,637,831</u>
(Increase) / decrease in operating assets			
Due from financial institutions		6,487,814	23,893,145
Financings		(6,432,036)	(13,815,564)
Other assets including inventories		(6,077,062)	(453,313)
		<u>(6,021,284)</u>	<u>9,624,268</u>
Increase / (decrease) in operating liabilities			
Bills payable		514,675	518,160
Due to financial institutions		3,406,664	(2,639,129)
Deposits and other accounts		38,960,103	30,737,277
Other liabilities		417,981	645,596
		<u>43,299,423</u>	<u>29,261,904</u>
		<u>42,598,432</u>	<u>42,524,003</u>
Income tax paid		(1,692,067)	(1,266,434)
Net cash flow from operating activities		<u>40,906,365</u>	<u>41,257,569</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		-	16,848
- available for sale securities		(42,933,064)	(25,960,610)
- listed associated undertakings		(522,782)	(5,456,802)
- unlisted associated undertakings		146,280	-
Dividends received		900,850	239,262
Investments in operating fixed assets		(1,467,516)	(1,054,418)
Sale proceeds of operating fixed assets disposed off		40,660	30,718
Net cash flow from investing activities		<u>(43,835,572)</u>	<u>(32,185,002)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(802,023)	-
Net cash flow from financing activities		<u>(802,023)</u>	<u>-</u>
(Decrease) / increase in cash and cash equivalents		<u>(3,731,230)</u>	<u>9,072,567</u>
Cash and cash equivalents as at January 1	31	22,720,466	13,647,899
Cash and cash equivalents as at December 31	31	<u>18,989,236</u>	<u>22,720,466</u>

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



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



Irfan Siddiqui
President and
Chief Executive



Abdullateef
A. Al-Asfour
Director



Mohammad
Abdul Aleem
Director

Statement of Changes in Equity

For the year ended December 31, 2011



	Share capital	Capital reserves		Revenue reserves	Unappropriated profit	Total
		Statutory reserve	Reserve for issue of bonus shares	General reserve		
Rupees in '000						
Balance as at January 01, 2010	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
Total Comprehensive income for the year						
Profit after taxation for the year	-	-	-	-	3,391,543	3,391,543
Transactions with owners recognised directly in equity						
Transfer to reserve for issue of bonus shares	-	-	1,047,383	-	(1,047,383)	-
Issue of bonus shares	1,047,383	-	(1,047,383)	-	-	-
Cash dividend for the year 2011	-	-	-	-	(802,993)	(802,993)
	1,047,383	-	-	-	(1,850,376)	(802,993)
Transfer to statutory reserve	-	678,309	-	-	(678,309)	-
Balance as at December 31, 2011	8,029,933	1,991,553	-	66,766	3,240,421	13,328,673

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

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

Irfan Siddiqui
President and
Chief Executive

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

Meezan Bank Limited (the Bank) was incorporated in Pakistan on January 27, 1997, as a public limited company under the Companies Ordinance, 1984, and its shares are quoted on the Karachi Stock Exchange. The Bank was registered as an 'Investment Finance Company' on August 8, 1997, and carried on the business of investment banking as permitted under SRO 585(I)/87 dated July 13, 1987, in accordance and in conformity with the principles of Islamic Shariah. A 'Certificate of Commencement of Business' was issued to the Bank on September 29, 1997.

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 seventy five branches as at December 31, 2011 (2010: two hundred and twenty two branches). Its registered office is situated at Meezan House, C-25, Estate Avenue, SITE, Karachi, Pakistan.

2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of the Bank. The consolidated financial statements of the group are being issued separately. The Bank provides financing mainly through Murabaha, Ijarah, Service Ijarah, Musharakah, Diminishing Musharakah, Running Musharaka, Istisna, Tijarah, Bai Muajjal, Musawammah 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:

- Amendments to IAS 12 – Deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 - "Investment Property". The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Bank.
- IAS 27 - Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of interest in other entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments may impact the financial statements of the Bank which has not yet been quantified.
- IAS 28 - Investments in associates and joint ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments may impact the financial statements of the Bank which has not yet been quantified.
- IAS 19 - Employee benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments may impact the financial statements of the Bank which has not yet been quantified.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



- (Amendments to IAS 1) Presentation of Items of Other Comprehensive Income - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments may impact the financial statements of the Bank which has not yet been quantified.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments has no impact on the financial statements of the Bank.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 3.1 The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:
- (a) Critical judgment in classification of investments in accordance with the Bank's policy (notes 6.4 and 10).
 - (b) Provision for non-performing financings and others (notes 6.3.3, 9.4, 11.12, 13.5 and 18.3).
 - (c) Determination of forced sale value of underlying securities of non-performing financings (note 11.12.2).
 - (d) Impairment of investments in equity instruments (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 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.

- 3.2 Through Finance Act, 2010, certain amendments were introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for financings and off balance sheet items in doubtful and loss categories were allowed upto 5% of total gross financing for consumer and Small and Medium Enterprises - SMEs (as defined in SBP Prudential Regulation). Through Finance Act, 2011, certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. Provision in excess of prescribed limits of consumer and SME financings have now been allowed to be carried forward to subsequent years effective July 01, 2010. With reference to allowability of provision, the management has carried out an exercise at year 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.1,210 million (2010: Rs. 967 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 requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by SBP shall prevail.
- 4.2 SBP through 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 Bai Muajjal is recognised on accrual basis.
- v) Profit on Diminishing Musharakah financings is recognised on accrual basis.
- vi) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- vii) Profit on Tijarah and Istisna financings is recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds by the Bank.
- viii) Profit on Service Ijarah is recognised on accrual basis.
- ix) Profit on Sukuks is recognised on accrual basis.
- x) 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.
- xi) Dividend income is recognised when the Bank's right to receive dividend is established.
- xii) Return on deposits placed is recognised on receipt basis except for return on fixed deposits which is recognised on accrual basis.
- xiii) 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, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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.

Running Musharakah

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

Bai Muajjal

In Bai Muajjal, the Bank sells Shariah compliant sukuk on a deferred payment basis to other financial institutions / customers. The credit price is agreed at the time of sale and proceeds are received at the end of credit period.

Service Ijarah

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

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 financing arrangements for purchase of goods / assets are recorded as 'Advance against financings'. On culmination i.e. sale of assets to customers, financings are recorded at the deferred sale price net of profit. Assets purchased but remaining unsold at the date of Statement of Financial Position 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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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.

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 Statement of Financial Position, 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 profit and loss account 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 losses (if any). Items of fixed assets costing Rs. 20,000 or less are not capitalized and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in profit and loss account currently.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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.

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 profit and loss account 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 profit and loss account.

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 Statement of Financial Position 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.

6.8 Deposits

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

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

Asset 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.

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, 2011. 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 upto the date of Statement of Financial Position. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2011, on the basis of projected unit credit method.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



6.12 Dividend and reserves

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

6.13 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 date of the Statement of Financial Position.

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

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 date of Statement of Financial Position 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.

6.15 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position 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

It 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 SMEs.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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.

	Note	2011	2010
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		4,475,568	3,069,819
- foreign currencies		570,389	490,477
With the State Bank of Pakistan in			
- local currency current accounts	7.1	7,298,835	6,586,351
- foreign currency current accounts	7.1	911,721	792,647
With the National Bank of Pakistan in			
- local currency current accounts		3,384,647	1,841,512
		16,641,160	12,780,806

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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



	Note	2011	2010
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		1,658,602	1,455,966
- on deposit accounts / term deposit receipts		-	7,350,000
Outside Pakistan			
- on current accounts		689,043	1,115,963
- on deposit accounts	8.1	431	17,731
		<u>2,348,076</u>	<u>9,939,660</u>

8.1 The return on these balances is around 0.18% (2010: 0.29%) per annum.

9. DUE FROM FINANCIAL INSTITUTIONS

Bai Muajjal	9.1	4,040,239	7,966,079
Commodity Murabaha	9.2	78,302	1,094,501
Wakalah		-	45,775
Modaraba		-	1,500,000
		<u>4,118,541</u>	<u>10,606,355</u>
Provision against amounts due from financial institutions	9.4	(53,135)	(94,500)
		<u>4,065,406</u>	<u>10,511,855</u>

9.1 The average return on these products is 11.30% (2010: 12.89%) per annum and will mature between January 2012 to February 2013.

9.2 The average return on this product is 1.2% (2010: 0.9%) per annum (Euro) and will mature in January 2012.

	2011	2010
Rupees in '000		
9.3 Particulars of due from financial institutions		
In local currency	4,024,739	10,466,080
In foreign currencies	40,667	45,775
	<u>4,065,406</u>	<u>10,511,855</u>
9.4 Provision against amounts due from financial institutions		
Opening balance	94,500	12,625
Charge for the year	-	81,875
Reversals	(41,365)	-
	<u>(41,365)</u>	<u>81,875</u>
Closing balance	<u>53,135</u>	<u>94,500</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

10. INVESTMENTS

10.1 Investments by types	Note	2011			2010		
		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	88,919,915	-	88,919,915	45,986,851	-	45,986,851
Held to maturity securities	10.5	1,150,000	-	1,150,000	1,150,000	-	1,150,000
		90,069,915	-	90,069,915	47,136,851	-	47,136,851
In related parties							
Subsidiary (unlisted)	10.6	63,050	-	63,050	63,050	-	63,050
Associates (listed)	10.7	7,999,745	-	7,999,745	7,476,963	-	7,476,963
Associates (unlisted)	10.8	128,000	-	128,000	274,280	-	274,280
Investment at cost / carrying value		98,260,710	-	98,260,710	54,951,144	-	54,951,144
Provision for diminution in value of investments	10.9	(399,033)	-	(399,033)	(434,014)	-	(434,014)
Investments (net of provision)		97,861,677	-	97,861,677	54,517,130	-	54,517,130
Surplus on revaluation of available for sale securities	21	626,897	-	626,897	449,777	-	449,777
Total investments at market value		98,488,574	-	98,488,574	54,966,907	-	54,966,907

Note
2011
2010
Rupees in '000

10.2 Investments by segments

Federal Government Securities

GOP Ijarah Sukuks

75,655,305

32,446,557

Fully paid up Ordinary Shares

- Listed Companies

923,973

1,032,031

- Unlisted Companies

313,272

313,272

WAPDA First Sukuk Certificates

10.2.1

1,260,309

1,258,708

WAPDA Second Sukuk Certificates

1,730,000

1,750,000

PIA Sukuks

1,500,000

1,500,000

Sukuk Certificates

5,120,224

5,211,350

Preference Shares

-

146,280

Global Sukuk Bonds

2,656,985

2,915,086

Units of Open-end Funds

8,938,400

8,168,661

Society for Worldwide Interbank Financial Telecommunication

SCRL (S.W.I.F.T. SCRL)

897

897

Certificates of Closed-end Funds

161,345

208,302

Total investment at cost / carrying value

98,260,710

54,951,144

Provision for diminution in value of investments

10.9

(399,033)

(434,014)

Investments (net of provision)

97,861,677

54,517,130

Surplus on revaluation of available for sale securities

21

626,897

449,777

Total investments at market value

98,488,574

54,966,907

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



10.2.1 The Bank purchased 22,000 certificates of WAPDA– I Sukuk through a market based transaction for a cash consideration of Rs.110.346 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.

Though, the suit is pending in Sindh High Court, however, the Bank on prudent basis has recognised provision against these sukuks in the current year.

10.3 Investments in subsidiary and associates, except for Meezan Islamic Income Fund, Meezan Capital Protected Fund II 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.

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	2011	2010	2011	2010	2011		2010	
		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	190,542	324,000	11,969	20,352	10,956	Unrated	24,689	Unrated
Cement									
Attock Cement Pakistan Limited		190,737	200,737	8,372	8,811	9,728	Unrated	12,668	Unrated
D.G. Khan Cement Company Limited		-	115,000	-	3,068	-	-	3,470	Unrated
Lucky Cement Company Limited		1,252,089	1,092,326	88,806	75,589	93,957	Unrated	82,787	Unrated
Automobile assembler									
Indus Motor Company Limited		-	738	-	106	-	-	186	Unrated
Pak Suzuki Motor Company Limited		26,360	30,700	2,248	2,618	1,556	Unrated	2,143	Unrated
Power generation and distribution									
The Hub Power Company Limited		2,261,651	1,300,000	83,703	46,652	77,348	AA+/A1+	48,633	AA+/A1+
Oil and gas marketing									
Pakistan State Oil Company Limited		-	494,446	-	144,138	-	-	145,951	AA+ / A1+
Oil and gas exploration									
Pakistan Oilfields Limited		569,676	531,676	166,177	120,911	197,364	Unrated	157,355	Unrated
Oil and Gas Development Company Limited		888,431	621	125,171	84	134,704	AAA / A1+	106	AAA / A1+
Pakistan Petroleum Limited		1,127,139	904,490	181,579	139,117	189,720	Unrated	196,410	Unrated
Attock Petroleum Limited		15,000	-	4,953	-	6,188	Unrated	-	-
Fertilizer									
Fauji Fertilizer Bin Qasim Limited		-	2,482,500	-	79,644	-	-	88,700	Unrated
Fauji Fertilizer Company Limited		1,489,429	1,445,543	143,709	151,733	222,729	Unrated	181,936	Unrated
Paper and board									
Packages Limited		-	250,783	-	46,826	-	-	32,253	AA / A1+
Chemicals									
ICI Pakistan Limited		595,489	505,489	81,984	66,286	71,619	Unrated	72,912	Unrated
Lotte Pakistan PTA Limited		-	978,530	-	12,896	-	-	13,406	Unrated
Technology and communication									
Pakistan Telecommunication Company Limited (A)		-	2,801,100	-	67,539	-	-	54,397	Unrated
Refinery									
National Refinery Limited		-	99,936	-	19,780	-	-	27,361	Unrated
Jute									
Thal Limited		-	9,200	-	579	-	-	1,198	Unrated
Miscellaneous									
Tri-Pack Films		223,616	223,616	25,302	25,302	35,846	A+/A1	27,317	A+/A1

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

Name of the investee company / fund	Note	2011	2010	2011	2010	2011	2010	2011	2010
		Number of shares / units / certificates		Cost		Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
		Rupees in '000				Rupees in '000			
Sukuk Certificates									
WAPDA First Sukuk Certificates	10.4.2	22,000	22,000	110,309	108,708	110,309	Govt. Guaranteed	114,257	Govt. Guaranteed
WAPDA Second Sukuk Certificates	10.4.3	346,000	350,000	1,730,000	1,750,000	1,737,439	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	1,506,000	Govt. Guaranteed	1,500,000	Govt. Guaranteed
Dawood Hercules Chemicals Limited - at cost		-	20,000	-	904,800	-	-	904,800	Unrated
Century Paper and Board Mills Limited - at cost	10.4.5	125,000	125,000	375,000	500,000	375,000	A+	500,000	A+
Sui Southern Gas Company Limited - at cost	10.4.6	200,000	200,000	166,670	500,002	166,670	AA	500,002	AA
Engro Fertilizers Limited - at cost	10.4.7	150,000	150,000	750,000	750,000	750,000	AA-	750,000	AA-
Sitara Chemicals Industries Limited - at cost		-	29,600	-	37,000	-	-	37,000	AA-
Quetta Textile Mills Limited - at cost	10.4.8	30,000	30,000	135,000	145,000	135,000	BBB+	145,000	BBB+
Arzoo Textile Mills Limited - at cost	10.4.9	10,000	10,000	50,000	50,000	50,000	Unrated	50,000	Unrated
Sitara Peroxide Limited - at cost	10.4.10	30,000	30,000	140,625	140,625	140,625	Unrated	140,625	Unrated
Liberty Power Tech Limited - at cost	10.4.11	18,140,480	16,680,930	1,755,269	1,668,095	1,755,269	AA	1,668,095	AA-
Eden Builders Limited - at cost	10.4.12	14,400	14,400	40,500	58,500	40,500	A	58,500	A
Maple Leaf Cement Factory Limited - at cost	10.4.13	40,000	40,000	199,660	199,830	199,660	D	199,830	BB+
Maple Leaf Cement Factory Limited - at cost	10.4.14	1,500	1,500	7,500	7,500	7,500	D	7,500	BB+
Amreli Steel Limited - at cost	10.4.15	50,000	50,000	250,000	250,000	250,000	A-	250,000	A-
Kott Addu Power Company Limited - at cost	10.4.16	100,000	-	500,000	-	500,000	AA+	-	-
The Hub Power Company Limited - at cost	10.4.17	125,000	-	750,000	-	750,000	AA+	-	-
GOP Sukuks									
Ijarah Sukuk First		-	16,295	-	1,629,500	-	-	1,655,898	Govt. Guaranteed
Ijarah Sukuk Second		-	20,000	-	2,000,000	-	-	2,025,000	Govt. Guaranteed
Ijarah Sukuk Third	10.4.18	30,000	30,000	3,001,275	3,007,924	3,014,100	Govt. Guaranteed	3,045,000	Govt. Guaranteed
Ijarah Sukuk Fourth	10.4.19	35,950	35,950	3,596,770	3,599,256	3,614,054	Govt. Guaranteed	3,595,000	Govt. Guaranteed
Ijarah Sukuk Fifth	10.4.20	161,050	129,500	16,113,638	12,954,969	16,193,578	Govt. Guaranteed	12,982,375	Govt. Guaranteed
Ijarah Sukuk Sixth	10.4.20	103,000	92,500	10,314,916	9,254,908	10,398,880	Govt. Guaranteed	9,305,451	Govt. Guaranteed
Ijarah Sukuk Seventh	10.4.21	128,893	-	12,897,487	-	12,984,681	Govt. Guaranteed	-	-
Ijarah Sukuk Eighth	10.4.22	147,270	-	14,728,473	-	14,768,232	Govt. Guaranteed	-	-
Ijarah Sukuk Ninth	10.4.23	150,020	-	15,002,746	-	15,002,000	Govt. Guaranteed	-	-
Units of open-end funds									
United Islamic Saving Fund		7,960,026	7,946,976	800,000	800,000	843,545	AA-	807,715	Unrated
IGI Islamic Income Fund		1,214,678	1,099,617	100,000	100,000	123,049	A+	110,521	Unrated
Pak Oman Advantage Islamic Income Fund		947,592	-	50,000	-	49,793	AA-	-	-
HBL Islamic Money Market Fund		1,028,774	-	100,000	-	105,748	AA	-	-
Atlas Islamic Fund		98,894	-	50,000	-	50,904	AA-	-	-
Sukuk Bonds									
Abu Dhabi Sukuk Bonds		-	5,000,000	-	428,185	-	-	421,235	A2
Central Bank of Bahrain International Sukuk	10.4.24	10,000,000	10,000,000	946,754	919,697	966,628	BBB	957,269	A
Islamic Development Bank Trust Services Sukuk	10.4.25	6,500,000	6,500,000	585,099	557,227	618,351	AAA	585,750	AAA
Malaysia Sukuk Global	10.4.26	6,750,000	6,750,000	609,191	580,579	635,062	A3	602,352	A3
Qatar Islamic Bank Sukuk	10.4.27	5,000,000	5,000,000	450,738	429,400	463,785	A	429,637	A
Wakala Global Sukuk	10.4.28	725,000	-	65,203	-	65,618	A3	-	-
Others									
Haleeb Foods Limited - at cost	10.4.29	2,786,000	2,786,000	122,222	122,222	122,222	Unrated	122,222	Unrated
S.W.I.F.T. SCRL - at cost		5	5	897	897	897	Unrated	897	Unrated
				<u>88,919,915</u>	<u>45,986,851</u>	<u>89,546,812</u>		<u>46,406,657</u>	

Notes to and forming part of the Financial Statements

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- 10.4.1 The nominal value of these shares is Rs. 5 each.
- 10.4.2 The paid up value of these sukuks is Rs. 5,000 per certificate. The return on these Sukuks - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 35 basis points. These sukuks 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 sukuks is Rs. 5,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates is six monthly Karachi inter-bank offer rate minus 25 basis points. These sukuks will mature in 2017.
- 10.4.4 The paid up value of these sukuks 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 sukuks is Rs. 3,000 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.
- 10.4.6 The paid up value of these sukuks is Rs. 833 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.
- 10.4.7 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.
- 10.4.8 The paid up value of these sukuks is Rs. 4,500 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.
- 10.4.9 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 2 and plus 175 basis points from year 3 to year 6.
- 10.4.10 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.
- 10.4.11 The paid up value of these sukuks is Rs. 96.76 per certificate. The tenure of these certificates is 12 years, with principal receivable in 2011-2021. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.4.12 The paid up value of these sukuks is Rs. 2,813 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.
- 10.4.13 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.
- 10.4.14 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.
- 10.4.15 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.
- 10.4.16 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in June 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.

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For the year ended December 31, 2011

- 10.4.17** The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in February 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 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 comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2012.
- 10.4.19** 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 minus 5 basis points. These certificates will mature in 2012.
- 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 tenure of these certificates is 3 years, with principal receivable in 2013. The profit is calculated on the basis of six month weighted average yield of six month market T-Bills.
- 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 plus zero basis points. These certificates will mature in 2014.
- 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 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 2014.
- 10.4.23** 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 2014.
- 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.
- 10.4.28** The paid up value of these sukuks is US\$ 1 and will mature in 2016. The profit coupon is 2.99 percent per annum. These securities are held through a custodian.
- 10.4.29** The Chief Executive of Haleeb Foods Limited is Mr. Mohammad Imran Amjad.

Notes to and forming part of the Financial Statements

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10.5	Held to maturity securities	Note	2011	2010	2011	2010
	Name of the investee entity		Number of Certificates		Cost Rupees in '000	
	Sukuk Certificates					
	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>1,150,000</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	2011	2010	2011	2010	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
		Number of Shares		Rupees in '000		%	Rupees		
Al-Meezan Investment Management Limited (ordinary shares)	10.6.1	3,250,000	3,250,000	63,050	63,050	65	226.78	June 30, 2011	Mr. Muhammad Shoab
				<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.

Notes to and forming part of the Financial Statements

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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	2011	2010	Percentage of direct equity holding %	2011	2010
		Number of shares / certificates / units			Cost Rupees in '000	
Ordinary Shares of closed end mutual fund						
Al-Meezan Mutual Fund Limited		-	5,561,607	4.04	-	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						
	10.7.1					
Meezan Sovereign Fund		138,275,432	113,186,089	Open end fund	7,002,629	5,750,000
Al-Meezan Mutual Fund		5,561,607	-	Open end fund	46,957	-
Meezan Islamic Fund		11,160,075	8,996,011	Open end fund	380,525	380,525
Meezan Islamic Income Fund		6,123,869	17,642,001	Open end fund	308,289	888,136
Meezan Capital Protected Fund - I		-	5,634,892	Open end fund	-	250,000
Meezan Capital Protected Fund - II		2,000,000	-	Open end fund	100,000	-
					<u>7,999,745</u>	<u>7,476,963</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. 8,021 million (2010: Rs. 7,530 million).

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



10.8 Associates (unlisted)

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

Particulars	Note	2011	2010	2011	2010	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					
Plexus (Private) Limited		1,499,980	1,499,980	15,000	15,000	50%	5.24	June 30, 2010	Mr. Abdul Rehman
Faysal Management Services (Private) Limited	10.8.1	540,000	540,000	54,000	54,000	30%	104.45	December 31, 2010	Mr. Nauman Ansari
Blue Water (Private) Limited	10.8.2	90,000	90,000	9,000	9,000	30%	104.58	June 30, 2010	Mr. Shuja-ul-Mulk Khan
Falcon Greenwood (Private) Limited								June 30, 2010	Mr. Abbas Khan
Ordinary Shares	10.8.2	250,000	250,000	25,000	25,000	25%	95.27	-	-
Preference Shares		-	1,432,800	-	143,280	N/A	N/A	-	-
Advance against issue of Preference Shares		-	-	-	3,000	N/A	N/A	-	-
Pak Kuwait Takaful Insurance Co. Limited		2,500,000	2,500,000	25,000	25,000	6%	4.73	December 31, 2010	Mr. Imtiaz Ahmed Bhatti
				<u>128,000</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.

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

10.8.3 The above associates are incorporated in Pakistan.

10.9 Provision for diminution in value of investments

	2011			2010		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	315,211	118,803	434,014	298,512	88,640	387,152
(Reversal) / charge for the year						
- on associates (listed)	(287,046)	-	(287,046)	-	-	-
- on associates (unlisted)	1,484	-	1,484	16,699	-	16,699
- on available for sale investments	-	250,581	250,581	-	30,163	30,163
	<u>(285,562)</u>	<u>250,581</u>	<u>(34,981)</u>	<u>16,699</u>	<u>30,163</u>	<u>46,862</u>
Closing balance	<u>29,649</u>	<u>369,384</u>	<u>399,033</u>	<u>315,211</u>	<u>118,803</u>	<u>434,014</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

10.9.1 Provision in respect of type and segment	Note	2011	2010
		Rupees in '000	
Associates - unlisted			
Fully paid-up ordinary shares		29,649	28,165
Associates - listed			
Certificates		-	67,954
Units		-	219,092
		-	287,046
Other - Available for sale investments			
Fully paid-up ordinary shares		1,883	29,972
Sukuks		367,501	88,831
		399,033	434,014

11. FINANCINGS

In Pakistan

- Murabaha financings	11.1	17,409,279	19,321,616
- Net investment in Ijarah	11.2	2,387,178	4,193,128
- Net book value of assets / investment in Ijarah under IFAS-2	11.2.1	4,699,578	3,467,234
- Financing under Islamic Export Refinance - Murabaha	11.3	1,702,554	2,041,370
- Financing under Islamic Export Refinance - Istisna	11.4	4,107,184	2,846,176
- Diminishing Musharakah financings - housing		2,426,619	2,680,995
- Diminishing Musharakah financings - others		17,257,712	13,096,430
- Running Musharakah financings		750,000	-
- Musharakah financings		70,531	70,531
- Istisna financings	11.5	9,888,822	6,565,529
- Tijarah financings	11.6	485,970	1,468,736
- Bai Muajjal financings	11.7	999,306	-
- Service Ijarah financings		2,732	-
- Musawammah financings (Laptop)	11.8	25,683	-
- Labbaik (Qard for Hajj and Umrah)		7,545	4,547
- Financings against bills - Salam		744,819	744,180
- Financings against bills - Murabaha		54,180	100,717
- Staff financings	11.9	710,111	580,105
- Loans and running finances		746,917	865,015
Gross financings		64,476,720	58,046,309
Provision against non-performing financings	11.12	(5,321,135)	(3,851,146)
Financings (net of provision)	11.10	59,155,585	54,195,163
11.1 Murabaha receivable - gross			
Deferred murabaha income	11.1.1	18,505,073	20,754,483
Profit receivable shown in other assets		(456,791)	(811,019)
Murabaha financings		(639,003)	(621,848)
		17,409,279	19,321,616
11.1.1 Murabaha Sale Price			
Murabaha Purchase Price		18,505,073	20,754,483
		(17,409,279)	(19,321,616)
		1,095,794	1,432,867

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



11.2 Net investment in Ijarah

	2011				2010			
	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	989,745	2,259,445	-	3,249,190	1,504,997	2,264,784	12,847	3,782,628
Residual value	411,643	230,343	-	641,986	1,097,254	1,027,304	4,737	2,129,295
Minimum Ijarah payments	1,401,388	2,489,788	-	3,891,176	2,602,251	3,292,088	17,584	5,911,923
Profits for future periods	(320,387)	(1,183,611)	-	(1,503,998)	(915,280)	(797,868)	(5,647)	(1,718,795)
Present value of minimum Ijarah payments	1,081,001	1,306,177	-	2,387,178	1,686,971	2,494,220	11,937	4,193,128

11.2.1 Net book value of assets / investments in Ijarah under IFAS-2 is net of depreciation of Rs 2,392.195 million (2010: Rs 960.456 million).

	Note	2011	2010
		Rupees in '000	
11.3 Financing under Islamic Export Refinance - Murabaha (gross)		1,797,116	2,138,701
Deferred income		(52,256)	(50,291)
Profit receivable shown in other assets		(42,306)	(47,040)
Financing under Islamic Export Refinance - Murabaha		1,702,554	2,041,370
11.4 Financing under Islamic Export Refinance - Istisna (gross)		4,161,103	2,857,792
Deferred income		(545)	(59)
Profit receivable shown in other assets		(53,374)	(11,557)
Financing under Islamic Export Refinance - Istisna	11.4.1	4,107,184	2,846,176

11.4.1 This includes advance against Export Refinance - Istisna amounting to Rs. 3,328.550 million (2010: Rs. 2,557.027 million).

	Note	2011	2010
		Rupees in '000	
11.5 Istisna financings - gross		9,898,250	6,596,552
Deferred income		(3,625)	(7,708)
Profit receivable shown in other assets		(5,803)	(23,315)
Istisna financings	11.5.1	9,888,822	6,565,529

11.5.1 This includes advance against Istisna amounting to Rs. 8,911.059 million (2010: Rs. 5,787.777 million).

	2011	2010
	Rupees in '000	
11.6 Tijarah financings - gross	489,702	1,485,243
Deferred income	(830)	(6,984)
Profit receivable shown in other assets	(2,902)	(9,523)
Tijarah financings	485,970	1,468,736
11.7 Bai Muajjal financings - gross	1,019,133	-
Deferred income	(19,166)	-
Profit receivable shown in other assets	(661)	-
Bai Muajjal financings	999,306	-

Notes to and forming part of the Financial Statements

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	2011	2010
	Rupees in '000	
11.8 Musawammah financings (Laptop) - gross	32,018	-
Deferred income	(6,324)	-
Profit receivable shown in other assets	(11)	-
Musawammah financings (Laptop)	25,683	-

11.9 This includes Rs. 110.299 million (2010 : Rs. 95.711 million) representing mark up free financings to staff advanced under the Bank's Human Resource Policies.

	2011	2010
	Rupees in '000	
11.10 Particulars of financings - net		
11.10.1 In		
- local currency	56,502,562	51,103,879
- foreign currencies	2,653,023	3,091,284
	59,155,585	54,195,163
11.10.2 Short-term (for upto one year)	39,092,288	32,095,399
Long-term (for over one year)	20,063,297	22,099,764
	59,155,585	54,195,163

11.11 Financings include Rs. 4,647.792 million (2010: Rs. 4,318.323 million) which have been placed under non-performing status as detailed below:

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

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



11.12 Particulars of provision against non-performing financings:

	2011			2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	3,112,897	738,249	3,851,146	2,443,282	85,262	2,528,544
Charge for the year	1,295,292	528,833	1,824,125	926,331	652,987	1,579,318
Reversals	(346,744)	(5,767)	(352,511)	(249,261)	-	(249,261)
	948,548	523,066	1,471,614	677,070	652,987	1,330,057
Amount written off - note 11.13	(1,625)	-	(1,625)	(7,455)	-	(7,455)
Closing balance	4,059,820	1,261,315	5,321,135	3,112,897	738,249	3,851,146

11.12.1 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 1,175 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.

11.12.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of 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, 2011 would have been lower by approximately Rs 68.001 million. The accumulated benefit availed as at December 31, 2011 amounts to Rs. 230.611 million. The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders. In 2011, the SBP has issued another circular which increases the benefit of FSV. The Bank has not taken the impact / benefit of this circular in these financial statements.

11.12.3 Particulars of provision against non-performing financings:

	2011			2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	3,978,161	1,261,315	5,239,476	3,090,952	738,249	3,829,201
In foreign currencies	81,659	-	81,659	21,945	-	21,945
	4,059,820	1,261,315	5,321,135	3,112,897	738,249	3,851,146

	Note	2011	2010
		Rupees in '000	
11.13 Particulars of write offs			
11.13.1 Against provision	11.12	1,625	7,455
Directly charged to profit and loss account		-	-
		1,625	7,455
11.13.2 Write offs Rs. 500,000 and above		1,625	7,455
Write offs below Rs. 500,000		-	-
		1,625	7,455

11.13.3 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, 2011 is given as Annexure - 1.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

11.14 Particulars of financings to directors, associated companies, etc.

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

	Note	2011	2010
Rupees in '000			
Balance at the beginning of the year		603,056	460,290
Additions / disbursements during the year		262,496	223,000
Deletions / repayments during the year		(137,543)	(80,234)
Balance at the end of the year	11.14.1	728,009	603,056

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	2011	2010
Rupees in '000			
Balance at the beginning of the year		70,531	143,834
Additions / disbursements during the year		-	400,000
Deletions / repayments during the year		-	(473,303)
Balance at the end of the year	11.14.2	70,531	70,531

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

	Note	2011	2010
Rupees in '000			
Balance at the beginning of the year		200,000	-
Additions / disbursements during the year		200,000	270,628
Deletions / repayments during the year		(200,000)	(70,628)
Balance at the end of the year	11.14.3	200,000	200,000

11.14.1 The maximum total amount of financings including temporary financings granted during the year were Rs. 262 million (2010: Rs. 223 million). The maximum amount has been calculated by reference to the month end balance.

11.14.2 This represents a Musharakah facility outstanding at year end from Blue Water (Private) Limited (an associated company) amounting to Rs. 71 million (2010: Rs. 71 million). The Musharakah facility is secured against equitable mortgage over property.

11.14.3 This represents a Murabaha facility outstanding at year end to Al Meezan Investment Management Limited amounting to Rs. 200 million.

11.14.4 Loans and financings to Executives and a Director

	Executives		Director	
	2011	2010	2011	2010
Rupees in '000				
Opening balance	321,851	251,840	166	298
Financings disbursed during the year	163,964	99,110	-	-
Financings repaid during the year	(48,154)	(29,099)	(133)	(132)
Closing balance	437,661	321,851	33	166

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



	Note	2011	2010
		Rupees in '000	
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	175,200	852,774
Tangible assets			
Property and equipment	12.2	3,668,981	2,109,193
		3,844,181	2,961,967
Intangible assets			
	12.4	141,067	104,133
		3,985,248	3,066,100
12.1 Capital work-in-progress			
- Advances to suppliers and contractors for building renovation		107,902	722,248
- Advances for computer hardware		7,406	7,588
- Advances for purchase of vehicles		14,911	12,348
- Advances for computer software		18,169	27,151
- Advances for office machines		26,512	57,256
- Advances for furniture and fixtures		300	26,183
		175,200	852,774

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

12.2 Property and equipment

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

	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							
Leasehold land	544,440	-	544,440	-	-	-	544,440	
Buildings on leasehold land	139,125	13,211	152,336	26,650	8,100	34,750	117,586	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	

Notes to and forming part of the Financial Statements

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12.3 Property and equipment - Movement of net book value

	Leasehold land	Buildings on leasehold land	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
Rupees in '000							
At January 1, 2010							
Cost	544,440	139,125	861,336	141,984	846,337	294,736	2,827,958
Accumulated depreciation	-	26,650	193,550	39,137	440,452	111,056	810,845
Net book value	544,440	112,475	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	544,440	117,586	735,528	108,261	389,163	214,215	2,109,193
Year ended December 31, 2011							
Additions	71,549	875,185	446,073	74,318	477,821	123,492	2,068,438
Net book value of disposals	-	-	(48,642)	(5,815)	(1,225)	(16,229)	(71,911)
Depreciation charge	-	(32,480)	(112,246)	(20,732)	(199,373)	(71,908)	(436,739)
Net book value as at December 31, 2011	615,989	960,291	1,020,713	156,032	666,386	249,570	3,668,981

12.3.1 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs. 523 million (2010: Rs. 346 million).

Notes to and forming part of the Financial Statements

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000						
Vehicles						
Honda Citi	885	885	-	266	MBL Staff Policy	Mr.Mashkooor Hassan Siddiqui (Employee)
Honda Citi	901	901	-	286	MBL Staff Policy	Mr.Mashkooor Khan A.G (Employee)
Honda Citi	883	883	-	275	MBL Staff Policy	Mr.Mateen Mahmood (Employee)
Honda Citi	886	886	-	266	MBL Staff Policy	Mr.Moazzam Saeed (Employee)
Honda Citi	884	884	-	266	MBL Staff Policy	Mr.Nasir Mian Mehmood (Employee)
Honda Citi	883	883	-	265	MBL Staff Policy	Mr.Omer Waqas (Employee)
Honda Citi	886	886	-	266	MBL Staff Policy	Mr.Tasweer Hassan (Employee)
Honda City	1,319	440	879	1,100	Insurance Claim	Pak Kuwait Takaful Co.
Honda City	900	162	738	266	MBL Staff Policy	Mr.Ameen Khowaja (Employee)
Honda Civic	1,712	998	714	1,041	MBL Staff Policy	Mr. Azhar Ali Naqvi (Ex-Employee)
Honda Civic	1,506	1,456	50	522	MBL Staff Policy	Mr.Arshad Majeed (Employee)
Honda Civic	841	840	1	252	MBL Staff Policy	Mr.Naeem Sarfaraz (Employee)
Suzuki Alto	586	273	313	607	Negotiation	Mr.Sohail Rashid
Suzuki Alto	518	328	190	273	MBL Staff Policy	Mr.Aneeq Ejaz Qureshi (Employee)
Suzuki Alto	470	306	164	284	MBL Staff Policy	Mr.Azfar Alam (Employee)
Suzuki Alto	480	352	128	242	MBL Staff Policy	Mr.Fayyaz Ahmed (Employee)
Suzuki Alto	470	306	164	273	MBL Staff Policy	Mr.Imran Khalid Shami (Employee)
Suzuki Alto	469	469	-	141	MBL Staff Policy	Mr.Muhammad Mohsin (Employee)
Suzuki Alto	470	305	165	267	MBL Staff Policy	Mr.Muhammad Zahid (Employee)
Suzuki Alto	470	313	157	273	MBL Staff Policy	Mr.Nasir Mehmood (Employee)
Suzuki Alto	470	298	172	273	MBL Staff Policy	Mr.Syed M. Fahad (Employee)
Suzuki Alto	477	304	173	273	MBL Staff Policy	Mr.Syed Zakaria Farooq (Employee)
Suzuki Alto	470	274	196	284	MBL Staff Policy	Mr.Tariq Mehmood Ansari (Employee)
Suzuki Alto	468	242	226	284	MBL Staff Policy	Mr.Zubair Ahmed (Employee)
Suzuki Cultus	749	226	523	-	Ex-Gratia	Mr.Anwar Raza (Employee - Late)
Suzuki Cultus	586	303	283	608	Negotiation	Hira Foundation School
Suzuki Cultus	647	345	302	660	Negotiation	Mr.Ali Samad Awan
Suzuki Cultus	748	262	486	710	Negotiation	Mr.Ali Sarmad Awan
Suzuki Cultus	772	386	386	707	Negotiation	Mr.Khurrrm Shahzad
Suzuki Cultus	772	463	309	617	Negotiation	Mr.M Farruk
Suzuki Cultus	836	446	390	650	Negotiation	Mr.M Shoaib Shamim
Suzuki Cultus	560	560	-	603	Negotiation	Mr.Muhammad Zafar
Suzuki Cultus	712	332	380	642	Negotiation	Mr.Muhammad Zafar
Suzuki Cultus	586	322	264	633	Negotiation	Mr.Nadeem Ahmed
Suzuki Cultus	772	373	399	702	Negotiation	Mr.Nadeem Ahmed
Suzuki Cultus	647	313	334	646	Negotiation	Mr.Nadeem Ahmed
Suzuki Cultus	784	274	510	741	Negotiation	Mr.Noman Hasan Khan
Suzuki Cultus	772	450	322	656	Negotiation	Mr.Wasim Mirza
Suzuki Cultus	579	328	251	646	Negotiation	Mr.Zahid Qadri
Suzuki Cultus	579	328	251	606	Negotiation	Mr.Zulfiqar A Khan
Suzuki Cultus	553	240	313	400	Insurance Claim	Pak Kuwait Takaful Co.
Suzuki Cultus	586	371	215	351	MBL Staff Policy	Mr.Ather Hassan (Employee)
Suzuki Cultus	556	435	121	246	MBL Staff Policy	Mr.Kamal Hussain (Employee)
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr.Kazim Raza (Employee)
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr.Malik Asgar Khan (Employee)
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr.Nawaz (Employee)
Suzuki Cultus	567	529	38	201	MBL Staff Policy	Mr.Omer Salim Ullah (Employee)
Suzuki Cultus	470	298	172	273	MBL Staff Policy	Mr.Shahzad Charania (Employee)
Suzuki Cultus	522	305	217	284	MBL Staff Policy	Mr.Wise ur Rehman (Employee)
Toyota Corolla	1,004	669	335	1,118	Negotiation	Mr.Khursheed Anwar
Toyota Corolla	1,004	656	348	1,050	Negotiation	Mr.Zaheer Baber (Ex-Employee)
Toyota Corolla	1,529	153	1,376	1,529	Insurance Claim	Pak Kuwait Takaful Co.
	37,876	24,921	12,955	24,328		
Electrical, office and computer equipments						
Computer equipments	1,234	1,232	2	23	Negotiation	Ali Brothers
Computer equipments	2,137	2,132	5	94	Negotiation	Shahjee's Computer
ATM Machine	726	182	544	363	Insurance Claim	Pak Kuwait Takaful Co.
Split Air Conditioner	1,631	1,396	235	283	Negotiation	Ali Brothers
Split Air Conditioner	2,093	2,007	86	549	Negotiation	Glacier Engineering
Split Air Conditioner	1,637	1,637	-	-	Discarded	
Office Equipments	8,290	8,215	75	-	Discarded	
	17,748	16,801	947	1,312		

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Furniture and Fixtures						
Furniture and fixtures	9,842	4,611	5,231	-	Discarded	
Leasehold Improvements						
Leasehold improvements	1,426	286	1,140	839	Insurance Claim	Pak Kuwait Takaful Co.
Leasehold improvements	4,311	3,198	1,113	-	Negotiation	Ali Brothers
Leasehold improvements	98,475	52,106	46,369	1,702	Discarded	
	104,212	55,590	48,622	2,541		
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000						
Vehicles	11,923	8,649	3,274	12,043		
Electrical, office and computer equipments	4,035	3,757	278	434		
Furniture and Fixtures	2,248	1,664	584	-		
Leasehold improvements	50	10	20	2		
	187,914	116,003	71,911	40,660		

12.4 Intangible assets

	COST			AMORTIZATION			Net book value as at December 31, 2011	Rate of amortization %
	As at January 1, 2011	Additions during the year	As at December 31, 2011	As at January 1, 2011	Amortization during the year	As at December 31, 2011		
	Rupees in '000							
Computer software	216,640	76,652	293,292	112,507	39,718	152,225	141,067	20
2010	173,914	42,726	216,640	78,697	33,810	112,507	104,133	

12.5 Intangible assets - Movement of net book value

	Year ended December 31, 2010				Year ended December 31, 2011		
	Net book value as at January 1, 2010	Addition during the year	Amortization charge for the year	Net book value as at December 31, 2010	Addition during the year	Amortization charge for the year	Net book value as at December 31, 2011
	Rupees in '000						
Computer software	95,217	42,726	33,810	104,133	76,652	39,718	141,067

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

13. OTHER ASSETS INCLUDING INVENTORIES

	Note	2011	2010
Rupees in '000			
Profit / return accrued in local currency		2,958,302	2,069,082
Profit / return accrued in foreign currency		6,726	13,238
Advances, deposits, advance rent and other prepayments	13.1	410,666	416,672
Dividends receivable		129,347	91,214
Stamps		6,486	3,821
Inventories	13.2	4,758,438	2,461,097
Advances against Murabaha		4,741,141	2,494,424
Advances against future Ijarah		559,510	396,437
Advances against future Service Ijarah		646,509	-
Advances against Diminishing Musharakah		516,298	718,123
Security deposits		21,487	16,968
Unrealised gain on forward foreign exchange contracts - net	13.3	82,162	19,813
Non-Banking assets acquired in satisfaction of claims	13.4	360,401	234,917
Prepaid exchange risk fee		69	66
Others		72,686	50,919
		<u>15,270,228</u>	<u>8,986,791</u>
Provision against other assets	13.5	(205,274)	(37,032)
		<u>15,064,954</u>	<u>8,949,759</u>

13.1 This includes prepaid rent and prepaid insurance aggregating Rs. 187.939 million (2010: Rs. 193.679 million) and Rs. 146.019 million (2010: Rs. 139.543 million) respectively which are being amortized over a period of one year.

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

13.3 This is net off loss on forward foreign exchange contracts of Rs. 347 million (2010: Rs. 233 million).

13.4 The market value of the non-banking assets acquired in satisfaction of claims is Rs. 374 million. (2010: Rs. 248.64 million).

13.5 Provision against other assets

	2011	2010
Rupees in '000		
Opening balance	37,032	18,727
Charge for the year	172,077	30,000
Reversals during the year	(3,835)	(11,695)
Closing balance	<u>205,274</u>	<u>37,032</u>

14. BILLS PAYABLE

In Pakistan	2,282,045	1,767,370
Outside Pakistan	-	-
	<u>2,282,045</u>	<u>1,767,370</u>

15. DUE TO FINANCIAL INSTITUTIONS

In Pakistan	9,230,013	5,745,493
Outside Pakistan	5,947	83,803
	<u>9,235,960</u>	<u>5,829,296</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



15.1	Particulars of due to financial institutions with respect to currencies	Note	2011	2010
			Rupees in '000	
	In local currency		9,230,013	5,745,493
	In foreign currencies		5,947	83,803
			<u>9,235,960</u>	<u>5,829,296</u>
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	6,030,013	4,678,884
	Unsecured			
	Overdrawn nostro accounts		5,947	83,803
	Other Musharakah / Modarabas		3,200,000	1,066,609
			<u>9,235,960</u>	<u>5,829,296</u>
15.2.1	These Musharakah are on a profit and loss sharing basis maturing between January 11, 2012 to June 27, 2012 and are secured against demand promissory notes executed in favour of SBP. A limit of Rs. 7,500 million (2010: Rs. 5,800 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2012.			
15.3	Particulars of due to financial institutions		2011	2010
			Rupees in '000	
	Short - term		9,235,960	5,829,296
	Long - term		-	-
			<u>9,235,960</u>	<u>5,829,296</u>
16.	DEPOSITS AND OTHER ACCOUNTS			
	Customers			
	- Fixed deposits		58,552,349	44,517,241
	- Savings deposits		62,661,327	48,406,231
	- Current accounts - non-remunerative		47,587,663	36,970,326
	- Margin		682,891	649,920
			<u>169,484,230</u>	<u>130,543,718</u>
	Financial institutions			
	- Remunerative deposits		540,703	512,706
	- Non-remunerative deposits		5,498	13,904
			<u>546,201</u>	<u>526,610</u>
			<u>170,030,431</u>	<u>131,070,328</u>
16.1	Particulars of deposits			
	In			
	- local currency		162,518,193	124,387,769
	- foreign currencies		7,512,238	6,682,559
			<u>170,030,431</u>	<u>131,070,328</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

17. DEFERRED TAX ASSETS

	Note	2011	2010
Rupees in '000			
Debit / (credit) balances arising on account of:			
Profit and loss account			
Provision against non-performing financings		1,210,464	966,539
Excess of accounting book values over tax written down values of owned assets		(501,237)	(160,927)
Excess of Ijarah financings over tax written down values of Ijarah assets		-	(505,619)
Provision for diminution / impairment in value of investments		129,284	48,698
Provision against amounts due from financial institutions		-	33,075
Income not accrued due to non-culmination of financings		60,254	57,357
Provision against non-banking assets acquired in satisfaction of claims and other assets		71,845	12,961
		970,610	452,084
Equity			
Surplus on revaluation of available for sale investments		(169,219)	(109,909)
		801,391	342,175

18. OTHER LIABILITIES

Return on deposits and other dues			
- payable in local currency	18.1	1,164,333	989,421
- payable in foreign currency		15,431	11,034
Unearned commission		16,158	13,940
Accrued expenses	18.2	1,181,549	596,975
Current taxation (provision less payments)		701,776	910,560
Unclaimed dividends		1,821	851
Payable to defined benefit plan	33.3	64,715	52,138
Provision against off-balance sheet obligations	18.3	33,169	39,282
Security deposits against Ijarah		1,955,609	2,220,005
Charity payable	18.4	5,604	78,406
Others		75,442	92,828
		5,215,607	5,005,440

18.1 This includes Rs. 116.446 million (2010: Rs. 115.971 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.

18.2 This includes Rs. 3.585 million (2010: Rs. 2.520 million) in respect of payable to Al Meezan Investment Management Limited (Subsidiary).

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



18.3 Provision against off-balance sheet obligations

	Note	2011	2010
Rupees in '000			
Opening balance		39,282	1,600
(Reversal) / charge for the year		(6,113)	37,682
Closing balance		<u>33,169</u>	<u>39,282</u>

18.4 Reconciliation of charity payable

	Note	2011	2010
Rupees in '000			
Balance as at January 01		78,406	18,170
Additions during the year		56,692	106,309
Less: Transferred to charity savings account (included in deposits and other accounts)	18.4.2	(129,494)	(46,073)
Balance as at December 31		<u>5,604</u>	<u>78,406</u>

18.4.1 Charity paid through saving account during the year is Rs. 130.110 million (2010: Rs. 137.633 million). Charity in excess of Rs.100,000 was paid to the following individuals / organizations:

	Note	2011	2010
Rupees in '000			
Ihsan Trust	18.4.1.1	130,110	135,000
AKUH		-	1,590
Rippah International University		-	692
Al Shifa Trust		-	200
SOS Children Villages of Sindh		-	150

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. 12 million (2010: Rs. 10 million).

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

19. SHARE CAPITAL

19.1 Authorized capital

2011	2010		2011	2010
(Number of Shares)			Rupees in '000	
<u>1,100,000,000</u>	<u>1,100,000,000</u>	Ordinary shares of Rs. 10 each	<u>11,000,000</u>	<u>11,000,000</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

19.2 Issued, subscribed and paid-up capital

2011	2010	Note	2011	2010
Number of Shares			Rupees in '000	
		Ordinary shares		
456,353,635	456,353,635	Fully paid in cash	4,563,536	4,563,536
346,639,675	241,901,418	Issued as bonus shares	3,466,397	2,419,014
-	-	Issued for consideration other than cash	-	-
<u>802,993,310</u>	<u>698,255,053</u>		<u>8,029,933</u>	<u>6,982,550</u>

20. RESERVES

Statutory reserve	20.1	1,991,553	1,313,244
General reserve		66,766	66,766
		<u>2,058,319</u>	<u>1,380,010</u>

20.1 Under section 21 of the Banking Companies Ordinance, 1962, an amount not less than 20% of the profit after tax 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

	Note	2011	2010
		Rupees in '000	
Quoted shares		200,781	190,055
Other securities		426,116	259,722
	10.1	<u>626,897</u>	<u>449,777</u>
Deferred tax liability		(169,219)	(109,909)
		<u>457,678</u>	<u>339,868</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Guarantees favouring			
- Government		62,587	375,630

22.2 Transaction related contingent liabilities

Guarantees favouring			
- Government		2,949,822	1,759,371
- Banks		37,483	62,504
- Others		1,838,516	3,152,438
		<u>4,825,821</u>	<u>4,974,313</u>

22.3 Trade related contingent liabilities

Import letters of credit		11,636,339	10,298,610
Acceptances		2,888,504	2,636,888
		<u>14,524,843</u>	<u>12,935,498</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



22.4 Commitments in respect of forward exchange contracts	Note	2011	2010
		Rupees in '000	
Purchases		26,464,759	18,714,911
Sales		26,421,847	19,884,501
22.5 Commitments for the acquisition of operating fixed assets		133,017	214,921
22.6 Commitments in respect of financings		33,360,587	27,946,183
22.7 Commitments in respect of purchase of sukuks		867,436	-
22.8 Other commitments			
Bills for collection (inland)		672,538	44,813
Bills for collection (foreign)		6,706,421	4,248,264
		7,378,959	4,293,077
23. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS			
On financings to:			
- Customers		7,099,169	5,824,187
On investments in			
- Available for sale securities		8,949,389	2,738,136
- Held to maturity securities		158,481	151,181
On deposits with financial institutions		1,825,113	3,577,045
		18,032,152	12,290,549
24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
Deposits and other accounts		8,052,218	6,045,499
Other short term Musharakahs / Modarabas	24.1	613,404	560,975
		8,665,622	6,606,474
24.1	This includes Rs. 482.609 million (2010: Rs. 376.212 million) paid / payable to SBP under IslamicExport Refinance Scheme.		
25. CAPITAL GAIN ON SALE OF INVESTMENTS - NET			
		2011	2010
		Rupees in '000	
Shares / Units of Mutual Funds		100,047	91,653
Sukuks		119,344	5,502
		219,391	97,155

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

26. OTHER INCOME

	Note	2011	2010
Rupees in '000			
Gain on termination of Ijarah financings		30,699	17,012
Gain on termination of diminishing musharakah financings		6,057	8,768
(Loss) / gain on sale of operating fixed assets - net		(31,251)	18,910
Others		11,860	14,491
		<u>17,365</u>	<u>59,181</u>

27. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.	35 & 27.1	2,650,696	1,907,629
Charge for defined benefit plan	33.4	64,715	52,138
Contribution to defined contribution plan	34	75,107	57,844
Non-executive directors' fees	35	14,257	4,432
Rent, electricity, taxes, insurance, etc.		885,342	721,260
Depreciation	12.2	436,739	359,075
Amortization	12.4	39,718	33,810
Communication		199,709	171,754
Stationery and printing		138,807	106,371
Repairs and maintenance		216,995	123,138
Security charges including cash transportation charges		190,071	159,513
Local transportation and car running		128,759	94,961
Fees, subscription and clearing charges	27.2	131,608	85,697
Entertainment		22,720	14,235
Office supplies		62,253	46,111
Hardware and software maintenance		104,844	66,866
Advertisement and publicity		98,535	37,157
Travelling		39,951	30,994
Brokerage, commission and bank charges		60,587	60,176
Legal and professional charges	27.3	12,926	15,617
Auditors' remuneration	27.4	8,363	7,097
Workers Welfare Fund	27.5	64,667	79,914
Takaful and tracker expenses on Ijarah		222,617	196,440
Donations		-	5,926
Others		88,609	22,649
		<u>5,958,595</u>	<u>4,460,804</u>

27.1 This includes remuneration to Shariah Advisor amounting to Rs. 4.5 million (2010: Rs. 3.6 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 (2010: Rs. 1 million).

27.4 Auditors' remuneration

	2011	2010
Rupees in '000		
Audit fee	2,300	2,000
Fee for interim review	661	575
Special certifications and sundry advisory services	4,807	4,004
Out of pocket expenses	595	518
	<u>8,363</u>	<u>7,097</u>

Notes to and forming part of the Financial Statements

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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.

28. OTHER (REVERSALS) / CHARGES

	Note	2011	2010
Rupees in '000			
Penalties (refunded) / imposed by the State Bank of Pakistan		(1,007)	56,559

29. TAXATION

Current			
- for the year		1,703,310	1,025,135
- for prior years		(220,027)	(332,808)
		1,483,283	692,327
Deferred			
- for the year		(317,675)	(342,233)
- for prior years		(200,851)	127,278
		(518,526)	(214,955)
		964,757	477,372

29.1 Relationship between tax expense and accounting profit

Profit before taxation		4,356,300	2,126,960
Effects of:			
- Tax calculated at the applicable rate of 35%		1,524,705	744,436
- Income chargeable to tax at reduced rate		(265,170)	(89,642)
- Prior year reversals		(420,878)	(205,530)
- Permanent differences		126,100	28,108
Tax charge for the year		964,757	477,372

30. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year		3,391,543	1,649,588
		Number	
Weighted average number of ordinary shares		802,993,310	802,993,310
		Rupees	
Basic and Diluted earnings per share	30.1	4.22	2.05

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2011 and 2010.

31. CASH AND CASH EQUIVALENTS

	Note	2011	2010
Rupees in '000			
Cash and balances with treasury banks	7	16,641,160	12,780,806
Balances with other banks	8	2,348,076	9,939,660
		18,989,236	22,720,466

Notes to and forming part of the Financial Statements

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32. STAFF STRENGTH

	2011	2010
	Number of staff	
Permanent	3,004	2,649
Contractual basis	1,238	1,138
Bank's own staff strength at the end of the year	4,242	3,787
Outsourced	658	577
Total Staff Strength	4,900	4,364

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:

	Principal actuarial assumptions	
	2011	2010
33.1 Discount rate	12.5% p.a	13% p.a
Expected rate of increase in salaries	12.5% p.a	13% p.a
Expected rate of return on investments	12.5% 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, 2011.

33.2 Reconciliation of amount payable to defined benefit plan	Note	2011	2010
		Rupees in '000	
Present value of defined benefit obligations	33.7	247,137	175,525
Fair value of plan assets	33.8	(175,060)	(115,564)
Net actuarial losses not recognized	33.11	(7,362)	(7,823)
		64,715	52,138
33.3 Movement in payable to defined benefit plan			
Opening balance		52,138	40,347
Charge for the year	33.4	64,715	52,138
Contribution made during the year		(52,138)	(40,347)
Closing balance		64,715	52,138
33.4 Charge for defined benefit plan			
Current service cost		60,309	43,918
Interest cost		22,015	20,235
Expected return on plan assets		(17,609)	(12,048)
Actuarial loss		-	33
		64,715	52,138
33.5 Actual return on plan asset		19,710	12,931
33.6 Plan assets of gratuity fund includes Rs. 3.758 million (2010 : Rs. 6.387 million) kept in a savings account, Rs. 113.054 million (2010 : Rs. 107.803 million) placed in a Meezan Aamdan Certificate with the Bank, Rs. 56.787 million (2010 : Rs. Nil) in GOP Ijarah Sukuks and Rs. 1.461 million (2010 : Rs. 1.374 million) in Meezan Islamic Income Fund.			

Notes to and forming part of the Financial Statements

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33.7 Reconciliation of present value of obligation

	2011	2010
	Rupees in '000	
Present value of obligation as at January 1	175,525	122,631
Current service cost	60,309	43,918
Interest cost	22,015	20,235
Benefits paid	(12,352)	(7,504)
Actuarial loss / (gain) on obligation	1,640	(3,755)
Present value of obligation as at December 31	<u>247,137</u>	<u>175,525</u>

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

Opening fair value of plan assets	115,564	69,791
Expected return	17,609	12,048
Contributions by the Bank	52,138	40,347
Benefits paid	(12,352)	(7,504)
Actuarial gain on plan assets	2,101	882
Closing fair value of plan assets	<u>175,060</u>	<u>115,564</u>

33.9 The plan assets comprise of the following:

	2011		2010	
	Rupees in '000	%	Rupees in '000	%
Meezan Aamdan Certificates	113,054	64.58	107,803	93.28
GOP Ijarah Sukuk	56,787	32.44	-	-
Meezan Islamic Income Fund	1,461	0.83	1,374	1.19
Savings account with Meezan Bank	3,758	2.15	6,387	5.53
	<u>175,060</u>	<u>100.00</u>	<u>115,564</u>	<u>100.00</u>

33.10 Actuarial loss to be recognized

	2011	2010
	Rupees in '000	
Corridor Limit		
The limits of the corridor as at January 1		
10% of obligations	17,553	12,263
10% of plan assets	11,556	6,979
Which works out to	17,553	12,263
Unrecognized actuarial losses as at January 1	(7,823)	(12,492)
Deficit / (Excess)	<u>9,730</u>	<u>(229)</u>
Average expected remaining working lives in years	6	7
Actuarial loss to be recognized	<u>-</u>	<u>(33)</u>

33.11 Unrecognized actuarial losses

Unrecognized actuarial losses at January 1		(7,823)	(12,493)
Actuarial (loss) / gain on obligations	33.7	(1,640)	3,755
Actuarial gain on assets	33.8	2,101	882
		<u>(7,362)</u>	<u>(7,856)</u>
Actuarial loss recognised	33.10	-	33
Unrecognized actuarial losses as at December 31		<u>(7,362)</u>	<u>(7,823)</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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:

	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	247,137	175,525	122,631	80,277	48,929
Fair value of plan assets	(175,060)	(115,564)	(69,791)	(32,507)	(19,808)
Deficit	72,077	59,961	52,840	47,770	29,121
Actuarial loss /(gain) on obligation	1,640	(3,755)	(1,477)	(4,978)	(3,174)
Actuarial gain /(loss) on plan assets	2,101	882	5,709	(2,501)	969

33.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2012, works out to Rs. 80 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.

	2011	2010
	Rupees in '000	
Contribution from the Bank	75,107	57,844
Contribution from the employees	75,107	57,844
	150,214	115,688

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	Rupees in '000					
Fees*	-	-	14,257	4,432	-	-
Managerial remuneration	75,490	55,518	47,893	36,394	537,662	364,611
Charge for defined benefit plan	1,606	1,530	1,071	969	20,995	17,519
Contribution to defined contribution plan	1,989	1,836	1,325	1,163	25,740	18,783
House rent	8,676	8,261	5,781	5,231	124,582	94,601
Utilities	1,928	1,836	1,285	1,163	27,686	21,023
Medical	1,928	2,161	1,285	1,284	27,686	22,423
Conveyance	1,645	1,301	777	1,075	-	-
Others	125	76	33	6	-	-
	93,387	72,519	73,707	51,717	764,351	538,960
Number of persons	1	1	8	10	294	228

* This includes amounts charged in these financial statements as fees to seven (2010: nine) non-executive directors.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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 cars.

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									
2011									
Total income	1,349,065	11,540,075	2,125,872	5,514,099	-	7,796	-	-	20,536,907
Total expenses	(755,501)	(8,427,499)	(1,723,856)	(6,255,779)	-	(2,729)	-	-	(17,145,364)
Net income (loss)	593,564	3,112,576	402,016	(721,680)	-	5,067	-	-	3,391,543
Segment Assets (Gross)	8,093,065	121,413,327	10,339,355	60,704,647	-	-	-	-	200,550,394
Segment Non Performing Loans	257,000	110,341	941,311	3,706,481	-	-	-	-	5,015,133
Segment Provision	257,000	110,341	1,018,776	4,302,359	-	-	-	-	5,688,476
Segment Liabilities	-	9,235,960	172,312,476	5,215,607	-	-	-	-	186,764,043
Segment Return on Assets (ROA) (%)	7.33%	2.56%	3.89%	-1.19%	-	-	-	-	-
Segment Cost of funds (%)	5.75%	5.75%	5.75%	5.75%	-	-	-	-	-
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)	6,980,145	90,973,438	11,215,421	45,583,423	-	-	-	-	154,752,425
Segment Non Performing Loans	249,850	-	777,528	3,540,795	-	-	-	-	4,568,153
Segment Provision	189,850	-	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%	-	-	-	-	-

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 at arm's length basis i.e. transactions with related parties were on normal terms and conditions as applicable for other unrelated customers of the Bank.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

38.3 Subsidiary company

- Al-Meezan Investment Management Limited

38.4 Key management personnel

- President and Chief Executive Officer
- Chief Operating Officer

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 / Directors		Other Related Parties	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Rupees in '000									
Financing										
At January 1,	270,696	144,132	200,000	-	70,531	143,834	165	298	-	-
Addition during the year	200,000	670,628	200,000	200,000	-	400,000	-	-	-	70,628
Deletion during the year	(200,133)	(544,064)	(200,000)	-	-	(473,303)	(133)	(133)	-	(70,628)
At December 31	270,563	270,696	200,000	200,000	70,531	70,531	32	165	-	-
Deposits										
At December 31	909,577	682,241	7,945	2,332	352,177	267,597	55,221	29,610	494,234	382,702
Borrowing										
	-	566,608	-	-	-	566,608	-	-	-	-

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	25,085	9,054	25,085	9,054	-	-	-	-	-	-
Dividend receivable	128,017	-	-	-	128,017	-	-	-	-	-
Transfer agency fee receivable	1,368	3,100	1,368	3,100	-	-	-	-	-	-
Payable to defined benefit plan	64,715	52,138	-	-	-	-	-	-	64,715	52,138
Accrued expenses	3,585	2,520	3,585	2,520	-	-	-	-	-	-
Profit payable on borrowing	-	37,000	-	-	-	37,000	-	-	-	-
Letters of credit (unfunded)	664	664	-	-	664	664	-	-	-	-
Letters of Guarantee (unfunded)	100	100	100	100	-	-	-	-	-	-
Prepaid Takaful	122,575	117,527	-	-	122,575	117,527	-	-	-	-

Transactions, income and expenses

Profit earned on financing	29,741	30,227	29,741	9,054	-	21,173	-	-	-	-
Return on deposits / borrowing expensed	85,370	105,926	305	104	40,129	69,598	1,824	1,294	43,112	34,930
Takaful insurance on assets including consumer financings	239,312	206,003	-	-	239,312	206,003	-	-	-	-
Dividend income earned	774,192	237,294	48,750	69,063	725,442	168,231	-	-	-	-
Capital gain - net	76,411	6,802	-	-	76,411	6,802	-	-	-	-
Charge for defined benefit plan	64,715	52,138	-	-	-	-	-	-	64,715	52,138
Contribution to defined contribution plan	75,107	57,844	-	-	-	-	-	-	75,107	57,844
Fees expensed	5,182	3,679	4,857	2,993	325	686	-	-	-	-
Fees earned	52,572	7,113	49,711	6,298	2,861	815	-	-	-	-
Commission earned on letters of credit and guarantee	-	165	-	4	-	161	-	-	-	-

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



38.6 Associates - Key Information

	2011		
	Mutual Funds	Others	Total
	Rupees in '000		
Assets	28,140,389	1,715,543	29,855,932
Liabilities	132,966	1,190,412	1,323,378
Operating revenue	3,210,778	(62,459)	3,148,319
Profit after tax	2,715,904	77,287	2,793,191

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 the Bank. 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, deficit on revaluation of available for sale investments 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 SBP for managing market risk; however the Bank does not have any Tier III capital.

The required capital is achieved by the Bank through:

- Adequate level of paid up capital;
- Adequate risk profile of asset mix;
- Ensuring better recovery management; and
- Maintaining acceptable profit margins.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

	2011 Basel II	2010 Basel II
	Rupees in '000	
Tier I Capital		
Fully Paid-up capital	8,029,933	6,982,550
General Reserves as disclosed on the Balance Sheet	2,058,319	1,380,010
Unappropriated profits (Net of Losses)	3,240,421	2,377,563
Less: Book value of Goodwill and Intangibles	(159,236)	(131,284)
Other deductions*	(31,525)	(31,525)
Total eligible Tier I capital	13,137,912	10,577,314
Tier II Capital		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *	1,211,314	738,249
Revaluation Reserves up to 45% under Basel II	108,360	152,941
Less: Other deductions**	(31,525)	(31,525)
Total eligible Tier II capital	1,288,149	859,665
Tier III capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital)	1,288,149	859,665
Total Regulatory Capital Base	14,426,061	11,436,979

*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 enhance 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, 2011



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.

In implementing current capital requirements SBP requires banks to maintain a prescribed Capital Adequacy Ratio (CAR) of 10% as of December 31, 2011 of total risk weighted assets. As such Bank's CAR stood at 14.89% at the year ended December 31, 2011.

The Bank calculates capital adequacy ratio for credit risk, market risk and operational risk based on 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 mainly in foreign sukuks, 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 principal 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, 2011

	Capital requirements		Risk weighted assets	
	2011	2010	2011	2010
Rupees in '000				
Credit Risk				
Portfolios subject to standardized approach				
Portfolios subject to on-balance sheet exposure (Simple approach)				
Banks	137,417	415,250	1,374,171	4,152,499
Corporate	4,725,420	4,135,119	47,254,196	41,351,188
Retail	278,665	313,904	2,786,649	3,139,044
Residential mortgage	97,761	102,758	977,613	1,027,575
Past due loans	57,709	135,338	577,092	1,353,378
Investments	915,929	755,909	9,159,294	7,559,091
Fixed assets	382,601	293,482	3,826,012	2,934,816
All other assets	464,535	711,912	4,645,346	7,119,124
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	6,698	7,166	66,978	71,663
Corporate	498,901	605,138	4,989,010	6,051,381
Retail	45,203	28,926	452,028	289,263
Others	5,082	4,298	50,821	42,984
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	46,270	7,135	462,697	71,346
Customers	18,774	10,611	187,739	106,106
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	357,699	331,733	3,576,990	3,317,331
Equity position risk	444,574	418,423	4,445,741	4,184,232
Foreign exchange risk	14,056	62,755	140,562	627,553
Operational Risk				
Capital Requirement for operational risk	1,193,220	872,885	11,932,200	8,728,850
TOTAL	9,690,514	9,212,742	96,905,139	92,127,424
Capital Adequacy Ratio				
Rupees in '000				
Total eligible regulatory capital held	(a)	14,426,061	11,436,979	
Total Risk Weighted Assets	(b)	96,905,139	92,127,424	
Capital Adequacy Ratio	(a) / (b)	14.89%	12.41%	

Notes to and forming part of the Financial Statements

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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 (ICORMC)	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 ICORMC 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

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.

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. 76,810 million.

Thus, use of CRM resulted in capital adequacy ratio of the Bank of 14.89%.

40.1.1 Segmental information

40.1.1.1 Segment by class of business

	2011					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	10,482	0.02	1,642,645	0.97	2,108,409	1.85
Textile	15,454,919	23.97	3,251,376	1.91	16,424,205	14.40
Automobile and transportation equipment	1,263,587	1.96	188,576	0.11	929,328	0.81
Financial institutions	-	0.00	487,720	0.29	54,200,963	47.53
Insurance	-	0.00	75,932	0.04	81,590	0.07
Electronics and electrical appliances	1,201,150	1.86	599,022	0.35	883,660	0.77
Construction	20,879	0.03	1,036,889	0.61	902,308	0.79
Power (electricity), gas and water	4,570,465	7.09	145,730	0.09	4,598,632	4.03
Exports / imports	503,784	0.78	987,579	0.58	906,398	0.79
Transport, storage and communication	-	0.00	887,040	0.52	476,923	0.42
Chemical and pharmaceuticals	6,783,383	10.52	897,799	0.53	6,747,046	5.92
Sugar	2,188,871	3.39	130,480	0.08	1,252,616	1.10
Footwear and leather garments	882,545	1.37	373,297	0.22	1,388,972	1.22
Wholesale and retail trade	16,643	0.03	13,695,854	8.05	517,035	0.45
Cement	3,653,156	5.67	19,182	0.01	2,193,568	1.92
Services	-	0.00	16,949,833	9.97	417,636	0.37
Individuals	6,576,420	10.20	116,952,964	68.78	4,034,891	3.54
Others	21,350,436	33.11	11,708,513	6.89	15,975,676	14.02
	64,476,720	100	170,030,431	100	114,039,856	100

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



40.1.1.2 Segment by sector

	2011					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,706,306	4.20	897,727	0.53	-	-
Private	61,770,414	95.80	169,132,704	99.47	114,039,856	100
	64,476,720	100.00	170,030,431	100.00	114,039,856	100

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

	2011		2010	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	-	-	13,576	11,076
Textile	1,859,675	1,782,783	1,746,863	1,487,171
Chemical and pharmaceuticals	52,175	19,873	11,021	1,304
Cement	196,742	158,742	238,167	77,857
Sugar	140,376	140,376	150,000	150,000
Footwear and leather garments	103,403	80,903	-	-
Automobile and transportation equipment	561,209	561,210	593,223	591,140
Electronics and electrical appliances	-	-	-	-
Construction	-	-	-	-
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	301,540	165,790	351,423	156,769
Others	1,432,672	1,150,143	1,214,050	637,580
	4,647,792	4,059,820	4,318,323	3,112,897

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

	2011		2010	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	4,647,792	4,059,820	4,318,323	3,112,897
	4,647,792	4,059,820	4,318,323	3,112,897

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

40.1.1.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitment
	Rupees in '000			
Pakistan	4,356,300	200,550,394	13,786,351	114,039,856
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>4,356,300</u>	<u>200,550,394</u>	<u>13,786,351</u>	<u>114,039,856</u>

40.1.2 Credit Risk - General Disclosures Basel II Specific

The Bank is operating under standardized 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 standardized 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 and 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 corporates 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.

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Types of Exposure and ECAI's used

2011

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

Credit Exposure subject to standardized approach

Rupees in '000
2011

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Banks	0%	-	-	-
	20%	4,025,170	-	4,025,170
	50%	40,667	-	40,667
	100%	-	-	-
	150%	-	-	-
	Unrated	-	-	-
Corporates	0%	-	-	-
	20%	11,703,370	-	11,703,370
	50%	6,296,096	-	6,296,096
	100%	531,066	-	531,066
	150%	-	-	-
	Unrated	40,807,146	933,999	39,873,147
Retails	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	5,127,818	1,412,286	3,715,532
	Total		68,531,333	2,346,285

CRM = Credit Risk Mitigation

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. 59,338 million is subject to the CRM of Rs. 934 million whereas a claim on retail portfolio of Rs. 5,128 million is subject to CRM of Rs. 1,412 million. The total benefit of Rs. 2,346 million was availed through CRM against total on-balance sheet exposure of Rs. 195,356 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs. 51,009 million is subject to the CRM of Rs. 1,451 million whereas a claim on retail portfolio of Rs. 1,342 million is subject to CRM of Rs. 97 million. Total benefit of Rs. 1,549 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs. 53,787 million.

In year 2011, total amount of cash collateral used for CRM purposes was Rs. 3,895 million as against amount of Rs. 4,772 million in year 2010. 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
- Investment in subsidiary

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.

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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.

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	-	2,023,973	7,999,745
Equity investments - unquoted	-	123,119	191,050
Total value	-	2,147,092	8,190,795

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.

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan Rupees	195,497,767	168,002,728	(3,837,417)	23,657,622
United States Dollars	4,601,930	16,156,791	3,804,474	(7,750,387)
Great Britain Pounds	213,225	1,138,528	-	(925,303)
Japanese Yen	1,977	-	-	1,977
Euro	186,267	1,465,704	37,120	(1,242,317)
Singapore Dollars	4,998	-	-	4,998
Australian Dollars	8,234	-	(6,393)	1,841
Canadian Dollars	10,809	292	-	10,517
United Arab Emirates Dirham	1,487	-	-	1,487
Swiss Francs	11,719	-	(9,552)	2,167
Saudi Riyal	11,981	-	11,768	23,749
	200,550,394	186,764,043	-	13,786,351

Notes to and forming part of the Financial Statements

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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.

Counterparty 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 advisor.

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. Bank understands that its financings shall be repriced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates of 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	2011									Non-yield bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Exposed to yield risk					
						Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Ruppes in '000											
On-balance sheet financial instruments											
Assets											
	16,641,160	-	-	-	-	-	-	-	-	-	16,641,160
Cash and balances with treasury banks	2,348,076	431	-	-	-	-	-	-	-	-	2,347,645
Balances with other banks	4,065,406	4,062,406	2,000	3,000	8,000	-	-	-	-	-	-
Due from financial institutions	98,488,574	-	23,857,819	61,039,774	-	-	1,535,835	1,119,147	-	-	10,935,999
Investments	59,155,585	8,467,266	15,998,282	20,294,545	10,580,193	651,442	1,085,057	1,380,199	249	-	698,552
Financings	14,419,989	3,207,677	3,621,112	4,385,018	8,088	-	-	-	-	-	3,198,094
Other assets including inventories	195,118,790	15,727,780	43,479,213	85,722,337	10,596,281	651,442	2,620,892	2,499,346	249	-	33,821,250
Liabilities											
	2,282,045	-	-	-	-	-	-	-	-	-	2,282,045
Bills payable	9,235,960	3,468,885	2,851,289	2,935,786	-	-	-	-	-	-	-
Due to financial institutions	170,030,431	121,754,381	-	-	-	-	-	-	-	-	48,276,050
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,389,062	-	-	-	-	-	-	-	-	-	4,389,062
	185,937,498	125,223,266	2,851,289	2,935,786	-	-	-	-	-	-	54,947,157
On-balance sheet gap	9,181,292	(109,495,486)	40,647,924	82,786,551	10,596,281	651,442	2,620,892	2,499,346	249	-	(21,125,907)
NON FINANCIAL ASSETS											
- Operating fixed assets	3,985,248										
- Deferred tax assets	801,391										
- Other assets including trade inventories	644,965										
	5,431,604										
NON FINANCIAL LIABILITIES											
- Deferred tax liabilities	-										
- Other liabilities	826,545										
	826,545										
TOTAL NET ASSETS	13,786,351										
Off-balance sheet financial instruments											
Forward lendings	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap		(109,495,486)	40,647,924	82,786,551	10,596,281	651,442	2,620,892	2,499,346	249	-	(21,125,907)
Cumulative Yield Risk Sensitivity Gap		(109,495,486)	(68,847,562)	13,938,989	24,535,270	25,186,712	27,807,604	30,306,950	30,307,199	30,307,199	9,181,292

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Effective yield rate %	2010										
	Total	Exposed to yield risk					Non-yield bearing financial instruments				
		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	12,780,806	-	-	-	-	-	-	-	-	-	12,780,806
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	96,401
Other assets including inventories	8,280,462	1,693,053	1,956,232	2,420,796	-	-	-	-	-	-	2,210,381
	150,674,853	18,974,113	18,966,924	19,027,820	34,502,007	4,327,207	6,211,213	11,242,578	7,654,407	2,162,183	27,606,401
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	93,436,178	-	-	-	-	-	-	-	-	37,634,150
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,041,658	-	-	-	-	-	-	-	-	4,041,658
	142,708,652	94,022,798	2,605,949	2,552,924	-	-	-	-	-	-	43,526,981
On-balance sheet gap	7,966,201	(75,048,685)	16,360,975	16,474,896	34,502,007	4,327,207	6,211,213	11,242,578	7,654,407	2,162,183	(15,920,580)
NON FINANCIAL ASSETS											
- Operating fixed assets	3,066,100										
- Deferred tax assets	342,175										
- Other assets including trade inventories	669,297										
	4,077,572										
NON FINANCIAL LIABILITIES											
- Deferred tax liabilities	-										
- Other liabilities	963,782										
	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		(75,048,685)	16,360,975	16,474,896	34,502,007	4,327,207	6,211,213	11,242,578	7,654,407	2,162,183	(15,920,580)
Cumulative Yield Risk Sensitivity Gap		(75,048,685)	(58,687,710)	(42,212,814)	(7,710,807)	(3,383,600)	2,827,613	14,070,191	21,724,598	23,886,781	7,966,201

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve.

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market profit rates on both its fair value and cash flow risks. Profit margins may increase as a result of such changes but may reduce to losses in the event that unexpected movements arise.

40.4 Liquidity risk

Liquidity risk is the 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.

40.4.1 Maturities of assets and liabilities

40.4.1.1 Maturities of assets and liabilities based on expected maturities

	2011									
	Total	Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above 10
		Month	to 5	to 6	Months to	to 2	to 3	to 5	to 10	Years
	Rupees in 000									
Assets										
Cash and balances with treasury banks	16,641,160	16,641,160	-	-	-	-	-	-	-	-
Balances with other banks	2,348,076	2,348,076	-	-	-	-	-	-	-	-
Due from financial institutions	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-
Investments	98,488,574	-	4,246,574	2,720,325	12,168,895	26,428,554	46,220,671	2,070,759	3,782,769	850,229
Financings	59,155,585	9,437,613	11,725,969	14,256,488	3,672,218	3,689,073	5,511,414	7,409,343	1,615,207	1,838,260
Other assets including inventories	15,064,954	3,650,051	4,563,649	5,822,202	80,865	180,201	568,006	200,000	-	-
Deferred tax assets	801,391	-	-	-	200,348	200,348	200,348	200,347	-	-
Operating fixed assets	3,985,248	-	-	-	552,293	377,094	377,094	754,187	828,445	1,096,135
	200,550,394	36,129,286	20,537,992	22,802,015	16,682,617	30,875,270	52,877,533	10,634,636	6,226,421	3,784,624
Liabilities										
Bills payable	2,282,045	2,282,045	-	-	-	-	-	-	-	-
Due to financial institutions	9,235,960	3,468,885	2,831,289	2,935,786	-	-	-	-	-	-
Deposits and other accounts	170,030,431	10,195,903	23,149,730	13,543,340	22,863,037	17,288,576	14,581,686	24,884,587	25,728,282	17,795,290
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,215,607	635,682	889,963	1,324,351	824,409	461,527	440,279	639,396	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	186,764,043	16,582,515	26,870,982	17,803,477	23,687,446	17,750,103	15,021,965	25,525,983	25,728,282	17,795,290
Net assets	13,786,351	19,546,771	(6,332,990)	4,998,538	(7,004,829)	13,125,167	37,855,568	(14,889,347)	(19,501,861)	(14,010,666)
Share capital	8,029,953									
Reserves	2,068,319									
Unappropriated profit	3,240,421									
Surplus on revaluation of investments	457,678									
	13,786,351									

	2010									
	Total	Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above 10
		Month	to 5	to 6	Months to	to 2	to 3	to 5	to 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	2,009,855	18,500	-	-	-	-	-
Investments	54,966,907	-	557,227	4,831,921	32,484,452	1,412,302	108,708	3,564,668	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	2,216,650	3,293,965	2,982,004	457,140	-	-	-	-	-
Deferred tax assets	342,175	-	-	-	85,544	85,544	85,544	85,543	-	-
Operating fixed assets	3,066,100	-	-	-	1,084,534	231,760	231,760	463,521	451,291	603,234
	154,752,425	34,823,289	20,304,657	22,063,089	36,130,122	4,644,511	6,528,517	11,791,642	8,105,699	10,360,899
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	28,329,636	26,930,093	17,526,694	22,003,316	10,314,861	11,443,999	6,310,609	8,211,120	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
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	2,708,460	(10,424,148)	1,983,472	13,780,645	(5,670,350)	(4,915,482)	3,361,916	(105,421)	10,360,899
Share capital	6,982,550									
Reserves	1,380,010									
Unappropriated profit	2,377,563									
Surplus on revaluation of investments	339,868									
	11,079,991									

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioural study based on 3 years data. On the basis of its findings 43.5% of current accounts and 22.7% of saving accounts are bucketed into 'Upto 1-Year maturity' whereas, 56.5% of current accounts and 77.3% of saving accounts are bucketed into maturities of above 1-Year.

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40.4.1.2 Maturities of assets and liabilities based on contractual maturities

	2011									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in 000									
Assets										
Cash and balances with treasury banks	16,641,160	16,641,160	-	-	-	-	-	-	-	-
Balances with other banks	2,348,076	2,348,076	-	-	-	-	-	-	-	-
Due from financial institutions	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-
Investments	98,488,574	-	4,246,574	2,720,525	12,168,895	26,428,554	46,220,671	2,070,759	3,782,769	850,229
Financings	59,155,585	9,437,615	11,725,969	14,256,488	3,672,218	3,689,075	5,511,414	7,409,545	1,615,207	1,838,260
Other assets including inventories	15,064,954	3,650,051	4,563,649	5,822,202	80,865	180,201	568,006	200,000	-	-
Deferred tax assets	801,391	-	-	-	200,348	200,348	200,348	200,347	-	-
Operating fixed assets	3,985,248	-	-	-	552,293	377,094	377,094	754,187	828,445	1,096,135
	200,550,394	56,129,286	20,537,992	22,802,015	16,682,617	30,875,270	52,877,533	10,634,636	6,226,421	3,784,624
Liabilities										
Bills payable	2,282,045	2,282,045	-	-	-	-	-	-	-	-
Due to financial institutions	9,235,960	3,468,885	2,851,289	2,935,786	-	-	-	-	-	-
Deposits and other accounts	170,030,431	111,872,640	15,281,451	6,224,343	12,512,412	2,650,582	3,349,558	7,073,001	11,066,444	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,215,607	635,682	889,963	1,324,551	824,409	461,526	440,277	639,399	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	186,764,043	118,259,252	19,002,703	10,484,480	13,336,821	3,112,108	3,789,835	7,712,400	11,066,444	-
Net assets	13,786,351	(82,129,966)	1,535,289	12,317,535	3,345,796	27,763,162	49,087,698	2,922,236	(4,840,025)	3,784,624
Share capital	8,029,933									
Reserves	2,058,319									
Unappropriated profit	3,240,421									
Surplus on revaluation of investments	457,678									
	13,786,351									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

	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	1,999,932	2,914,905	6,102,505	7,877,910	2,945,860	2,258,584
Other assets including inventories	8,949,739	2,216,650	3,293,965	2,982,004	457,140	-	-	-	-	-
Deferred tax assets	342,175	-	-	-	85,544	85,544	85,544	85,543	-	-
Operating fixed assets	3,066,100	-	-	-	1,084,534	231,760	231,760	463,521	451,291	605,234
	154,752,425	34,823,289	20,304,657	22,063,089	36,130,122	4,644,511	6,528,517	11,791,642	8,105,699	10,360,899
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	82,420,246	14,447,645	5,044,246	9,520,868	1,995,228	3,122,366	6,310,609	8,211,120	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
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	86,205,439	18,246,357	7,597,169	9,867,029	1,995,228	3,122,366	8,429,726	8,211,120	-
Net assets	11,079,991	(51,382,150)	2,058,300	14,466,920	26,263,093	2,651,283	3,406,151	3,361,916	(105,421)	10,360,899
Share capital	6,982,550									
Reserves	1,380,010									
Unappropriated profit	2,377,563									
Surplus on revaluation of investments	339,868									
	11,079,991									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

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. TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not assets of the Bank and, therefore, are not included in balance sheet. Following is the list of assets held under trust:

Category	IPS account	Number of IPS account	Face Value Rupees in '000
Insurance Companies	Government Ijarah Sukuks	3	261,500
Asset Management Companies	Government Ijarah Sukuks	14	10,341,500
Employee Funds / NGOs	Government Ijarah Sukuks	6	455,300
Individuals	Government Ijarah Sukuks	8	17,700
		<u>31</u>	<u>11,076,000</u>

42. GENERAL AND NON-ADJUSTING EVENT

42.1 The Board of Directors in their meeting held on February 19, 2012 has announced issue of bonus shares @ 12.5% . These financial statements for the year ended December 31, 2011 do not include the effect of this appropriation which will be accounted for subsequent to the year-end.

43. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 19, 2012 by the Board of Directors of the Bank.



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



Irfan Siddiqui
President and
Chief Executive



Abdullateef
A. Al-Asfour
Director



Mohammad
Abdul Aleem
Director

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



Annexure -I

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2011

Rupees in '000

S. No.	Name and address of the borrower	Name of director (with NIC No.)	Father's / Husband's Name	Outstanding Exposures 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	Fateh Textile Mills Ltd.	Mr Inayat Ullah (451-40-027107)	Mr Barkat Bhai	19,733	22,071	-	41,804	-	20,301	-	20,301
		Mr Gohar Ullah (451-64-027111)	Mr Inayat Ullah								
		Mr Asad Ullah Barkat (451-71-027115)	Mr Inayat Ullah								
		Mr Humayun Barkat (451-89-027114)	Mr Inayat Ullah								
		Mr Maqsood Ahmed Khan (449-42-176221)	Mr Zahoor Ahmed Khan								
		Mr Muhammad Saleem (501-55-166315)	Mr Noor Muhammad								
		Mr Muhammad Shafi (501-47-013051)	Mr Mumtaz Ali Khan								
2	Amir Majeed Kaludi	Amir Majeed Kaludi (42301-6831572-5)	Abdul Majeed Kaludi	9,125	4,782	-	13,907	1,625	4,782	-	6,407
3	Sunny Enterprises	Muhammad Akram (34101-2511309-3)	N/A	1,048	195	3,253	4,496	-	195	3,253	3,448



WOOD

Purity lies at the core of Islamic banking. Islam places great emphasis on the purity of one's intentions and this is reflected in the importance that Meezan Bank places on the integrity of business. This begins right from the stage of product development, where our Shariah Board ensures complete compliance to Shariah so that the income earned by us for our depositors is pure and Halal – and continues on to the final delivery of these products to our customers by our team of dedicated Islamic bankers. The purity of our intentions and our products is personified in wood that has been used extensively at Meezan House.



Consolidated Financial Statements

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

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Fax + 92 (21) 3568 5095
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") and its subsidiary (here-in-after referred to as "the Group") as at 31 December 2011 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.

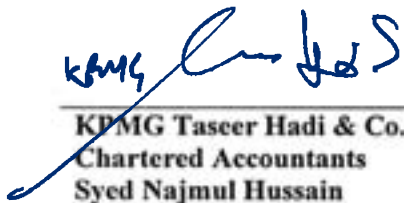
The consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Meezan Bank Limited and its subsidiary as at 31 December 2011 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: 19 February 2012

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain

Consolidated Statement of Financial Position

As at December 31, 2011



	Note	2011	2010
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	16,641,195	12,780,951
Balances with other banks	8	2,354,908	9,957,757
Due from financial institutions	9	4,065,406	10,511,855
Investments	10	99,949,542	50,519,386
Financings	11	58,955,585	53,995,163
Operating fixed assets	12	4,021,420	3,095,897
Deferred tax asset	13	638,882	241,746
Other assets including inventories	14	15,108,784	17,707,256
		201,735,722	158,810,011
LIABILITIES			
Bills payable	15	2,282,045	1,767,370
Due to financial institutions	16	9,235,960	5,829,296
Deposits and other accounts	17	170,022,486	131,067,996
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	5,359,495	7,719,237
		186,899,986	146,383,899
NET ASSETS		14,835,736	12,426,112
REPRESENTED BY			
Share capital	19	8,029,933	6,982,550
Reserves	20	2,082,635	1,404,326
Unappropriated profit		3,851,734	3,359,541
		13,964,302	11,746,417
NON CONTROLLING INTEREST	21	413,756	339,827
		14,378,058	12,086,244
Surplus on revaluation of investments	22	457,678	339,868
		14,835,736	12,426,112
CONTINGENCIES AND COMMITMENTS	23		

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

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

Irfan Siddiqui
President and
Chief Executive

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2011

	Note	2011	2010
		Rupees in '000	
Profit / return earned on financings, investments and placements	24	18,006,812	12,284,569
Return on deposits and other dues expensed	25	8,665,317	6,606,370
Net spread earned		9,341,495	5,678,199
Provision against non-performing financings (net)	11.12	1,471,614	1,330,057
Provision for diminution in the value of investments	10.8 & 10.10	249,397	46,405
(Reversal) / provision against amounts due from financial institutions	9.4	(41,365)	81,875
(Reversal) / provision against off balance sheet obligations	18.2	(6,115)	37,682
Bad debts written off directly		-	-
		1,673,533	1,496,019
Net spread after provisions		7,667,962	4,182,180
OTHER INCOME			
Fee, commission and brokerage income		1,097,350	888,660
Dividend income		170,815	189,105
Income from dealing in foreign currencies		571,880	1,381,044
Capital gain on sale of investments - net	26	388,080	137,885
Unrealized gain on held for trading investments		-	28,669
Other income	27	35,224	61,911
Total other income		2,263,349	2,687,274
		9,931,311	6,869,454
OTHER EXPENSES			
Administrative expenses	28	6,164,075	4,637,393
Other provisions / write offs		168,242	18,306
Other (reversals) / charges	29	(859)	67,898
Total other expenses		6,331,458	4,723,597
		3,599,853	2,145,857
Share of results of associates before taxation		521,582	297,425
		4,121,435	2,443,282
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		4,121,435	2,443,282
Taxation - Current	30	1,750,029	1,060,692
- Prior years		(218,205)	(332,808)
- Deferred		(456,446)	(184,384)
		1,075,378	543,500
PROFIT AFTER TAXATION		3,046,057	1,899,782
Share of profit attributable to non-controlling interest		(100,179)	(74,027)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		2,945,878	1,825,755
		Rupees	
Basic and diluted earnings per share	31	3.67	2.27

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



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



Irfan Siddiqui
President and
Chief Executive



Abdullateef
A. Al-Asfour
Director



Mohammad
Abdul Aleem
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2011



	2011	2010
	Rupees in '000	
Profit for the year	3,046,057	1,899,782
Other comprehensive income	-	-
Comprehensive income transferred to equity	3,046,057	1,899,782
Components of comprehensive income not transferred to equity		
Surplus on revaluation on investments	177,120	322,896
Deferred tax on revaluation of investments	(59,310)	(76,952)
Total comprehensive income	3,163,867	2,145,726

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

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

Irfan Siddiqui
President and
Chief Executive

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2011

	Note	2011	2010
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,121,435	2,443,282
Dividend income		(170,815)	(189,105)
		3,950,620	2,254,177
Adjustments for non-cash charges			
Depreciation		446,036	366,404
Amortization		40,525	34,685
Provision against non-performing financings (net)		1,471,614	1,330,057
Provision for diminution in the value of investments		249,397	46,405
(Reversal) / provision against amounts due from financial institutions		(41,365)	81,875
Loss / (gain) on sale of operating fixed assets		30,148	(19,216)
Unrealized gain on held for trading investments		-	(28,669)
Share of results of associates		(521,582)	(297,425)
		1,674,773	1,514,116
		5,625,393	3,768,293
(Increase) / Decrease in operating assets			
Due from financial institutions		6,487,814	23,893,145
Held for trading securities		3,497	27,929
Financings		(6,432,036)	(13,615,564)
Other assets including inventories		2,636,605	(8,910,968)
		2,695,880	1,394,542
Increase / (decrease) in operating liabilities			
Bills payable		514,675	518,160
Due to financial institutions		3,406,664	(2,764,129)
Deposits and other accounts		38,954,490	30,736,548
Other liabilities		(2,158,727)	3,178,816
		40,717,102	31,669,395
		49,038,375	36,832,230
		(1,733,809)	(1,303,835)
Income tax paid			
Net cash flow from operating activities		47,304,566	35,528,395
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		-	16,848
- available for sale securities		(42,933,064)	(25,948,914)
- listed associated undertakings		(6,197,614)	356,647
- unlisted associated undertakings		146,330	879
Dividend received		207,682	212,719
Investments in operating fixed assets		(1,484,586)	(1,072,238)
Sale proceeds of operating fixed assets disposed off		42,354	31,696
Net cash flow from investing activities		(50,218,898)	(26,402,363)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(802,023)	-
Dividend paid to Non Controlling Interest		(26,250)	(37,187)
Net cash flow from financing activities		(828,273)	(37,187)
Net (decrease) / increase in cash and cash equivalents		(3,742,605)	9,088,845
Cash and cash equivalents as at January 1,	32	22,738,708	13,649,863
Cash and cash equivalents as at December 31,	32	18,996,103	22,738,708

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



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



Irfan Siddiqui
President and
Chief Executive



Abdullateef
A. Al-Asfour
Director



Mohammad
Abdul Aleem
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2011



	Share capital	Capital reserves		Revenue reserves		Non controlling interest	Total
		Statutory reserve	Reserve for issue of bonus shares	General reserve	Unappropriated profit		
Rupees in '000							
Balance as at January 01, 2010	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
Total Comprehensive income for the year							
Profit after taxation for the year ended December 31, 2011	-	-	-	-	3,046,057	-	3,046,057
Share of profit attributable to non controlling interest	-	-	-	-	(100,179)	100,179	-
Transactions with owners recognised directly in equity							
Dividend payout by AMIML	-	-	-	-	75,000	(26,250)	48,750
Transfer to reserve for issue of bonus shares	-	-	1,047,383	-	(1,047,383)	-	-
Issue of bonus shares	1,047,383	-	(1,047,383)	-	-	-	-
Cash dividend for the year 2011	-	-	-	-	(802,993)	-	(802,993)
	1,047,383	-	-	-	(1,850,376)	-	(802,993)
Transfer to statutory reserve	-	678,309	-	-	(678,309)	-	-
Balance as at December 31, 2011	8,029,933	1,991,553	-	91,082	3,851,734	413,756	14,378,058

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

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

Irfan Siddiqui
President and
Chief Executive

Abdullateef
A. Al-Asfour
Director

Mohammad
Abdul Aleem
Director

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding Company

- Meezan Bank Limited

Subsidiary Company

- Al Meezan Investment Management Limited

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 seventy five branches as at December 31, 2011 (2010: two hundred and twenty two branches). Its registered office is situated at Meezan House, C-25, Estate Avenue, SITE, Karachi, Pakistan.

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.

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	3.18	15.52
Al Meezan Mutual Fund (AMMF)	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 Capital Protected Fund II (MCPF II)	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



Entity / fund	Country of incorporation/ domicile	Nature of business	Direct holding %	Indirect holding %	Effective holding %
Meezan Sovereign Fund (MSF)	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 Tahaffuz Pension Fund (MTPF)	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
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	Floataion and management of modarabas under Modarabas Companies and Modarabas (Floataion 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, 2011 and the condensed interim financial statements of AMIML for the six months period ended December 31, 2011 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, 2011 the results for the period January 1 to June 30, 2011 have been calculated from the audited financial statements of AMIML for the year ended June 30, 2011 after eliminating the results for the six months period ended December 31, 2010. Certain disclosures relating to AMIML as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2011.

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

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

Entity	Source of information
Meezan Islamic Fund (MIF)	Financial statements for the half year ended December 31, 2011 and 2010, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.
Meezan Islamic Income Fund (MIIF)	Financial statements for the half year ended December 31, 2011 and 2010, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.

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For the year ended December 31, 2011

Entity	Source of information
Meezan Balanced Fund (MBF)	Financial statements for the half year ended December 31, 2011 and 2010, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.
Al Meezan Mutual Fund (AMMF)	Financial statements for the period ended August 5 to December 31 2011 and 2010, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.
Meezan Capital Protected Fund II (MCPF II)	Financial statements for the period ended July 5 to December 31, 2011 unaudited but subject to a limited review by its statutory auditors.
Meezan Sovereign Fund (MSF)	Financial statements for the half year ended December 31, 2011 unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.
Meezan Tahaffuz Pension Fund (MTPF)	Financial statements for the half year ended December 31, 2011 unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.
Blue Water (Private) Limited (BWL)	Unaudited financial statements for the half year ended December 31, 2011 and 2010, and audited financial statements for the year ended June 30, 2011.
Falcon Greenwood (Private) Limited (FGL)	Unaudited financial statements for the half year ended December 31, 2011 and 2010, and audited financial statements for the year ended June 30, 2011.
Faysal Management Services (Private) Limited (FMSL)	Unaudited financial statements for the year ended December 31, 2011.
Plexus (Private) Limited (PL)	Unaudited financial statements for the half year ended December 31, 2011 and 2010, and audited financial statements for the year ended June 30, 2011.

- 2.1.3 MBL provides financing mainly through Murabaha, Ijarah, Service Ijarah, Musharakah, Diminishing Musharakah, Running Musharakah, Istisna, Tijarah, Bai Muajjal, Musawammah 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:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on Group's financial statements.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments may impact the consolidated financial statements of the Group which has not yet been quantified.

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- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments may impact the consolidated financial statements of the Group which has not yet been quantified.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments may impact the consolidated financial statements of the Group which has not yet been quantified.
- (Amendments to IAS 1) Presentation of Items of Other Comprehensive Income - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments may impact the consolidated financial statements of the Group which has not yet been quantified.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendment has no impact on Group's financial statements.

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 Subsidiary. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost, thereafter for the post acquisition change in the Group's share of net assets of the associates. The consolidated financial statements include 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 & JUDGMENTS

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

- (a) Critical judgment in classification of investments in accordance with the Group's policy (notes 6.4 and 10).
- (b) Provision for non-performing financings and others (notes 6.3.3, 9.4, 11.12, 14.5 and 18.2).
- (c) Determination of forced sale value of underlying securities of non-performing financings (note 11.12.2).
- (d) Impairment of investments in equity instruments (notes 6.4.8, 6.4.9 and 10).

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- (e) Staff retirement benefits (notes 6.10 and 34).
- (f) Depreciation and amortisation 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, 13 and 30).
- (h) Measurement of share based payments (notes 6.20, 18.5 and 23.9).

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.

- 3.2 Through Finance Act, 2010, certain amendments were introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for financings and off balance sheet items in doubtful and loss categories were allowed upto 5% of total gross financing for consumer and SMEs (as defined in SBP Prudential Regulation). Through Finance Act, 2011, certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. Provision in excess of prescribed limits of consumer and SME financings have now been allowed to be carried forward to subsequent years effective July 1, 2010.

With reference to allowability of provision, the management has carried out an exercise at year 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. 1,210 million (2010: Rs. 967 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 in accordance with the requirements of SBP.

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.

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.

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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) Profit on Bai Muajjal is recognised on accrual basis.
- v) Profit on Diminishing Musharakah financings is recognised on accrual basis.
- vi) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- vii) Profit on Tijarah and Istisna financings are recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds.
- viii) Profit on Service Ijarah is recognised on accrual basis.
- ix) Profit on Sukuks is recognised on accrual basis.
- x) 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.
- xi) Dividend income is recognised when the Group's right to receive dividend is established.
- xii) 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.
- xiii) 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.
- xiv) Remuneration from Al Meezan Mutual Fund, Meezan Balance Fund, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund II and Meezan Sovereign Fund is recognised on the basis of average annual net assets value of the funds.
- xv) Return on deposits is recognised on receipt basis except for return on fixed deposits which is recognised on accrual basis.
- xvi) Sales load is recognised on accrual basis.
- xvii) 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.

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.

Running Musharakah

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

Bai Muajjal

In Bai Muajjal, MBL sells Shariah Compliant sukuk on a deferred payment basis to other Financial Institutions / customers. The credit price is agreed at the time of sale and proceeds are received at the end of credit period.

Service Ijarah

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

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 financing arrangements for purchase of goods / assets are recorded as 'Advance against Financings'. On culmination i.e. sale of assets to customers, financings are recorded at the deferred sale price net of profit. Assets purchased but remaining unsold at the date of Statement of Financial Position 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.

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6.4.2 AMIML 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.

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 subsidiary 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 amortised 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 Statement of Financial Position, 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. 20,000 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.

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 profit and loss account 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 Statement of Financial Position 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.

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6.8 Deposits

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

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Saving Account and Fixed Deposit 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 depositor 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 MBL's discretion and MBL 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 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, 2011. 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 both by the Group 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 upto the balance sheet date. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2011 for MBL, and as at June 30, 2011 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.

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.

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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 segments

Corporate financing

It 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.

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.

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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	2011	2010
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		4,475,603	3,069,861
- foreign currencies		570,389	490,477
With the State Bank of Pakistan in			
- local currency current accounts	7.1	7,298,835	6,586,351
- foreign currency current accounts	7.1	911,721	792,647
With National Bank of Pakistan in			
- local currency current accounts		3,384,647	1,841,615
		<u>16,641,195</u>	<u>12,780,951</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.

	Note	2011	2010
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		1,665,434	1,474,063
- on deposit accounts / term deposit receipts		-	7,350,000
Outside Pakistan			
- on current accounts		689,043	1,115,963
- on deposit accounts	8.1	431	17,731
		<u>2,354,908</u>	<u>9,957,757</u>

8.1 The return on these balances is around 0.18% (2010: 0.29%) per annum.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



	Note	2011	2010
Rupees in '000			
9. DUE FROM FINANCIAL INSTITUTIONS			
Bai Muajjal	9.1	4,040,239	7,966,079
Commodity Murabaha	9.2	78,302	1,094,501
Wakalah		-	45,775
Modaraba		-	1,500,000
		4,118,541	10,606,355
Provision against non-performing amounts due from financial institutions	9.4	(53,135)	(94,500)
		4,065,406	10,511,855

9.1 The average return on these products is 11.30% (2010: 12.89%) per annum and will mature between January 2012 to February 2013.

9.2 The average return on this product is 1.2% (2010: 0.9%) per annum (Euro) and will mature in January 2012.

	2011	2010
Rupees in '000		
9.3 Particulars of due from financial institutions		
In local currency	4,024,739	10,466,080
In foreign currencies	40,667	45,775
	4,065,406	10,511,855
9.4 Provision against amounts due from financial institutions		
Opening balance	94,500	12,625
Charge for the year	-	81,875
Reversals	(41,365)	-
	(41,365)	81,875
Closing balance	53,135	94,500

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10. INVESTMENTS

10.1 Investments by types	Note	2011			2010		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
Rupees in '000							
Held for trading securities	10.3	-	-	-	3,501	-	3,501
Available for sale securities	10.4	88,919,915	-	88,919,915	45,986,851	-	45,986,851
Held to maturity securities	10.5	1,150,000	-	1,150,000	1,150,000	-	1,150,000
		90,069,915	-	90,069,915	47,140,352	-	47,140,352
In related parties							
Associates (listed)	10.6	9,510,137	-	9,510,137	2,796,436	-	2,796,436
Associates (unlisted)	10.7	125,164	-	125,164	265,999	-	265,999
Investment at cost / carrying value		99,705,216	-	99,705,216	50,202,787	-	50,202,787
Provision for diminution in value of investments	10.8	(382,571)	-	(382,571)	(133,174)	-	(133,174)
Investments (net of provision)		99,322,645	-	99,322,645	50,069,613	-	50,069,613
Deficit on revaluation of held for trading securities	10.9	-	-	-	(4)	-	(4)
Surplus on revaluation of available for sale securities	22	626,897	-	626,897	449,777	-	449,777
Total investments at market value		99,949,542	-	99,949,542	50,519,386	-	50,519,386

10.2 Investments by segments	Note	2011	2010
		Rupees in '000	
Federal Government Securities			
GOP Ijarah Sukuks		75,655,305	32,446,557
Fully paid up Ordinary Shares			
- Listed companies		923,973	1,032,031
- Unlisted companies		247,386	241,941
WAPDA First Sukuk Certificates	10.2.1	1,260,309	1,258,708
WAPDA Second Sukuk Certificates		1,730,000	1,750,000
PIA Sukuks		1,500,000	1,500,000
Sukuk Certificates		5,120,224	5,214,851
Preference shares		-	146,280
Global Sukuk Bonds		2,656,985	2,915,086
Units of Open-end Funds		10,389,437	2,991,624
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)		897	897
Certificates of Closed-end Fund		220,700	704,812
Total investment at cost / carrying value		99,705,216	50,202,787
Provision for diminution in value of investments and impairment	10.8	(382,571)	(133,174)
Investments (Net of Provision)		99,322,645	50,069,613
Deficit on revaluation of held for trading securities	10.9	-	(4)
Surplus on revaluation of available for sale securities	22	626,897	449,777
Total investments at market value		99,949,542	50,519,386

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



10.2.1 MBL purchased 22,000 certificates of WAPDA– I Sukuk through a market based transaction for a cash consideration of Rs.110.346 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. MBL 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.

Though, the suit is pending in Sindh High Court, however, MBL on prudent basis has recognised provision against these sukuks in the current year.

10.2.2 Investments in associates except Meezan Islamic Income Fund and Meezan Sovereign 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 sukuks in the following investee companies:

Name of the investee companies	2011		2010	
	(Number of sukuks)		Cost / carrying amount (Rupees in '000)	
Unquoted Sukuk Bonds				
Sitara Chemical Industries Limited	-	240	-	1,201
Arzoo Textile Mills Limited	-	1,000	-	2,300
Total			-	3,501

Notes to and forming part of the Consolidated Financial Statements

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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	2011	2010	2011	2010	2011	Entity rating long term / short term	2010	Entity rating long term / short term
		Number of shares / units / certificates		Cost		Market value		Market value	
		Rupees in '000				Rupees in '000			
Ordinary shares									
Automobile parts and accessories									
Agriauto Industries Limited	10.4.1	190,542	324,000	11,969	20,352	10,956	Unrated	24,689	Unrated
Cement									
Attock Cement Pakistan Limited		190,737	200,737	8,372	8,811	9,728	Unrated	12,668	Unrated
D.G. Khan Cement Company Limited		-	115,000	-	3,068	-	-	3,470	Unrated
Lucky Cement Company Limited		1,252,089	1,092,326	88,806	75,589	93,957	Unrated	82,787	Unrated
Automobile assembler									
Indus Motor Company Limited		-	738	-	106	-	-	186	Unrated
Pak Suzuki Motor Company Limited		26,360	30,700	2,248	2,618	1,556	Unrated	2,143	Unrated
Power generation and distribution									
The Hub Power Company Limited		2,261,651	1,300,000	83,703	46,652	77,348	AA+/A1+	48,633	AA+/A1+
Oil and gas marketing									
Pakistan State Oil Company Limited		-	494,446	-	144,138	-	-	145,951	AA+/A1+
Oil and gas exploration									
Pakistan Oilfields Limited		569,676	531,676	166,177	120,911	197,364	Unrated	157,355	Unrated
Oil and Gas Development Company Limited		888,431	621	125,171	84	134,704	AAA/A1+	106	AAA/A1+
Pakistan Petroleum Limited		1,127,139	904,490	181,579	139,117	189,720	Unrated	196,410	Unrated
Attock Petroleum Limited		15,000	-	4,953	-	6,188	Unrated	-	-
Fertilizer									
Fauji Fertilizer Bin Qasim Limited		-	2,482,500	-	79,644	-	-	88,700	Unrated
Fauji Fertilizer Company Limited		1,489,429	1,445,543	143,709	151,733	222,729	Unrated	181,936	Unrated
Paper and board									
Packages Limited		-	250,783	-	46,826	-	-	32,253	AA/A1+
Chemicals									
ICI Pakistan Limited		595,489	505,489	81,984	66,286	71,619	Unrated	72,912	Unrated
Lotte Pakistan PTA Limited		-	978,530	-	12,896	-	-	13,406	Unrated
Technology and communication									
Pakistan Telecommunication Company Limited (A)		-	2,801,100	-	67,539	-	-	54,397	Unrated
Refinery									
National Refinery Limited		-	99,936	-	19,780	-	-	27,361	Unrated
Jute									
Thal Limited		-	9,200	-	579	-	-	1,198	Unrated

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Name of the investee company / fund	Note	2011	2010	2011	2010	2011	2010	2011	2010
		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									
Miscellaneous									
Tri-Pack Films		223,616	223,616	25,302	25,302	35,846	A+/A1	27,317	A+/A1
Sukuk Certificates									
WAPDA First Sukuk Certificates	10.4.2	22,000	22,000	110,309	108,708	110,309	Govt. Guaranteed	114,257	Govt. Guaranteed
WAPDA Second Sukuk Certificates	10.4.3	346,000	350,000	1,730,000	1,750,000	1,737,439	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	1,506,000	Govt. Guaranteed	1,500,000	Govt. Guaranteed
Dawood Hercules Chemicals Limited - at cost		-	20,000	-	904,800	-	-	904,800	Unrated
Century Paper and Board Mills Limited - at cost	10.4.5	125,000	125,000	375,000	500,000	375,000	A+	500,000	A+
Sui Southern Gas Company Limited - at cost	10.4.6	200,000	200,000	166,670	500,002	166,670	AA	500,002	AA
Engro Fertilizers Limited - at cost	10.4.7	150,000	150,000	750,000	750,000	750,000	AA-	750,000	AA-
Sitara Chemicals Industries Limited - at cost		-	29,600	-	37,000	-	-	37,000	AA-
Quetta Textile Mills Limited - at cost	10.4.8	30,000	30,000	135,000	145,000	135,000	BBB+	145,000	BBB+
Arzoo Textile Mills Limited - at cost	10.4.9	10,000	10,000	50,000	50,000	50,000	Unrated	50,000	Unrated
Sitara Peroxide Limited - at cost	10.4.10	30,000	30,000	140,625	140,625	140,625	Unrated	140,625	Unrated
Liberty Power Tech Limited - at cost	10.4.11	18,140,480	16,680,930	1,755,269	1,668,093	1,755,269	AA	1,668,093	AA-
Eden Builders Limited - at cost	10.4.12	14,400	14,400	40,500	58,500	40,500	A	58,500	A
Maple Leaf Cement Factory Limited - at cost	10.4.13	40,000	40,000	199,660	199,830	199,660	D	199,830	BB+
Maple Leaf Cement Factory Limited - at cost	10.4.14	1,500	1,500	7,500	7,500	7,500	D	7,500	BB+
Amreli Steel Limited - at cost	10.4.15	50,000	50,000	250,000	250,000	250,000	A-	250,000	A-
Kott Addu Power Company Limited - at cost	10.4.16	100,000	-	500,000	-	500,000	AA+	-	-
The Hub Power Company Limited - at cost	10.4.17	125,000	-	750,000	-	750,000	AA+	-	-
GOP Sukuk									
Ijarah Sukuk First		-	16,295	-	1,629,500	-	Govt. Guaranteed	1,655,898	Govt. Guaranteed
Ijarah Sukuk Second		-	20,000	-	2,000,000	-	Govt. Guaranteed	2,025,000	Govt. Guaranteed
Ijarah Sukuk Third	10.4.18	30,000	30,000	3,001,275	3,007,924	3,014,100	Govt. Guaranteed	3,045,000	Govt. Guaranteed
Ijarah Sukuk Fourth	10.4.19	35,950	35,950	3,596,770	3,599,256	3,614,054	Govt. Guaranteed	3,595,000	Govt. Guaranteed
Ijarah Sukuk Fifth	10.4.20	161,050	129,500	16,113,638	12,954,969	16,193,578	Govt. Guaranteed	12,982,375	Govt. Guaranteed
Ijarah Sukuk Sixth	10.4.20	103,000	92,500	10,314,916	9,254,908	10,398,880	Govt. Guaranteed	9,305,450	Govt. Guaranteed
Ijarah Sukuk Seventh	10.4.21	128,893	-	12,897,487	-	12,984,681	Govt. Guaranteed	-	-
Ijarah Sukuk Eighth	10.4.22	147,270	-	14,728,473	-	14,768,232	Govt. Guaranteed	-	-
Ijarah Sukuk Ninth	10.4.23	150,020	-	15,002,746	-	15,002,000	Govt. Guaranteed	-	-
Units of open-end funds									
United Islamic Saving Fund		7,960,026	7,946,976	800,000	800,000	843,545	AA-	807,715	Unrated
IGI Islamic Income Fund		1,214,678	1,099,617	100,000	100,000	123,049	A+	110,521	Unrated
Pak Oman Advantage Islamic Income Fund		947,592	-	50,000	-	49,793	AA-	-	-
HBL Islamic Money Market Fund		1,028,774	-	100,000	-	105,748	AA	-	-
Atlas Islamic Fund		98,894	-	50,000	-	50,904	AA-	-	-
Sukuk Bonds									
Abu Dhabi Sukuk Bonds		-	5,000,000	-	428,183	-	-	421,235	A2
Central Bank of Bahrain International Sukuk	10.4.24	10,000,000	10,000,000	946,754	919,697	966,628	BBB	957,269	A
Islamic Development Bank Trust Services Sukuk	10.4.25	6,500,000	6,500,000	585,099	557,227	618,351	AAA	585,750	AAA
Malaysia Sukuk Global	10.4.26	6,750,000	6,750,000	609,191	580,579	635,062	A3	602,352	A3
Qatar Islamic Bank Sukuk	10.4.27	5,000,000	5,000,000	450,738	429,400	463,783	A	429,637	A
Wakala Global Sukuk	10.4.28	725,000	-	65,203	-	65,618	A3	-	-
Others									
Haleeb Foods Limited - at cost	10.4.29	2,786,000	2,786,000	122,222	122,222	122,222	Unrated	122,222	Unrated
S.W.I.F.T. SCRL - at cost		5	5	897	897	897	Unrated	897	Unrated
				<u>88,919,915</u>	<u>45,986,851</u>	<u>89,546,812</u>		<u>46,406,656</u>	

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- 10.4.1 The nominal value of these shares is Rs. 5 each.
- 10.4.2 The paid up value of these sukuku is Rs. 5,000 per certificate. The return on these Sukuku - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 35 basis points. These sukuku will mature in 2012. These sukuku certificates are backed by the Government of Pakistan's sovereign guarantee.
- 10.4.3 The paid up value of these sukuku is Rs. 5,000 per certificate. These sukuku 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 sukuku will mature in 2017.
- 10.4.4 The paid up value of these sukuku is Rs. 5,000 per certificate. The return on Sukuku - 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 sukuku certificates are backed by the Government of Pakistan's sovereign guarantee.
- 10.4.5 The paid up value of these sukuku is Rs. 3,000 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.
- 10.4.6 The paid up value of these sukuku is Rs. 833 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.
- 10.4.7 The paid up value of these sukuku 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.
- 10.4.8 The paid up value of these sukuku is Rs. 4,500 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.
- 10.4.9 The paid up value of these sukuku 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 2 and plus 175 basis points from year 3 to year 6.
- 10.4.10 The paid up value of these sukuku 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.
- 10.4.11 The paid up value of these sukuku is Rs. 96.76 per certificate. The tenure of these certificates is 12 years, with principal receivable in 2011-2021. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.4.12 The paid up value of these sukuku is Rs. 2,813 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.
- 10.4.13 The paid up value of these sukuku 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.
- 10.4.14 The paid up value of these sukuku 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.
- 10.4.15 The paid up value of these sukuku 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.

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- 10.4.16 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in June 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.17 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in February 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.18 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2012.
- 10.4.19 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills minus 5 basis points. These certificates will mature in 2012.
- 10.4.20 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The tenure of these certificates is 3 years, with principal receivable in 2013. The profit is calculated on the basis of six month weighted average yield of six month market T-Bills.
- 10.4.21 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014 .
- 10.4.22 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014.
- 10.4.23 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014.
- 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.
- 10.4.28 The paid up value of these sukuku is US\$ 1 and will mature in 2016. The profit coupon is 2.99 percent per annum
- 10.4.29 The Chief Executive of Haleeb Foods Limited is Mr. Mohammad Imran Amjad.

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10.5 Held to maturity securities

Name of the investee entity	Note	2011	2010	2011	2010
		Number of Certificates		Cost Rupees in '000	
Sukuk Certificates					
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>1,150,000</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 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 entities	2011	2010	Percentage of effective holding %	2011	2010
	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	20.07	-	469,765
Certificate of closed end fund					
Meezan Balanced Fund	19,956,292	19,956,292	15.52	220,700	235,047
Units of open end funds					
Meezan Islamic Fund - note 10.6.1	11,429,200	13,559,708	N/A	455,911	637,577
Meezan Islamic Income Fund	6,123,869	21,303,120	N/A	310,848	1,073,464
Meezan Sovereign Fund	151,464,119	-	N/A	7,623,189	-
Meezan Capital Protected Fund - I	-	5,918,774	N/A	-	324,704
Meezan Capital Protected Fund - II	4,000,000	-	N/A	206,560	-
Al-Meezan Mutual Fund	46,637,048	-	N/A	476,769	-
Meezan Cash Fund	-	1,116,239	N/A	-	55,879
Meezan Tahaffuz Pension Equity Fund	500,000	-	N/A	65,560	-
Meezan Tahaffuz Pension Debt Fund	500,000	-	N/A	75,035	-
Meezan Tahaffuz Pension Money Market Fund	500,000	-	N/A	75,565	-
				<u>9,510,137</u>	<u>2,796,436</u>

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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. 9,243 million (2010: Rs. 2,570 million).

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	Note	2011		2010		Percentage of effective holding	Break up value per share	Latest available audited financial statement	Name of the chief executive
		Number of shares / Certificates		Carrying amount					
				Rupees in '000		%	Rupees		
Plexus (Private) Limited		1,499,980	1,499,980	-	-	50	3.41	June 30, 2010	Mr. Abdul Rehman
Faysal Management Services (Private) Limited	10.7.1	540,000	540,000	60,388	55,217	30	101.82	December 31, 2010	Mr. Nauman Ansari
Blue Water (Private) Limited	10.7.2	150,000	150,000	16,313	15,904	43	102.40	June 30, 2010	Mr. Shuja-ul-Mulk Khan
Falcon Greenwood (Private) Limited								June 30, 2010	Mr. Abbas Khan
Ordinary shares	10.7.2	250,000	250,000	23,463	23,598	25	95.37		
Preference shares		-	1,432,800	-	143,280	N/A	N/A		
Advance against issue of preference share		-	-	-	3,000	N/A	N/A		
Pak Kuwait Takaful Insurance Co. Limited		2,500,000	2,500,000	25,000	25,000	6.25	9.69	December 31, 2010	Mr. Imtiaz Ahmed Bhatti
Total				<u>125,164</u>	<u>265,999</u>				

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 above associates are incorporated in Pakistan.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

10.8 Provision for diminution in value of investments and impairment

	2011			2010		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	12,071	121,103	133,174	2,425	88,890	91,315
Charge for the year						
- on associates (unlisted)	1,115	-	1,115	9,646	-	9,646
- on available for sale investments	-	250,582	250,582	-	30,163	30,163
- on held for trading investments	-	(2,300)	(2,300)	-	2,050	2,050
	1,115	248,282	249,397	9,646	32,213	41,859
Closing balance	13,186	369,385	382,571	12,071	121,103	133,174

10.8.1 Provision in respect of type and segment

	2011	2010
	Rupees in '000	
Associates - unlisted		
Fully paid-up ordinary shares	13,186	12,071
Other - Held for trading investments		
Sukuks	-	2,300
Other - Available for sale investments		
Fully paid-up ordinary shares	1,884	29,972
Sukuks	367,501	88,831
	369,385	118,803
	382,571	133,174

10.9 Deficit on revaluation of held for trading securities

Deficit on listed shares / Sukuks	-	4
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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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 - I	Meezan Capital Protected Fund - II	Meezan Tahaffuz Pension Equity Sub Fund	Meezan Tahaffuz Pension Debt Sub Fund	Meezan Tahaffuz Pension Money Market Sub Fund	Meezan Islamic Income Fund	Meezan Cash Fund	Meezan Sovereign Fund	Total
	Rupees in '000															
Opening - January 01, 2010	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	35,830	35,680	-	-	-	-	73,787	10,400	-	297,425
Taxation	-	(885)	-	-	-	-	-	-	-	-	-	-	-	-	-	(885)
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
Investment / (redemption) during the year	-	-	-	-	222,333	(158,850)	12,038	(324,704)	200,000	81,500	75,015	74,955	(756,761)	(55,879)	7,630,617	7,000,264
Share of profit / (loss) in associates	-	5,221	409	(135)	(126,270)	(22,816)	8,538	-	6,560	(15,940)	20	610	60,305	-	605,083	521,582
Taxation	-	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	(50)
Dividend received	-	-	-	-	(89,059)	-	(34,923)	-	-	-	-	-	(66,158)	-	(612,511)	(802,651)
Closing - December 31, 2011	-	60,388	16,313	23,463	476,769	455,911	220,700	-	206,560	65,560	75,035	75,565	310,848	-	7,623,189	9,610,300

Notes to and forming part of the Consolidated Financial Statements

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11. FINANCINGS

	Note	2011	2010
		Rupees in '000	
In Pakistan			
- Murabaha financings	11.1	17,209,279	19,121,616
- Net investment in Ijarah	11.2	2,387,178	4,193,128
- Net book value of assets/investment in Ijarah under IFAS-2	11.2.1	4,699,578	3,467,234
- Financing under Islamic Export Refinance - Murabaha	11.3	1,702,554	2,041,370
- Financing under Islamic Export Refinance - Istisna	11.4	4,107,184	2,846,176
- Diminishing Musharakah financings - housing		2,426,619	2,680,995
- Diminishing Musharakah financings - others		17,257,712	13,096,430
- Running Musharakah financings		750,000	-
- Musharakah financings		70,531	70,531
- Istisna financings	11.5	9,888,822	6,565,529
- Tijarah financings	11.6	485,970	1,468,736
- Bai Muajjal financings	11.7	999,306	-
- Service Ijarah financings		2,732	-
- Musawammah financings (Laptop)	11.8	25,683	-
- Labbaik (Qard for Hajj and Umrah)		7,545	4,547
- Financings against bills - Salam		744,819	744,180
- Financings against bills - Murabaha		54,180	100,717
- Staff financings	11.9	710,111	580,105
- Loans and running finances		746,917	865,015
Gross financings		64,276,720	57,846,309
Less: Provision against non-performing financings	11.12	(5,321,135)	(3,851,146)
Financings (net of provision)	11.10	58,955,585	53,995,163
11.1 Murabaha receivable - gross	11.1.1	18,305,073	20,554,483
Deferred murabaha income		(456,791)	(811,019)
Profit receivable shown in other assets		(639,003)	(621,848)
Murabaha financings		17,209,279	19,121,616
11.1.1 Murabaha Sale Price		18,305,073	20,554,483
Murabaha Purchase Price		(17,209,279)	(19,121,616)
		1,095,794	1,432,867

Notes to and forming part of the Consolidated Financial Statements

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11.2 Net investment in Ijarah

	2011				2010			
	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	989,745	2,259,445	-	3,249,190	1,504,997	2,264,784	12,847	3,782,628
Residual value	411,643	230,343	-	641,986	1,097,254	1,027,304	4,737	2,129,295
Minimum ijarah payments	1,401,388	2,489,788	-	3,891,176	2,602,251	3,292,088	17,584	5,911,923
Profits for future periods	(320,387)	(1,183,611)	-	(1,503,998)	(915,280)	(797,868)	(5,647)	(1,718,795)
Present value of minimum Ijarah payments	1,081,001	1,306,177	-	2,387,178	1,686,971	2,494,220	11,937	4,193,128

11.2.1 Net book value of assets / investments in Ijarah under IFAS-2 is net of depreciation of Rs 2,392.195 million (2010: Rs 960.456 million).

	2011	2010
	Rupees in '000	
11.3 Financing under Islamic Export Refinance - Murabaha - gross	1,797,116	2,138,701
Deferred income	(52,256)	(50,291)
Profit receivable shown in other assets	(42,306)	(47,040)
Financing under Islamic Export Refinance - Murabaha	1,702,554	2,041,370
11.4 Financing under Islamic Export Refinance - Istisna - gross	4,161,103	2,857,792
Deferred income	(545)	(59)
Profit receivable shown in other assets	(53,374)	(11,557)
Financing under Islamic Export Refinance - Istisna	4,107,184	2,846,176

11.4.1 This includes advance against Export Refinance - Istisna amounting to Rs. 3,328.550 million (2010: Rs. 2,557.027 million).

	2011	2010
	Rupees in '000	
11.5 Istisna Financings - gross	9,898,250	6,596,552
Deferred income	(3,625)	(7,708)
Profit receivable shown in other assets	(5,803)	(23,315)
Istisna financings	9,888,822	6,565,529

11.5.1 This includes advance against Istisna amounting to Rs. 8,911.059 million (2010: Rs. 5,787.777 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

	2011	2010			
	Rupees in '000				
11.6					
Tijarah Financings - gross	489,702	1,485,243			
Deferred income	(830)	(6,984)			
Profit receivable shown in other assets	(2,902)	(9,523)			
Tijarah financings	485,970	1,468,736			
11.7					
Bai Muajjal financings - gross	1,019,133	-			
Deferred income	(19,166)	-			
Profit receivable shown in other assets	(661)	-			
Bai Muajjal financings	999,306	-			
11.8					
Musawammah financings (Laptop) - gross	32,018	-			
Deferred income	(6,324)	-			
Profit receivable shown in other assets	(11)	-			
Musawammah financings (Laptop)	25,683	-			
11.9	This includes Rs. 110.299 million (2010 : Rs. 95.711 million) representing mark up free financings to staff advanced under the Group's Human Resource Policies.				
11.10	2011	2010			
Particulars of financings - net	Rupees in '000				
11.10.1					
In					
- local currency	56,302,562	50,903,879			
- foreign currencies	2,653,023	3,091,284			
	58,955,585	53,995,163			
11.10.2					
Short-term (for upto one year)	39,092,288	31,895,399			
Long-term (for over one year)	19,863,297	22,099,764			
	58,955,585	53,995,163			
11.11	Financings include Rs. 4,647.792 million (2010: Rs. 4,318.323 million) which have been placed under non-performing status as detailed below:				
	2011				
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	112,976	-	112,976	21,646	21,646
Doubtful	464,072	-	464,072	222,784	222,784
Loss	4,070,744	-	4,070,744	3,815,390	3,815,390
	4,647,792	-	4,647,792	4,059,820	4,059,820
	2010				
Category of classification	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



11.12 Particulars of provision against non-performing financings:

	2011			2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	3,112,897	738,249	3,851,146	2,443,282	85,262	2,528,544
Charge for the year	1,295,292	528,833	1,824,125	926,331	652,987	1,579,318
Less: Reversals	(346,744)	(5,767)	(352,511)	(249,261)	-	(249,261)
	948,548	523,066	1,471,614	677,070	652,987	1,330,057
Amount written off						
- note 11.13	(1,625)	-	(1,625)	(7,455)	-	(7,455)
Closing balance	4,059,820	1,261,315	5,321,135	3,112,897	738,249	3,851,146

11.12.1 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. 1,175 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.

11.12.2 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, 2011 would have been lower by approximately Rs 68.001 million. The accumulated benefit availed as at December 31, 2011 amounts to Rs 230.611 million. The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders. In 2011, the SBP has issued another circular which increases the benefit of FSV. MBL has not taken the impact / benefit of this circular in these financial statements.

11.12.3 Particulars of provision against non-performing financings:

	2011			2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	3,978,161	1,261,315	5,239,476	3,090,952	738,249	3,829,201
In foreign currencies	81,659	-	81,659	21,945	-	21,945
	4,059,820	1,261,315	5,321,135	3,112,897	738,249	3,851,146

11.13 Particular of write offs

	Note	2011		2010	
		Rupees in '000			
11.13.1 Against provision	11.12	1,625		7,455	
Directly charged to profit and loss account		-		-	
		1,625		7,455	
11.13.2 Write offs Rs. 500,000 and above		1,625		7,455	
Write offs below Rs. 500,000		-		-	
		1,625		7,455	

Notes to and forming part of the Consolidated Financial Statements

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11.13.3 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, 2011 is given as Annexure - 1.

11.14 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	2011	2010
Rupees in '000			
Balance at the beginning of the year		603,106	460,340
Additions / disbursements during the year		262,446	223,000
Deletions / repayments during the year		(137,543)	(80,234)
Balance at the end of the year	11.14.1	<u>728,009</u>	<u>603,106</u>

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	2011	2010
Rupees in '000			
Balance at the beginning of the year		70,531	143,834
Additions / disbursements during the year		-	400,000
Deletions / repayments during the year		-	(473,303)
Balance at the end of the year	11.14.2	<u>70,531</u>	<u>70,531</u>

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

Balance at the beginning of the year		-	-
Additions / disbursements during the year		-	70,628
Deletions / repayments during the year		-	(70,628)
Balance at the end of the year		<u>-</u>	<u>-</u>

11.14.1 The maximum total amount of financings including temporary financings granted by MBL during the year were Rs. 262 million (2010: Rs. 223 million). The maximum amount has been calculated by reference to the month end balance.

11.14.2 This represents a Musharakah facility outstanding from Blue Water (Private) Limited (an associated company) amounting to Rs. 71 million (2010: Rs. 71 million). The Musharakah facility is secured against equitable mortgage over property.

11.14.3 Loans and financings to executives and a director of MBL

	Executives		Director	
	2011	2010	2011	2010
Rupees in '000				
Opening balance	321,851	251,840	166	298
Financings disbursed during the year	163,964	99,110	-	-
Financings repaid during the year	(48,154)	(29,099)	(133)	(132)
Closing balance	<u>437,661</u>	<u>321,851</u>	<u>33</u>	<u>166</u>

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	Note	2011	2010
		Rupees in '000	
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	181,959	859,533
Tangible assets			
Property and equipment	12.2	3,697,307	2,130,337
		3,879,266	2,989,870
Intangible assets	12.4	142,154	106,027
		4,021,420	3,095,897
12.1 Capital work-in-progress			
Advances to suppliers and contractors for building renovation		107,902	722,248
Advances for computer hardware		7,406	7,588
Advances for purchase of vehicles		14,911	12,348
Advances for computer software		24,928	33,910
Advances for other office machines		26,512	57,256
Advances for furniture and fixtures		300	26,183
		181,959	859,533

12.2 Property and equipment

	2011							
	COST			DEPRECIATION			Net book value as at December 31, 2011	Rate of depreciation %
	As at January 1, 2011	Additions / (disposals)	As at December 31, 2011	As at January 1, 2011	Charge / (on disposals)	As at December 31, 2011		
	Rupees in '000							
Leasehold Land	544,440	71,549	615,989	-	-	-	615,989	-
Buildings on leasehold land	152,536	875,185	1,027,521	34,750	32,480	67,230	960,291	5
Leasehold improvements	1,020,881	446,073 (104,242)	1,362,712	285,353	112,246 (55,600)	341,999	1,020,713	10
Furniture and fixtures	175,444	74,521 (12,090)	237,875	65,438	21,647 (6,275)	80,810	157,065	10
Electrical, office and computer equipments	1,026,031	482,797 (21,819)	1,487,009	630,621	202,187 (20,581)	812,227	674,782	10, 20 & 33
Vehicles	384,068	135,383 (53,197)	466,254	156,701	77,476 (36,390)	197,787	268,467	20
	3,303,200	2,085,508 (191,348)	5,197,360	1,172,863	446,036 (118,846)	1,500,053	3,697,307	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

	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							
Leasehold Land	544,440	-	544,440	-	-	-	544,440	-
Buildings on lease hold land	139,125	13,211	152,336	26,650	8,100	34,750	117,586	5
Leasehold improvements	861,336	159,545	1,020,881	193,550	91,805	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	

12.3 Property and equipment - Movement of net book value

	Leasehold land	Buildings on leasehold land	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
	Rupees in '000						
At January 1, 2010							
Cost	544,440	139,125	861,336	153,530	862,719	315,699	2,876,849
Accumulated depreciation	-	(26,650)	(193,550)	(49,137)	(450,856)	(120,176)	(840,369)
Net book value	544,440	112,475	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	-	-	-	-	(505)	(11,977)	(12,480)
Depreciation charge	-	(8,100)	(91,805)	(16,301)	(184,769)	(65,431)	(366,404)
Net book value as at December 31, 2010	544,440	117,586	735,528	110,006	395,410	227,367	2,130,337
Year ended December 31, 2011							
Additions	71,549	875,185	446,073	74,521	482,797	135,383	2,085,508
Net book value of disposals	-	-	(48,642)	(5,815)	(1,238)	(16,807)	(72,502)
Depreciation charge	-	(32,480)	(112,246)	(21,647)	(202,187)	(77,476)	(446,036)
Net book value as at December 31, 2011	615,989	960,291	1,020,713	157,065	674,782	268,467	3,697,307

12.3.1 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs. 523 million (2010: Rs. 346 million).

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000						
Vehicles						
Suzuki Cultus	749	226	523	-	Ex-Gratia	Mr.Anwar Raza (Employee - Late)
Honda City	1,519	440	879	1,100	Insurance Claim	Pak Kuwait Takaful Co.
Toyota Corolla	1,529	153	1,376	1,529	Insurance Claim	Pak Kuwait Takaful Co.
Honda City	900	162	738	266	MBL Staff Policy	Mr.Ameen Khawaja (Employee)
Honda Civic	1,712	998	714	1,041	MBL Staff Policy	Mr. Azhar Ali Naqvi (Ex-Employee)
Honda Civic	1,506	1,456	50	522	MBL Staff Policy	Mr.Arshad Majeed (Employee)
Suzuki Alto	586	273	313	607	Negotiation	Mr.Sohail Rashid
Suzuki Cultus	586	303	283	608	Negotiation	Hira Foundation School
Suzuki Cultus	647	345	302	660	Negotiation	Mr.Ali Samad Awan
Suzuki Cultus	748	262	486	710	Negotiation	Mr.Ali Sarmad Awan
Suzuki Cultus	772	386	386	707	Negotiation	Mr.Khurrm Shahzad
Suzuki Cultus	772	463	309	617	Negotiation	Mr.M Farruk
Suzuki Cultus	836	446	390	650	Negotiation	Mr.M Shoaib Shamim
Suzuki Cultus	560	560	-	603	Negotiation	Mr.Muhammad Zafar
Suzuki Cultus	712	332	380	642	Negotiation	Mr.Muhammad Zafar
Suzuki Cultus	586	322	264	633	Negotiation	Mr.Nadeem Ahmed
Suzuki Cultus	772	373	399	702	Negotiation	Mr.Nadeem Ahmed
Suzuki Cultus	647	313	334	646	Negotiation	Mr.Nadeem Ahmed
Suzuki Cultus	784	274	510	741	Negotiation	Mr.Noman Hasan Khan
Suzuki Cultus	772	450	322	656	Negotiation	Mr.Wasim Mirza
Suzuki Cultus	579	328	251	646	Negotiation	Mr.Zahid Qadri
Suzuki Cultus	579	328	251	606	Negotiation	Mr.Zulfiqar A Khan
Toyota Corolla	1,004	669	335	1,118	Negotiation	Mr.Khursheed Anwar
Suzuki Cultus	553	240	313	400	Insurance Claim	Pak Kuwait Takaful Co.
Honda Citi	885	885	-	266	MBL Staff Policy	Mr.Mashkoor Hassan Siddiqui (Employee)
Honda Citi	901	901	-	286	MBL Staff Policy	Mr.Mashkoor Khan A.G (Employee)
Honda Citi	883	883	-	275	MBL Staff Policy	Mr.Mateen Mahmood (Employee)
Honda Citi	886	886	-	266	MBL Staff Policy	Mr.Moazzam Saeed (Employee)
Honda Citi	884	884	-	266	MBL Staff Policy	Mr.Nasir Mehmood (Employee)
Honda Citi	883	883	-	265	MBL Staff Policy	Mr.Omer Waqas (Employee)
Honda Citi	886	886	-	266	MBL Staff Policy	Mr.Tasweer Hassan (Employee)
Honda Civic	841	840	1	252	MBL Staff Policy	Mr.Naeem Sarfaraz (Employee)
Suzuki Alto	518	328	190	273	MBL Staff Policy	Mr.Aneeq Ejaz Qureshi (Employee)
Suzuki Alto	470	306	164	284	MBL Staff Policy	Mr.Azfar Alam (Employee)
Suzuki Alto	480	352	128	242	MBL Staff Policy	Mr.Fayyaz Ahmed (Employee)
Suzuki Alto	470	306	164	273	MBL Staff Policy	Mr.Imran Khalid Shami (Employee)
Suzuki Alto	469	469	-	141	MBL Staff Policy	Mr.Muhammad Mohsin (Employee)
Suzuki Alto	470	305	165	267	MBL Staff Policy	Mr.Muhammad Zahid (Employee)
Suzuki Alto	470	313	157	273	MBL Staff Policy	Mr.Nasir Mehmood (Employee)
Suzuki Alto	470	298	172	273	MBL Staff Policy	Mr.Syed M. Fahad (Employee)
Suzuki Alto	477	304	173	273	MBL Staff Policy	Mr.Syed Zakaria Farooq (Employee)
Suzuki Alto	470	274	196	284	MBL Staff Policy	Mr.Tariq Mehmood Ansari (Employee)
Suzuki Alto	468	242	226	284	MBL Staff Policy	Mr.Zubair Ahmed (Employee)
Suzuki Cultus	586	371	215	351	MBL Staff Policy	Mr.Ather Hassan (Employee)
Suzuki Cultus	556	435	121	246	MBL Staff Policy	Mr.Kamal Hussain (Employee)
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr.Kazim Raza (Employee)
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr.Malik Asgar Khan (Employee)
Suzuki Cultus	560	560	-	168	MBL Staff Policy	Mr.Nawaz (Employee)
Suzuki Cultus	567	529	38	201	MBL Staff Policy	Mr.Omer Salim Ullah (Employee)
Suzuki Cultus	470	298	172	273	MBL Staff Policy	Mr.Shahzad Charania (Employee)
Suzuki Cultus	522	305	217	284	MBL Staff Policy	Mr.Wise ur Rehman (Employee)
Toyota Corolla	1,004	656	348	1,050	Negotiation	Mr.Zaheer Baber (Ex-Employee)
Suzuki Alto	486	300	187	186	AMIML Staff Policy	Mr.Asim Zafar (Employee)
Suzuki Cultus	570	456	114	114	AMIML Staff Policy	Mr.Anas Rehan (Employee)
Suzuki Cultus	570	428	143	143	AMIML Staff Policy	Mr.Talha Anwer (Employee)
Toyota Corolla	879	879	-	1,105	Negotiation	Mr.Zahaid
Toyota Corolla	893	759	134	134	AMIML Staff Policy	Mr.Faisal Hafeez (Employee)
	41,274	27,743	13,533	26,010		

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Electrical, office and computer equipments						
Computer equipments	1,234	1,232	2	23	Negotiation	Ali Brothers
Computer equipments	2,137	2,132	5	94	Negotiation	Shahjee's Computer
ATM Machine	726	182	544	363	Insurance Claim	Pak Kuwait Takaful Co.
Split Air Conditioner	1,631	1,396	235	283	Negotiation	Ali Brothers
Split Air Conditioner	2,093	2,007	86	549	Negotiation	Glacier Engineering
Split Air Conditioner	1,637	1,637	-	-	Discarded	
Office Equipments	8,290	8,215	75	-	Discarded	
Split Air Conditioner	25	19	6	5	Discarded	
Office Equipments	11	3	8	6	Insurance Claim	Pak Kuwait Takaful Co.
	17,784	16,823	961	1,323		
Furniture and Fixtures						
Furniture and Fixtures	9,842	4,611	5,231	-	Discarded	
Leasehold Improvements						
Leasehold improvements	1,426	286	1,140	839	Insurance Claim	Pak Kuwait Takaful Co.
Leasehold improvements	4,311	3,198	1,113	-	Negotiation	Ali Brothers
Leasehold improvements	98,475	52,106	46,369	1,702	Discarded	
	104,212	55,590	48,622	2,541		
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000						
Vehicles	11,923	8,645	3,278	12,044		
Electrical, office and computer equipments	4,035	3,758	277	434		
Furniture and Fixtures	2,248	1,664	584	-		
Leasehold improvements	30	10	20	2		
	191,348	118,846	72,502	42,354		

12.4 Intangible assets

	COST			AMORTIZATION			Net book value as at December 31, 2011	Rate of amortization %
	As at January 1, 2011	Additions during the year	As at December 31, 2011	As at January 1, 2011	Amortization charge for the year	As at December 31, 2011		
Rupees in '000								
Computer software	221,953	76,652	298,605	115,926	40,525	156,451	142,154	20
2010	177,944	44,009	221,953	81,241	34,685	115,926	106,027	

12.5 Intangible assets - Movement of net book value

	Year ended December 31, 2010				Year ended December 31, 2011		
	Net book value as at January 1, 2010	Addition during the year	Amortization charge for the year	Net book value as at December 31, 2010	Addition during the year	Amortization charge for the year	Net book value as at December 31, 2011
Rupees in '000							
Computer software	96,703	44,009	34,685	106,027	76,652	40,525	142,154

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



13. DEFERRED TAX ASSET

Note 2011 2010
Rupees in '000

Debit / (credit) balances arising on account of:

Profit and loss account

Provision against non-performing financings	1,210,464	966,539
Excess of accounting book values over tax written down values of owned assets	(501,237)	(160,927)
Excess of Ijarah financings over tax written down values of Ijarah assets	-	(505,619)
Provision for diminution / impairment in value of investments	129,284	48,698
Excess of tax written down values over accounting net book values of investments	(162,509)	(100,429)
Provision against amounts due from financial institutions	-	33,075
Income not accrued due to non-culmination of financings	60,254	57,357
Provision against non-banking assets acquired in satisfaction of claims and other assets	71,845	12,961
	808,101	351,655

Equity

Surplus on revaluation of available for sale investments	(169,219)	(109,909)
	638,882	241,746

14. OTHER ASSETS INCLUDING INVENTORIES

Profit / return accrued in local currency		2,927,916	2,060,028
Profit / return accrued in foreign currency		6,726	13,238
Advances, deposits, advance rent and other prepayments	14.1	478,042	441,522
Dividends receivable		129,347	91,214
Stamps		6,486	3,821
Inventories	14.2	4,758,438	2,461,097
Advances against Murabaha		4,741,141	2,494,424
Advances against future Ijarah		559,510	396,437
Advances against future Service Ijarah		646,509	-
Advances against Diminishing Musharakah		516,298	718,123
Security deposits		21,487	16,968
Unrealised gain on forward foreign exchange contracts - net	14.3	82,162	19,813
Non-Banking assets acquired in satisfaction of claims	14.4	360,401	234,917
Prepaid exchange risk fee		69	66
Asset Classified as held for sale		-	8,723,403
Others		79,526	69,217
		15,314,058	17,744,288
Provision against other assets	14.5	(205,274)	(37,032)
		15,108,784	17,707,256

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

- 14.1 This includes prepaid rent and prepaid insurance aggregating Rs. 187.939 million (2010: Rs. 193.679 million) and Rs. 146.019 million (2010: Rs. 139.543 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. 347 million (2010: Rs. 233 million).
- 14.4 The market value of the non-banking assets acquired in satisfaction of claims is Rs. 374 million. (2010: Rs. 248.64 million).

	Note	2011	2010
Rupees in '000			
14.5 Provision against other assets			
Opening balance		37,032	18,727
Charge for the year		172,077	30,000
Reversals during the year		(3,835)	(11,695)
		168,242	18,305
Closing balance		205,274	37,032

15. BILLS PAYABLE

In Pakistan		2,282,045	1,767,370
Outside Pakistan		-	-
		2,282,045	1,767,370

16. DUE TO FINANCIAL INSTITUTIONS

In Pakistan		9,230,013	5,745,493
Outside Pakistan		5,947	83,803
		9,235,960	5,829,296

16.1 Particulars of due to financial institutions with respect to currencies

In local currency		9,230,013	5,745,493
In foreign currencies		5,947	83,803
		9,235,960	5,829,296

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	6,030,013	4,678,884
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Unsecured

Overdrawn nostro accounts		5,947	83,803
Other Musharakah / Modarabas		3,200,000	1,066,609
		3,205,947	1,150,412
		9,235,960	5,829,296

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



16.2.1 These Musharakah are on a profit and loss sharing basis maturing between January 11, 2012 to June 27, 2012 and are secured against demand promissory notes executed in favour of SBP. A limit of Rs. 7,500 million (2010: Rs. 5,800 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2012.

	Note	2011	2010
Rupees in '000			
16.3 Particulars of due to financial institutions			
Short - term		9,235,960	5,829,296
Long - term		-	-
		<u>9,235,960</u>	<u>5,829,296</u>
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Fixed deposits		58,552,349	44,517,241
- Savings deposits		62,661,327	48,406,231
- Current accounts - non-remunerative		47,587,663	36,970,326
- Margin		682,891	649,920
		<u>169,484,230</u>	<u>130,543,718</u>
Financial institutions			
- Remunerative deposits		532,758	510,374
- Non-remunerative deposits		5,498	13,904
		<u>538,256</u>	<u>524,278</u>
		<u>170,022,486</u>	<u>131,067,996</u>
17.1 Particulars of deposits			
In			
- local currency		162,510,248	124,385,437
- foreign currencies		7,512,238	6,682,559
		<u>170,022,486</u>	<u>131,067,996</u>
18. OTHER LIABILITIES			
Return on deposits and other dues			
- payable in local currency	18.1	1,164,333	998,399
- payable in foreign currencies		15,431	11,034
Unearned commission		16,158	13,940
Accrued expenses		1,189,230	632,726
Current taxation (provision less payments)		706,731	908,716
Unclaimed dividends		1,821	851
Payable to defined benefit plan		65,969	53,153
Provision against off-balance sheet obligations	18.2	33,169	39,282
Security deposits against Ijarah		1,955,609	2,220,005
Other staff benefits	18.3	99,865	62,571
Charity payable	18.4	5,604	78,406
Amount due to investor in funds consolidated by Group		-	2,608,821
Others		105,575	91,333
		<u>5,359,495</u>	<u>7,719,237</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

18.1 This includes Rs. 116.446 million (2010: Rs. 115.971 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.

	2011	2010
	Rupees in '000	
18.2 Provision against off-balance sheet obligations		
Opening balance	39,282	1,600
Charge for the year	(6,113)	37,682
Closing balance	<u>33,169</u>	<u>39,282</u>

18.3 This includes Rs. 88 million (2010: Rs. 62 million) payable in respect of Senior Executive Bonus Incentive Scheme (SEBIS) to employees of Al Meezan Investment Management Limited.

	Note	2011	2010
		Rupees in '000	
18.4 Reconciliation of charity payable			
Balance as at January 1,		78,406	18,170
Additions during the year		56,692	106,309
Less: Transferred to charity savings account (included in deposits and other accounts)	18.4.2	(129,494)	(46,073)
Balance as at December 31,		<u>5,604</u>	<u>78,406</u>

18.4.1 Charity paid through saving account during the year is Rs. 130.11 million (2010: Rs.137.63 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organizations:

	Note	2011	2010
		Rupees in '000	
Ihsan Trust	18.4.1.1	130,110	135,000
AKUH		-	1,590
Rippah International University		-	692
Al Shifa Trust		-	200
SOS Children Villages of Sindh		-	150

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. 12 million (2010: Rs. 10 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.

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



19. SHARE CAPITAL

19.1 Authorized capital

2011 (Number of Shares)	2010 (Number of Shares)	Note	2011 Rupees in '000	2010 Rupees in '000
<u>1,100,000,000</u>	<u>1,100,000,000</u>	Ordinary shares of Rs. 10 each	11,000,000	11,000,000

19.2 Issued, subscribed and paid-up capital

2011 (Number of Shares)	2010 (Number of Shares)		2011 Rupees in '000	2010 Rupees in '000
456,353,635	456,353,635	Ordinary shares Fully paid in cash	4,563,536	4,563,536
346,639,675	241,901,418	Issued as bonus shares	3,466,397	2,419,014
-	-	Issued for consideration other than cash	-	-
<u>802,993,310</u>	<u>698,255,053</u>		<u>8,029,933</u>	<u>6,982,550</u>

20. RESERVES

Statutory reserve	20.1	1,991,553	1,313,244
General reserve		91,082	91,082
		<u>2,082,635</u>	<u>1,404,326</u>

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.

21. NON CONTROLLING INTEREST

	2011 Rupees in '000	2010 Rupees in '000
Opening balance	339,827	302,987
Share of profit for the year	100,179	74,027
Dividend payout by AMIML	(26,250)	(37,187)
Closing balance	<u>413,756</u>	<u>339,827</u>

22. SURPLUS ON REVALUATION OF INVESTMENTS

Quoted shares	200,781	190,055
Other securities	426,116	259,722
	626,897	449,777
Deferred tax liability	(169,219)	(109,909)
	<u>457,678</u>	<u>339,868</u>

23. CONTINGENCIES AND COMMITMENTS

23.1 Direct credit substitutes

Guarantees favoring - Government	62,587	375,630
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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

	2011	2010
	Rupees in '000	
23.2 Transaction related contingent liabilities		
Guarantees favouring		
- Government	2,949,822	1,759,371
- Banks	37,583	62,604
- Others	1,838,516	3,152,438
	4,825,921	4,974,413
23.3 Trade related contingent liabilities		
Import letters of credit	11,636,339	10,298,610
Acceptances	2,888,504	2,636,888
	14,524,843	12,935,498
23.4 Commitments in respect of forward exchange contracts		
Purchases	26,464,759	18,714,911
Sales	26,421,847	19,884,501
23.5 Commitments for the acquisition of operating fixed assets	133,017	214,921
23.6 Commitments in respect of financings	33,360,587	27,946,183
23.7 Commitments in respect of purchase of sukuk	867,436	-
23.8 Other commitments		
Bills for collection (inland)	672,538	44,813
Bills for collection (foreign)	6,706,421	4,248,264
	7,378,959	4,293,077
23.9 Senior Executive Bonus Incentive Scheme (SEBIS)		
Notional Funding under SEBIS:		
Opening balance	20,886	28,454
Additions during the year	-	-
(Repayments) / adjustments during the year	(11,955)	(7,568)
Closing balance	8,931	20,886
Liability under SEBIS:		
Opening balance	61,574	48,349
Additions / (reductions) during the year	26,643	13,225
(Repayments) / adjustments during the year	-	-
Closing balance	88,217	61,574
23.10 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



23.11 Workers Welfare Fund - MIIF, MBF, MIF, AMMF, MCPF II and MSF

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.

During the year a clarification was issued by the ministry of labour and manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. In December 2010 the Ministry filed its responses against the Constitutional Petition requesting the Court to dismiss the same, whereafter, show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honourable Sindh High Court (SHC) on the basis of the pending Constitutional Petition as referred above. No such notice was received by the fund.

During the current year the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF ordinance, 1971 through the Finance Act, 2006 and Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. AMIML is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

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.

	2011	2010
	Rupees in '000	
24. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS		
On financings to:		
- Customers	7,099,169	5,824,187
On investments in:		
- Held For Trading sukuks	-	262
- Available for sale securities	8,949,882	2,739,002
- Held to maturity securities	158,622	151,181
On deposits with financial institutions	1,799,139	3,569,937
	18,006,812	12,284,569
25. RETURN ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits and other accounts	8,051,913	6,045,395
Other short term Musharakahs / Modarabas	25.1 613,404	560,975
	8,665,317	6,606,370

25.1 This includes Rs. 483 million (2010: Rs. 376 million) paid / payable to SBP under Islamic Export Refinance Scheme.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

	Note	2011	2010
		Rupees in '000	
26. CAPITAL GAIN ON SALE OF INVESTMENTS			
Shares / Units of Mutual Funds		268,737	132,383
Government sukuks / certificates		119,343	5,502
		<u>388,080</u>	<u>137,885</u>
27. OTHER INCOME			
Gain on termination of Ijarah financings		30,699	17,012
Gain on termination of Diminishing Musharakah financings		6,058	8,768
(Loss) / gain on sale of operating fixed assets - net		(30,148)	19,216
Sales load		16,746	5,529
Others		11,869	11,386
		<u>35,224</u>	<u>61,911</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	36 & 28.1	2,786,233	2,014,970
Charge for defined benefit plan		67,278	54,052
Contribution to defined contribution plan	35	78,737	60,898
Non- executive directors' fees	36	14,257	4,432
Rent, electricity, taxes, insurance, etc.		898,523	722,586
Communication		205,494	177,781
Stationery and printing		139,518	108,440
Entertainment		23,471	14,979
Office supplies		64,005	47,138
Local transportation and car running		133,233	97,856
Fees, subscription and clearing charges		135,453	108,582
Security charges including cash transportation charges		190,071	159,513
Repairs and maintenance		216,328	124,680
Hardware and software maintenance		108,478	66,866
Advertisement and publicity		106,932	42,665
Depreciation	12.2	446,036	366,404
Amortization	12.4	40,525	34,685
Travelling		40,003	31,434
Brokerage, commission and bank charges		60,811	60,657
Legal and professional charges	28.2	15,239	19,634
Auditors' remuneration	28.3	8,883	7,461
Workers Welfare Fund	28.4	72,789	85,206
Takaful and tracker expenses on Ijarah		222,627	197,698
Donations		-	5,926
Others		89,151	22,850
		<u>6,164,075</u>	<u>4,637,393</u>

28.1 This includes remuneration to the Shariah Advisor amounting to Rs. 4.5 million (2010: Rs. 3.6 million).

28.2 This includes remuneration to Shariah Board amounting to Rs. 1 million (2010: Rs. 1 million).

Notes to and forming part of the Consolidated Financial Statements

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	2011	2010
	Rupees in '000	
28.3 Auditors' remuneration		
Audit fee	2,550	2,224
Fee for interim review	810	685
Special certifications and sundry advisory services	4,918	4,024
Out of pocket expenses	605	528
	8,883	7,461

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.

	2011	2010
	Rupees in '000	
29. OTHER CHARGES		
Penalties (refunded) / imposed by the State Bank of Pakistan	(1,007)	56,559
Others	148	11,339
	(859)	67,898

	2011	2010
30. TAXATION		
Current		
- for the year	1,750,029	1,060,692
- for prior years	(218,205)	(332,808)
	1,531,824	727,884
Deferred		
- for the year	(255,595)	(311,662)
- for prior years	(200,851)	127,278
	(456,446)	(184,384)
	1,075,378	543,500

	2011	2010
30.1 Relationship between tax expense and accounting profit		
Profit before taxation	4,121,435	2,443,282
Effects of:		
- Tax calculated at the applicable rate of 35%	1,442,502	855,149
- Income chargeable to tax at reduced rate	(190,988)	(99,629)
- Tax effect of exempt income	(102,663)	(41,886)
- Prior year reversals	(419,056)	(205,530)
- Permanent differences	127,100	28,108
- Others	218,483	7,288
Tax charge for the year	1,075,378	543,500

Notes to and forming part of the Consolidated Financial Statements

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	Note	2011	2010
		Rupees in '000	
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		2,945,878	1,825,755
		(Number)	
Weighted average number of ordinary shares		802,993,310	802,993,310
		(Rupees)	
Basic earnings per share	31.1	3.67	2.77

31.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2011 and 2010.

	Note	2011	2010
		Rupees in '000	
32. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	16,641,195	12,780,951
Balances with other banks	8	2,354,908	9,957,757
		18,996,103	22,738,708
33. STAFF STRENGTH		Number of staff	
Permanent		3,081	2,714
Contractual basis		1,250	1,147
Group's own staff strength at the end of the year		4,331	3,861
Oversourced		672	590
Total Staff Strength		5,003	4,451

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:

		Principal actuarial assumptions	
		2011	2010
34.1	Discount rate	12.5% p.a	13% p.a
	Expected rate of increase in salaries	12.5% p.a	13% p.a
	Expected rate of return on investments	12.5% 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, 2011.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



	Note	2011	2010		
Rupees in '000					
34.2 Reconciliation of amount payable to defined benefit plan					
Present value of defined benefit obligations	34.7	247,137	175,525		
Fair value of plan assets	34.8	(175,060)	(115,564)		
Net actuarial losses not recognised	34.11	(7,362)	(7,823)		
		<u>64,715</u>	<u>52,138</u>		
34.3 Movement in payable to defined benefit plan					
Opening balance		52,138	40,347		
Charge for the year	34.4	64,715	52,138		
Contribution made during the year		(52,138)	(40,347)		
Closing balance		<u>64,715</u>	<u>52,138</u>		
34.4 Charge for defined benefit plan					
Current service cost		60,309	43,918		
Interest cost		22,015	20,235		
Expected return on plan assets		(17,609)	(12,048)		
Actuarial loss		-	33		
		<u>64,715</u>	<u>52,138</u>		
34.5 Actual return on plan asset		<u>19,710</u>	<u>12,931</u>		
34.6					
Plan assets of gratuity fund includes Rs. 3.758 million (2010: Rs. 6.387 million) kept in a savings account, Rs. 113.054 million (2010: Rs. 107.803 million) placed in a Meezan Aamdan Certificate with MBL, Rs. 56.787 million (2010: Rs. Nil) in GOP Ijarah Sukuks and Rs. 1.461 million (2010: Rs. 1.374 million) in Meezan Islamic Income Fund.					
		2011	2010		
Rupees in '000					
34.7 Reconciliation of present value of obligation					
Present value of obligation as at January 1		175,525	122,631		
Current service cost		60,309	43,918		
Interest cost		22,015	20,235		
Benefits paid		(12,352)	(7,504)		
Actuarial loss / (gain) on obligation		1,640	(3,755)		
Present value of obligation as at December 31		<u>247,137</u>	<u>175,525</u>		
34.8 Changes in the fair value of plan assets are as follows:					
Opening fair value of plan assets		115,564	69,791		
Expected return		17,609	12,048		
Contributions by MBL		52,138	40,347		
Benefits paid		(12,352)	(7,504)		
Actuarial gain on plan assets		2,101	882		
Closing fair value of plan assets		<u>175,060</u>	<u>115,564</u>		
		2011	2010		
Rupees in '000					
34.9 The plan assets comprise as follows:					
Meezan Aamdan Certificates		113,054	64.58	107,803	93.28
GOP Ijarah Sukuk		56,787	32.44	-	-
Meezan Islamic Income Fund		1,461	0.83	1,374	1.19
Savings account with MBL		3,758	2.15	6,387	5.53
		<u>175,060</u>	<u>100.00</u>	<u>115,564</u>	<u>100.00</u>

Notes to and forming part of the Consolidated Financial Statements

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34.10 Actuarial loss to be recognized	Note	2011	2010
		Rupees in '000	
Corridor Limit			
The limits of the corridor as at January 1			
10% of obligations		17,553	12,263
10% of plan assets		11,556	6,979
Which works out to		17,553	12,263
Unrecognized actuarial losses as at January 1			
Deficit / (Excess)		(7,823)	(12,492)
Average expected remaining working lives in years			
Actuarial loss to be recognized		6	7
34.11 Unrecognized actuarial losses			
Unrecognized actuarial losses at January 1		(7,823)	(12,493)
Actuarial (loss) / gain on obligations	34.7	(1,640)	3,755
Actuarial gain on assets	34.8	2,101	882
Subtotal		(7,362)	(7,856)
Actuarial loss recognised	34.10	-	33
Unrecognized actuarial losses as at December 31		(7,362)	(7,823)
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:			

	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	247,137	175,525	122,631	80,277	48,929
Fair value of plan assets	(175,060)	(115,564)	(69,791)	(32,507)	(19,808)
Deficit	72,077	59,961	52,840	47,770	29,121
Actuarial loss / (gain) on obligation	1,640	(3,755)	(1,477)	(4,978)	(3,174)
Actuarial gain / (loss) on plan assets	2,101	882	5,709	(2,501)	969

34.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2012, works out to Rs. 80 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.

	2011	2010
	Rupees in '000	
Contribution from the Group	78,737	60,898
Contribution from the employees	78,737	60,898
	157,474	121,796

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36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	Rupees in '000					
Fees*	-	-	14,257	4,432	-	-
Managerial remuneration	75,490	55,518	47,893	36,394	588,993	397,214
Charge for defined benefit plan	1,606	1,530	1,071	969	24,310	19,187
Contribution to defined contribution plan	1,989	1,836	1,325	1,163	27,222	20,923
House rent	8,676	8,261	5,781	5,231	136,759	104,600
Utilities	1,928	1,836	1,285	1,163	30,392	23,245
Medical	1,928	2,161	1,285	1,284	27,686	22,423
Conveyance	1,645	1,301	777	1,075	-	-
Others	125	76	33	6	4,738	3,883
	93,387	72,519	73,707	51,717	840,100	591,475
Number of persons	1	1	8	10	309	243

* This includes amounts charged in these consolidated financial statements as fees to seven (2010: nine) non-executive directors.

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 subsidiary 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 10.7.

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										
2011										
Total income	1,349,065	11,540,075	2,125,872	5,514,099	-	7,796	254,836	-	-	20,791,743
Total expenses	(755,501)	(8,714,545)	(1,723,856)	(6,235,779)	-	(2,729)	(313,276)	-	-	(17,745,686)
Net income / (loss)	593,564	2,825,530	402,016	(721,680)	-	5,067	(58,440)	-	-	3,046,057
Segment Assets (Gross)	8,093,065	121,413,327	10,339,355	60,704,647	-	-	1,185,328	-	-	201,735,722
Segment Non										
Performing Loans	257,000	110,341	941,311	3,706,481	-	-	-	-	-	5,015,133
Segment Provision	257,000	110,341	1,018,776	4,302,359	-	-	-	-	-	5,688,476
Segment Liabilities	-	9,235,960	172,312,476	5,215,607	-	-	135,943	-	-	186,899,986
Segment Return on										
Assets (ROA) (%)	7.33%	2.33%	3.89%	-1.19%	-	-	-4.93%	-	-	-
Segment Cost of										
funds (%)	5.75%	5.75%	5.75%	5.75%	-	-	5.75%	-	-	-
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 / (loss)	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	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%	4.55%	-1.04%	-	-	6.17%	-	-	-
Segment Cost										
of funds (%)	5.69%	5.69%	5.69%	5.69%	-	-	5.69%	-	-	-

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 at arm's length basis i.e. transactions with related parties were on normal terms and conditions as applicable for other unrelated customers of MBL.

39.3 Key management personnel

- President and Chief Executive Officer
- Chief Operating Officer

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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 / Directors		Other Related Parties	
	2011	2010	2011	2010	2011	2010	2011	2010
Rupees in '000								
Financings								
At January 1,	70,696	144,132	70,531	143,834	165	298	-	-
Addition/ disbursed during the year	-	470,628	-	400,000	-	-	-	70,628
Deletion/ repaid during the year	(133)	(544,064)	-	(473,303)	(133)	(133)	-	(70,628)
At December 31,	70,563	70,696	70,531	70,531	32	165	-	-
Deposits								
At December 31,	901,632	679,909	352,177	267,597	55,221	29,610	494,234	382,702
Borrowing								
	-	566,608	-	566,608	-	-	-	-

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

Dividend Receivable	128,017	-	128,017	-	-	-	-	-
Payable to defined benefit plan	65,969	53,153	-	-	-	-	65,969	53,153
Profit payable on borrowing	-	37,000	-	37,000	-	-	-	-
Letters of credit (unfunded)	664	664	664	664	-	-	-	-
Prepaid Takaful	122,575	117,527	122,575	117,527	-	-	-	-

Transactions, income and expenses

Profit earned on financing	-	21,173	-	21,173	-	-	-	-
Return on deposits / borrowing expensed	85,065	105,822	40,129	69,598	1,824	1,294	43,112	34,930
Takaful insurance on assets including consumer financings	239,312	206,003	239,312	206,003	-	-	-	-
Dividend income earned	725,442	168,231	725,442	168,231	-	-	-	-
Capital gain - net	76,411	6,802	76,411	6,802	-	-	-	-
Charge for defined benefit plan	65,969	53,153	-	-	-	-	67,278	54,052
Contribution to defined contribution plan	78,737	60,898	-	-	-	-	78,737	60,898
Fees expensed	325	686	325	686	-	-	-	-
Fees earned	2,861	815	2,861	815	-	-	-	-
Commission earned on letters of credit and guarantee	-	161	-	161	-	-	-	-

39.5 ASSOCIATES - KEY INFORMATION

	2011		
	Mutual Funds	Others	Total
Rupees in '000			
Assets	28,140,389	1,715,543	29,855,932
Liabilities	132,966	1,190,412	1,323,378
Operating revenue	3,210,778	(62,459)	3,148,319
Profit after tax	2,715,904	77,278	2,793,191

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. 413.756 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 consolidated 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:

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

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The Group was well capitalized and met all capital requirements to which it was subject throughout the year.

Tier I Capital	Note	2011 Basel II	2010 Basel II
Rupees in '000			
Fully Paid-up capital/Capital deposited with SBP		8,029,933	6,982,550
General Reserves as disclosed on the Consolidated Balance Sheet		2,082,635	1,404,326
Unappropriated profits (Net of Losses)		3,851,734	3,359,541
Non Controlling interest		413,756	339,827
Less: Book value of goodwill and intangibles		(167,082)	(139,937)
Other deductions		(238,385)	(234,883)
Total eligible Tier I capital		13,972,591	11,711,424
Tier II Capital			
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *		1,235,465	738,249
Revaluation Reserves up to 45% under Basel II		108,360	152,941
Less : Other deductions		(238,385)	(234,883)
Total eligible Tier II capital		1,105,440	656,307
Eligible Tier III capital		-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital)		1,105,440	656,307
Total Regulatory Capital Base		15,078,031	12,367,731

*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.



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40.3 Capital Adequacy

The main objective of the capital management is to improve financial position and strengthen financial position of the Group to support the growth in business, provide protection to depositors, and enhance 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 the 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 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 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 takes into consideration prevailing economic and political factors in Pakistan and abroad.

In implementing current capital requirements SBP also requires Banks to maintain a prescribed Capital Adequacy Ratio (CAR) of 10% as of December 31, 2011. As such the Group's CAR stood at 15.26% at the year ended December 31, 2011.

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, GOP Ijarah Sukuks and Corporate 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.

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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.

Credit Risk	Capital requirements		Risk weighted assets	
	2011	2010	2011	2010
Portfolios subject to standardized approach	Rupees in '000			
Portfolios subject to on-balance sheet exposure (Simple approach)				
Banks	137,554	415,612	1,375,537	4,156,118
Corporate	4,705,420	4,114,238	47,054,196	41,142,375
Retail	278,665	313,904	2,786,649	3,139,044
Residential mortgage	97,761	102,758	977,613	1,027,575
Past due loans	57,709	135,338	577,092	1,353,378
Investments	1,069,013	270,756	10,690,125	2,707,563
Fixed assets	385,434	295,596	3,854,338	2,955,960
All other assets	452,667	1,578,525	4,526,666	15,785,247
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	6,698	7,166	66,978	71,663
Corporate	498,901	605,138	4,989,010	6,051,381
Retail	45,203	28,926	452,028	289,263
Others	5,082	4,298	50,821	42,984
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	46,270	7,135	462,697	71,346
Customers	18,774	10,611	187,739	106,106
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	357,699	331,733	3,576,990	3,317,331
Equity position risk	444,574	418,423	4,445,741	4,184,232
Foreign exchange risk	14,056	62,755	140,562	627,553
Operational Risk				
Capital Requirement for operational risk	1,262,241	909,386	12,622,413	9,093,863
TOTAL	9,883,721	9,612,298	98,837,195	96,122,982
Capital Adequacy Ratio			2011	2010
			Rupees in '000	
Total eligible regulatory capital held			15,078,031	12,367,731
Total Risk Weighted Assets			98,837,195	96,122,982
Capital Adequacy Ratio (a) / (b)			15.26%	12.87%

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 organization

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 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 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 there by 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 Group and that the policies and procedures are being complied with.

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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.

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. 78,051 million.

Thus, use of CRM resulted in capital adequacy ratio of 15.26% of the Group.

40.1.1 Segmental information

40.1.1.1 Segment by class of business

	2011					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	10,482	0.02	1,642,645	0.97	2,108,409	1.85
Textile	15,454,919	24.04	3,251,376	1.91	16,424,205	14.40
Automobile and transportation equipment	1,263,587	1.97	188,576	0.11	929,328	0.81
Financial institutions	-	0.00	487,720	0.29	54,200,963	47.53
Insurance	-	0.00	75,932	0.04	81,590	0.07
Electronics and electrical appliances	1,201,150	1.87	599,022	0.35	883,660	0.77
Construction	20,879	0.03	1,036,889	0.61	902,308	0.79
Power (electricity), gas and water	4,570,465	7.11	145,730	0.09	4,598,632	4.03
Exports / imports	503,784	0.78	987,579	0.58	906,398	0.79
Transport, storage and communication	-	0.00	887,040	0.52	476,923	0.42
Chemical and pharmaceuticals	6,783,383	10.55	897,799	0.53	6,747,046	5.92
Sugar	2,188,871	3.41	130,480	0.08	1,252,616	1.10
Footwear and leather garments	882,545	1.37	373,297	0.22	1,388,972	1.22
Wholesale and retail trade	16,643	0.03	13,695,854	8.06	517,035	0.45
Cement	3,653,156	5.68	19,182	0.01	2,193,568	1.92
Services	-	0.00	16,949,833	9.97	417,636	0.37
Individuals	6,576,420	10.23	116,952,964	68.79	4,034,891	3.54
Others	21,150,436	32.91	11,700,568	6.87	15,975,776	14.02
	64,276,720	100	170,022,486	100	114,039,956	100

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41.1.1.2 Segment by sector

	2011					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,706,306	2	897,727	1	-	-
Private	61,570,414	98	169,124,759	99	114,039,956	100
	64,276,720	100	170,022,486	100	114,039,956	100

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

	2011		2010	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	-	-	13,576	11,076
Textile	1,859,675	1,782,783	1,746,863	1,487,171
Chemical and pharmaceuticals	52,175	19,873	11,021	1,304
Cement	196,742	158,742	238,167	77,857
Sugar	140,376	140,376	150,000	150,000
Footwear and leather garments	103,403	80,903	-	-
Automobile and transportation equipment	561,209	561,210	593,223	591,140
Electronics and electrical appliances	-	-	-	-
Construction	-	-	-	-
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	301,540	165,790	351,423	156,769
Others	1,432,672	1,150,143	1,214,050	637,580
	4,647,792	4,059,820	4,318,323	3,112,897

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

	2011		2010	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	4,647,792	4,059,820	4,318,323	3,112,897
	4,647,792	4,059,820	4,318,323	3,112,897

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41.1.1.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	4,121,435	201,735,722	14,835,736	114,039,956
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>4,121,435</u>	<u>201,735,722</u>	<u>14,835,736</u>	<u>114,039,956</u>

41.1.2 Credit Risk-General Disclosures Basel II Specific

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

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Types of Exposure and ECAI's used

2011			
Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	✓	✓	-
Banks	✓	✓	S & P, FITCH and MOODY'S

Credit Exposure subject to standardized approach

Rupees in '000				
2011				
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Banks	0%	-	-	-
	20%	4,032,002	-	4,032,002
	50%	40,667	-	40,667
	100%	-	-	-
	150%	-	-	-
	Unrated	-	-	-
Corporate	0%	-	-	-
	20%	11,703,370	-	11,703,370
	50%	6,296,096	-	6,296,096
	100%	531,066	-	531,066
	150%	-	-	-
	Unrated	40,607,146	933,999	39,673,147
Retail	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	5,127,818	1,412,286	3,715,532
Total		68,338,165	2,346,285	65,991,880

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 standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits, cash margins, Certificate of Islamic Investment, Shares, Units of Mutual Funds, Monthly Mudarabah Certificates 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 Group in terms of change in their valuation due to changes in the market condition.

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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. 59,138 million is subject to the CRM of Rs. 934 million whereas a claim on retail portfolio of Rs. 5,128 million is subject to CRM of Rs. 1,412 million. The total benefit of Rs. 2,346 million was availed through CRM against total on-balance sheet exposure of Rs. 196,596 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs. 51,099 million is subject to the CRM of Rs. 1,451 million whereas a claim on retail portfolio of Rs. 1,342 million is subject to CRM of Rs. 97 million. Total benefit of Rs. 1,549 million was availed by the Group through CRM against total off-balance sheet, non-market related exposure of Rs. 53,787 million.

In year 2011, total amount of cash collateral used for CRM purposes was Rs. 3,895 million as against amount of Rs. 4,772 million in year 2010. 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 - 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.

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Composition of equity investments	Held for trading	Available for Sale	Subsidiary and Associates
	Rupees in '000		
Equity investments - quoted	-	2,023,973	9,510,137
Equity investments - unquoted	-	123,119	125,164
Total value	-	2,147,092	9,635,301

During the year unrealised gain of Rs. Nil (2010: Rs. 28.665 million) has been taken to consolidated profit and loss account on held for trading investments.

41.3 Market risk

The Group is exposed to market risk which is the risk that the value of on 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 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 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 factors. VaR quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

41.3.1 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 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.

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan Rupees	196,683,095	168,138,671	(3,837,417)	24,707,007
United States Dollars	4,601,930	16,156,791	3,804,474	(7,750,387)
Great Britain Pounds	213,225	1,138,528	-	(925,303)
Japanese Yen	1,977	-	-	1,977
Euro	186,267	1,465,704	37,120	(1,242,317)
Singapore Dollars	4,998	-	-	4,998
Australian Dollars	8,234	-	(6,393)	1,841
Canadian Dollars	10,809	292	-	10,517
United Arab Emirates Dirham	1,487	-	-	1,487
Swiss Francs	11,719	-	(9,552)	2,167
Saudi Riyal	11,981	-	11,768	23,749
	201,735,722	186,899,986	-	14,835,736

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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.

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.

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.

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41.3.4 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	2011											
	Total	Exposed to yield risk									Non-yield bearing financial Instruments	
		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	-	16,641,195	-	-	-	-	-	-	-	-	-	16,641,195
Balances with other banks	0.02	2,354,908	431	-	-	-	-	-	-	-	-	2,354,477
Due from financial institutions	12.73	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-	-
Investments	13.14	99,949,542	-	23,857,011	61,039,774	-	-	1,535,835	1,119,147	-	-	12,397,775
Financings	13.29	58,955,585	8,467,266	15,798,282	20,294,545	10,580,194	651,442	1,085,057	1,380,198	249	-	698,352
Other assets including trade inventories	-	14,418,667	3,207,677	3,621,111	4,385,020	8,088	-	-	-	-	-	3,196,771
		196,385,303	15,727,780	43,278,404	85,722,339	10,596,282	651,442	2,620,892	2,499,345	249	-	35,288,570
Liabilities												
Bills payable	-	2,282,045	-	-	-	-	-	-	-	-	-	2,282,045
Due to financial institutions	10.23	9,235,960	3,468,885	2,831,289	2,935,786	-	-	-	-	-	-	-
Deposits and other accounts	5.57	170,022,486	121,746,456	-	-	-	-	-	-	-	-	48,276,050
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,497,862	-	-	-	-	-	-	-	-	-	4,497,862
		186,038,353	125,215,321	2,831,289	2,935,786	-	-	-	-	-	-	55,055,957
On-balance sheet gap		10,346,950	(109,487,541)	40,447,115	82,786,553	10,596,282	651,442	2,620,892	2,499,345	249	-	(19,767,387)
NON FINANCIAL ASSETS												
- Operating fixed assets		4,021,420										
- Deferred taxation		638,882										
- Other assets including trade inventories		690,117										
		5,350,419										
NON FINANCIAL LIABILITIES												
- Deferred taxation		-										
- Other liabilities		861,633										
		861,633										
TOTAL NET ASSETS		14,835,736										
Off-balance sheet financial instruments												
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap		(109,487,541)	40,447,115	82,786,553	10,596,282	651,442	2,620,892	2,499,345	249	-	-	(19,767,387)
Cumulative Yield Risk Sensitivity Gap		(109,487,541)	(69,040,426)	13,746,127	24,342,409	24,993,851	27,614,743	30,114,088	30,114,337	30,114,337	30,114,337	10,346,950

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Effective yield rate %	2010											
	Total	Exposed to yield risk					Non-yield bearing financial Instruments					
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years		Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	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	3,364,668	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	96,399
Other assets including trade inventories	-	14,496,682	-	-	-	-	-	-	-	-	-	14,496,682
		152,261,794	17,359,965	17,236,818	17,879,642	34,382,949	4,040,314	5,815,716	10,937,370	7,367,398	1,877,713	35,183,909
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	131,067,996	93,433,846	-	-	-	-	-	-	-	-	37,634,150
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	6,757,299	-	-	-	-	-	-	-	-	-	6,757,299
		145,421,961	94,020,466	2,605,949	2,552,924	-	-	-	-	-	-	46,242,622
On-balance sheet gap		6,839,833	(76,480,501)	14,630,869	15,326,718	34,382,949	4,040,314	5,815,716	10,937,370	7,367,398	1,877,713	(11,058,715)
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												
- Deferred taxation		-										
- 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		(76,480,501)	14,630,869	15,326,718	34,382,949	4,040,314	5,815,716	10,937,370	7,367,398	1,877,713	(11,058,715)	
Cumulative Yield Risk Sensitivity Gap		(76,480,501)	(61,849,632)	(46,522,914)	(12,139,965)	(8,099,651)	(2,285,935)	8,653,435	16,020,833	17,898,546	6,839,833	

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.

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41.4.1 Maturities of Assets and Liabilities

41.4.1.1 Maturities of assets and liabilities based on expected maturities

	2011									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in 000									
Assets										
Cash and balances with treasury banks	16,641,195	16,641,195	-	-	-	-	-	-	-	-
Balances with other banks	2,354,908	2,354,908	-	-	-	-	-	-	-	-
Due from financial institutions	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-
Investments	99,949,542	-	4,246,374	2,720,325	13,678,477	26,428,554	46,220,671	2,070,759	3,782,769	801,613
Financings	58,955,585	9,437,613	11,525,969	14,256,488	3,672,218	3,689,073	5,511,414	7,409,343	1,615,207	1,838,260
Other assets including trade inventories	15,108,784	3,736,627	4,808,357	6,082,002	92,333	180,201	209,264	-	-	-
Deferred tax asset	638,882	-	-	-	159,721	159,721	159,721	159,719	-	-
Operating fixed assets	4,021,420	-	-	-	564,832	382,872	382,873	765,746	828,962	1,096,135
	201,735,722	36,222,749	20,582,700	23,061,815	18,175,581	30,840,421	52,483,943	10,405,567	6,226,938	3,736,008
Liabilities										
Bills payable	2,282,045	2,282,045	-	-	-	-	-	-	-	-
Due to financial institutions	9,235,960	3,468,885	2,831,289	2,935,786	-	-	-	-	-	-
Deposits and other accounts	170,022,486	10,195,402	23,149,328	13,542,966	22,862,508	17,287,828	14,581,112	24,883,677	25,726,610	17,793,055
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,559,495	658,839	956,275	1,252,745	970,440	461,526	440,279	639,393	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	186,899,986	16,605,171	26,916,892	17,731,495	23,832,948	17,749,354	15,021,391	25,523,070	25,726,610	17,793,055
Net assets	14,835,736	19,617,578	(6,334,192)	5,330,320	(5,657,367)	13,091,067	37,462,552	(15,117,503)	(19,499,672)	(14,057,047)
Share capital / Head office capital account	8,029,933									
Reserves	2,082,635									
Unappropriated / Unremitted profit	3,851,734									
Surplus on revaluation of assets	413,756									
Non controlling interest	457,678									
	14,835,736									
	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	12,780,951	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	50,519,386	-	557,227	3,951,919	33,385,655	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	2,154,113
Other assets including trade inventories	17,707,256	17,707,256	-	-	-	-	-	-	-	-
Deferred tax asset	241,746	-	-	-	241,746	-	-	-	-	-
Operating fixed assets	3,095,897	-	-	-	-	-	-	3,095,897	-	-
	158,810,011	50,392,450	17,236,818	19,193,980	35,525,592	4,040,314	5,815,716	14,033,267	7,367,398	5,204,476
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	10,514,861	11,445,999	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	10,514,861	11,445,999	8,429,726	8,211,121	2,608,821
Net assets	12,426,112	17,915,321	(13,501,980)	(885,637)	13,445,765	(6,274,547)	(5,628,283)	5,605,541	(843,723)	2,595,655
Share capital	6,982,550									
Reserves	1,404,326									
Unappropriated profit	3,559,541									
Non Controlling Interest	339,827									
Surplus on revaluation of investments	339,868									
	12,426,112									

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioural study based on 3 years data. On the basis of its findings 43.5% of current accounts and 22.7% of saving accounts are bucketed into 'Upto 1-Year maturity' whereas, 56.5% of current accounts and 77.3% of saving accounts are bucketed into maturities of above 1-Year.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



41.4.1.2 Maturities of assets and liabilities based on Contractual Maturities

	2011									
	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	16,641,195	16,641,195	-	-	-	-	-	-	-	-
Balances with other banks	2,354,908	2,354,908	-	-	-	-	-	-	-	-
Lending to financial institutions	4,065,406	4,052,406	2,000	3,000	8,000	-	-	-	-	-
Investments	99,949,542	-	4,246,374	2,720,325	13,678,478	26,428,554	46,220,671	2,070,758	3,782,769	801,613
Financings	58,955,585	9,437,613	11,525,969	14,256,488	3,672,218	3,689,073	5,511,414	7,409,342	1,615,207	1,838,261
Other assets	15,108,784	3,736,627	4,808,358	6,082,002	92,332	180,200	209,265	-	-	-
Operating fixed assets	4,021,420	-	-	-	564,832	382,872	382,873	765,746	828,962	1,096,135
Deferred tax assets	638,882	-	-	-	159,721	159,721	159,721	-	-	-
	201,735,722	36,222,749	20,582,701	23,061,815	18,175,581	30,840,420	52,483,944	10,405,565	6,226,938	3,736,009
Liabilities										
Bills payable	2,282,045	2,282,045	-	-	-	-	-	-	-	-
Due to financial institutions	9,235,960	3,468,885	2,831,289	2,935,786	-	-	-	-	-	-
Deposits and other accounts	170,022,486	111,864,695	15,281,451	6,224,343	12,512,412	2,650,582	3,349,558	7,073,001	11,066,444	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,559,495	658,839	936,275	1,252,745	970,440	461,526	440,279	639,393	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	186,899,986	118,274,464	19,049,015	10,412,872	13,482,852	3,112,108	3,789,837	7,712,394	11,066,444	-
Net assets	14,835,736	(82,051,715)	1,533,686	12,648,943	4,692,729	27,728,312	48,694,107	2,693,171	(4,839,506)	3,736,009
Share capital / Head office capital account	8,029,933									
Reserves	2,082,635									
Unappropriated / Unremitted profit	3,851,734									
Surplus on revaluation of assets	457,678									
Non controlling interest	413,756									
	14,835,736									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

	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	50,519,386	-	557,227	3,931,919	33,385,655	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	1,974,113
Other assets including trade inventories	17,707,256	17,707,256	-	-	-	-	-	-	-	-
Deferred tax asset	241,746	-	-	-	241,746	-	-	-	-	-
Operating fixed assets	3,095,897	-	-	-	-	-	-	3,095,897	-	-
	158,810,011	50,392,450	17,236,818	19,193,980	35,525,592	4,040,314	5,815,716	14,033,267	7,367,398	5,024,476
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	151,067,996	28,327,303	26,930,093	17,526,694	22,003,316	10,514,861	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	-	-	-	-	-	-	-	-	-	-
	146,583,899	32,477,129	30,738,798	20,079,617	22,079,827	10,514,861	11,443,999	8,429,726	8,211,121	2,608,821
Net assets	12,426,112	17,915,321	(13,501,980)	(885,637)	13,445,765	(6,274,547)	(5,628,283)	5,603,541	(843,725)	2,415,654
Share capital	6,982,550									
Reserves	1,404,326									
Unappropriated profit	3,559,541									
Non Controlling Interest	339,827									
Surplus on revaluation of investments	339,868									
	12,426,112									

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. TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not assets of the bank and, therefore, are not included in balance sheet. Following is the list of assets held under trust:

Category	IPS account	Number of IPS account	Face Value (Rupees in '000)
Insurance Companies	Government Ijarah Sukuks	3	261,500
Asset Management Companies	Government Ijarah Sukuks	14	10,341,500
Employee Funds / NGOs	Government Ijarah Sukuks	6	455,300
Individuals	Government Ijarah Sukuks	8	17,700
		<u>31</u>	<u>11,076,000</u>

43. GENERAL AND NON-ADJUSTING EVENT

43.1 The Board of Directors in their meeting held on February 19, 2012 has announced issue of bonus shares @ 12.5%. These consolidated financial statements for the year ended December 31, 2011, do not include the effect of this appropriation which will be accounted for subsequent to the year-end.

44. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 19, 2012 by the Board of Directors of the Group.



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



Irfan Siddiqui
President and
Chief Executive



Abdullateef
A. Al-Asfour
Director



Mohammad
Abdul Aleem
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



Annexure -I

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2011

Rupees in '000

S. No.	Name and address of the borrower	Name of director (with NIC No.)	Father's/ Husband's Name	Outstanding Exposures 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	Fateh Textile Mills Ltd.	Mr Inayat Ullah (451-40-027107)	Mr Barkat Bhai	19,733	22,071	-	41,804	-	20,301	-	20,301
		Mr Gohar Ullah (451-64-027111)	Mr Inayat Ullah								
		Mr Asad Ullah Barkat (451-71-027113)	Mr Inayat Ullah								
		Mr Humayun Barkat (451-89-027114)	Mr Inayat Ullah								
		Mr Maqsood Ahmed Khan (449-42-176221)	Mr Zahoor Ahmed Khan								
		Mr Muhammad Saleem (501-55-166315)	Mr Noor Muhammad								
		Mr Muhammad Shafi (501-47-013051)	Mr Mumtaz Ali Khan								
2	Amir Majeed Kaludi	Amir Majeed Kaludi (42301-6831572-5)	Abdul Majeed Kaludi	9,125	4,782	-	13,907	1,625	4,782	-	6,407
3	Sunny Enterprises	Muhammad Akram (34101-2511309-3)	N/A	1,048	195	3,253	4,496	-	195	3,253	3,448

THE CAFETERIA AT MEEZAN HOUSE





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Pattern of Shareholding

as at December 31, 2011

No. of Shareholders	Having Shares		Shares held	Percentage
	From	To		
254	1	100	7,471	0.00%
321	101	500	85,918	0.01%
243	501	1,000	183,459	0.02%
573	1,001	5,000	1,362,719	0.17%
145	5,001	10,000	1,066,667	0.13%
87	10,001	15,000	1,076,386	0.13%
45	15,001	20,000	752,959	0.09%
34	20,001	25,000	764,970	0.10%
25	25,001	30,000	630,351	0.08%
18	30,001	35,000	584,346	0.07%
13	35,001	40,000	486,727	0.06%
4	40,001	45,000	173,093	0.02%
10	45,001	50,000	482,075	0.06%
5	50,001	55,000	263,889	0.03%
9	55,001	60,000	514,900	0.06%
12	60,001	65,000	741,667	0.09%
4	65,001	70,000	269,220	0.03%
6	70,001	75,000	431,320	0.05%
4	75,001	80,000	308,517	0.04%
4	80,001	85,000	330,565	0.04%
7	85,001	90,000	611,588	0.08%
2	90,001	95,000	187,571	0.02%
3	95,001	100,000	300,000	0.04%
1	100,001	105,000	105,000	0.01%
1	110,001	115,000	113,000	0.01%
2	120,001	125,000	248,830	0.03%
2	130,001	135,000	265,659	0.03%
1	135,001	140,000	137,948	0.02%
3	145,001	150,000	443,718	0.06%
2	150,001	155,000	304,471	0.04%
3	155,001	160,000	469,583	0.06%
3	160,001	165,000	486,624	0.06%
3	170,001	175,000	523,650	0.07%
2	175,001	180,000	353,710	0.04%
1	185,001	190,000	185,064	0.02%
1	195,001	200,000	197,139	0.02%
2	210,001	215,000	426,698	0.05%
1	255,001	240,000	237,348	0.03%
1	245,001	250,000	245,871	0.03%
1	260,001	265,000	262,000	0.03%
1	275,001	280,000	280,000	0.03%
2	290,001	295,000	584,313	0.07%
1	300,001	305,000	303,076	0.04%
1	305,001	310,000	307,344	0.04%
1	315,001	320,000	316,788	0.04%
1	320,001	325,000	320,115	0.04%
1	345,001	350,000	350,000	0.04%
1	360,001	365,000	364,500	0.05%
1	370,001	375,000	375,000	0.05%
1	375,001	380,000	378,905	0.05%
4	380,001	385,000	1,530,693	0.19%
2	400,001	405,000	805,872	0.10%
1	415,001	420,000	416,022	0.05%
1	440,001	445,000	445,750	0.06%
1	450,001	455,000	452,064	0.06%
1	465,001	470,000	465,038	0.06%
1	530,001	535,000	534,456	0.07%
2	560,001	565,000	1,122,110	0.14%
1	565,001	570,000	569,328	0.07%
1	570,001	575,000	575,000	0.07%
1	585,001	590,000	585,263	0.07%
1	595,001	600,000	600,000	0.07%
4	600,001	605,000	2,416,106	0.30%
1	605,001	610,000	609,011	0.08%
1	640,001	645,000	642,034	0.08%
1	645,001	650,000	646,405	0.08%
1	665,001	670,000	665,817	0.08%
1	705,001	710,000	708,280	0.09%
1	715,001	720,000	716,203	0.09%
1	745,001	750,000	750,000	0.09%
1	755,001	760,000	755,421	0.09%
1	775,001	780,000	780,000	0.10%
1	805,001	810,000	808,595	0.10%
1	810,001	815,000	812,475	0.10%
1	865,001	870,000	867,505	0.11%
1	930,001	935,000	934,600	0.12%
1	1,010,001	1,015,000	1,012,455	0.13%
1	1,090,001	1,095,000	1,094,815	0.14%
1	1,245,001	1,250,000	1,250,000	0.16%
1	1,255,001	1,260,000	1,257,774	0.16%
1	1,275,001	1,280,000	1,280,000	0.16%
1	1,325,001	1,330,000	1,327,224	0.17%
1	1,440,001	1,445,000	1,440,155	0.18%
1	1,530,001	1,535,000	1,531,269	0.19%
1	1,625,001	1,630,000	1,626,292	0.20%
1	2,165,001	2,170,000	2,168,211	0.27%
1	2,285,001	2,290,000	2,286,064	0.28%
1	2,310,001	2,315,000	2,314,468	0.29%
1	2,345,001	2,350,000	2,349,822	0.29%
1	2,575,001	2,580,000	2,577,032	0.32%
1	3,780,001	3,785,000	3,781,286	0.47%
1	3,945,001	3,950,000	3,947,797	0.49%
1	4,070,001	4,075,000	4,075,000	0.51%
1	5,370,001	5,375,000	5,370,156	0.67%
1	11,735,001	11,740,000	11,738,256	1.46%
1	74,870,001	74,875,000	74,870,599	9.32%
1	240,895,001	240,900,000	240,897,991	30.00%
1	394,380,001	394,385,000	394,381,884	49.11%
			802,995,310	100.00%

Categories of Shareholders

as at December 31, 2011



Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive, their spouse and minor children	4	9,534,951	1.19%
Associated Companies, undertakings and related parties	6	724,773,008	90.25%
Banks, Development Financial Institutions and Non Banking Finance Companies	4	1,345,048	0.17%
Insurance Companies	7	1,383,850	0.17%
Modaraba and Mutual Funds	24	10,086,249	1.26%
General Public			
a. Local	1,755	37,035,186	4.61%
b. Foreign	46	798,363	0.10%
Others	75	18,036,655	2.25%
Total	1,921	802,993,310	100.00%

Additional Information as at December 31, 2011

Particulars	Number of Shareholders	Shares held	Percentage
Associated Companies & Shareholders with more than 10% shareholding			
Noor Financial Investment Co, Kuwait	1	394,381,884	49.11%
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	1	240,897,991	30.00%
Islamic Development Bank, Jeddah	1	74,870,599	9.32%
Al-Meezan Mutual Fund Ltd.	1	2,349,822	0.29%
CDC Trustee Meezan Islamic Fund	1	11,738,256	1.46%
CDC Trustee Meezan Balanced Fund	1	534,456	0.07%
NIT & ICP			
National Bank of Pakistan, Trustee Department	-	-	0.00%
Directors, Chief Executive, their spouse and minor children			
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	1	5,370,156	0.67%
Mr. Mohammad Abdul Aleem	1	147,608	0.02%
Mr. Irfan Siddiqui	1	2,577,032	0.32%
Mr. Ariful Islam	1	1,440,155	0.18%
Executives	40	2,317,722	0.29%
Public Sector Companies, Corporations, Banks, DFI's, NBFC's, Insurance Companies, Modaraba, Mutual Funds and other Organizations	110	30,851,802	3.85%
General Public	1,761	35,515,827	4.42%
Total	1,921	802,993,310	100.00%



Correspondent Banking Network

Country	Bank	Country	Bank
Argentina	BNP Paribas - Succursale de Beunos Aires Deutsche Bank AG HSBC Bank Argentina SA		Commerzbank Deutsche Bank AG HSBC Bank
Australia	ABN Amro Bank (now Royal Bank of Scotland) Bank of America, N.A. Bank of Western Australia BNP Paribas Australia Commonwealth Bank of Australia HSBC Bank J.P.Morgan Chase Bank NA National Australia Bank Royal Bank of Scotland Commerz Bank Deutsche Bank Deutsche Bank AG Oberbank AG Raiffeisenlandesbank Oberoesterreich AG Unicredit Bank Austria AG (formerly Bank Austria Creditanstalt) Vorarlberger Landes- und Hypothekenbank		Industrial Bank of Korea J.P.Morgan Chase Bank NA Laiwu City Commercial Bank Co. Ltd. Mizuho Corporate Bank (China) Ltd. Société Générale Standard Chartered Bank The Korea Development Bank Wenzhou City Commercial Bank Yantai City Commercial Bank Deutsche Bank Bank of Cyprus Public Company Limited Commerzbank Komerčni Banka A.S. Unicredit Bank Czech Republic Danske Bank A/S Nordea Bank Sweden AB (publ) Sljern Bank
Austria		Croatia Cyprus Czech Republic	
Bahrain	ABC Islamic Bank (E.C) Al Baraka Islamic Bank BSC BNP Paribas Manama Citibank NA Gulf International Bank B.S.C. Shamil Bank of Bahrain Standard Chartered Bank United Bank Limited Woori bank	Denmark Egypt	AS Unicredit Bank Eesti Filiaal Nordea Bank Sweden AB (publ) Commercial Bank of Ethiopia Dashen Bank SC Nordea Bank Sweden AB (publ) Danske Bank Pohjola Pankki OVJ (Pohjola Bank PLC) Markets/ Clearing & Settlement Sampo Bank (part of Danske bank group) Bank of America, N.A. BNP-Paribas SA BNP-Paribas Securities Services Commerzbank Credit Agricole CIB Credit Agricole SA Credit Industriel et Commercial Deutsche Bank Habib Bank Limited HSBC France National Bank of Pakistan Société Générale Sumitomo Mitsui Banking Corporation, The U.B.A.F.
Bangladesh	CitiBank N.A. Habib Bank Limited HSBC Bank Woori Bank Standard Chartered Bank	Estonia Ethiopia Finland	
Belgium	Bank of America, N.A. BNP Paribas Fortis (formerly Fortis Banque S.A./N.V) BNP Paribas S.A. Belgium - Belgium branch Commerzbank Deutsche Bank AG Dexia Bank SA Habib Bank Limited Ing Belgium Nv/Sa KBC Bank NV Santander Benelux SA	France	
Botswana	Firststrand Bank Ltd		
Brazil	Banco do Brasil S.A. Banco BNP Paribas Brasil S/A Deutsche Bank S.A. - Banco Alemao HSBC Bank Brazil S.A.		
Bulgaria	Unicredit Bulbank		
Canada	Bank of America, N.A. Habib Canadian Bank HSBC Bank Royal Bank of Canada Toronto Dominion Bank	Germany	Commerzbank Deutsche Asset Management International Gmbh Deutsche Bank AG Deutsche Bank AG, Frankfurt, (Central Entry Point Europe) Dresdner Bank (now part of Commerzbank) DWS Investment Gmbh ING Bank N.V. JP Morgan Chase Bank Landesbank Baden-Wuerttemberg National Bank of Pakistan National-Bank AG Nordea Bank Sweden AB (publ) Sparkasse Dortmund Sparkasse ko elnborn
Cayman Island	Aib Bank (Ci) Limited		
Chile	Banco Itau		
China	ABN Amro Bank (now Royal Bank of Scotland) Agricultural Bank of China, The Bank of China Bank of Communications Bank of New York China Citic Bank (formerly Citic Industrial Bank) Citibank NA Bank of Jiangsu		

Correspondent Banking Network



Country	Bank	Country	Bank
	Sparkasse Westmunsterland	Italy	Banca Delle Marche Spa
	Standard Chartered Bank		Banca di Credito Cooperativo di Fornacette
	Sumitomo Mitsui Banking Corporation, The		Banca di Roma
	Unicredit Bank AG (formerly Hypo and Vereinsbank HVB)		Banca Intesa Spa
	Volksbank Bocholt EG		Banca Monte Dei Paschi di Siena SpA
Ghana	Standard Chartered Bank Ghana Limited		Banca Nazionale del Lavoro SpA
Greece	Bank of America, N.A.		Banca Popolare dell'Emilia Romagna Societa'
	Egnatia Bank S.A.		Banca Popolare Di Sondrio
	Geniki Bank (General Bank of Greece, SocGen group)		Banca Popolare di Vicenza SCPARL
	Hellenic Bank Ltd		Banca UBAE SpA
	Probank SA		Banco di Napoli
Hong Kong	ABN Amro Bank (now Royal Bank of Scotland)		Banco Popolare
	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.
	Kookmin Bank, Hong Kong		Société Générale
	Mashreq Bank Limited		Unicredit Banca D'Impresa SPA
	National Bank of Pakistan		Unicredit Banca SPA
	Standard Chartered Bank		Unicredit Private Banking SPA
	Sumitomo Mitsui Banking Corporation, The		Unicredito Italiano
	U.B.A.F.	Japan	Unione di Banche Italiane Scpa (UBI Banca)
	Wachovia Bank, NA		ABN Amro Bank (now Royal Bank of Scotland)
	Woori bank		Bank of America, N.A.
Hungary	CIB Bank Zrt (Central-European International Bank Ltd.)		Bank of New York
	Commerzbank		Citibank NA
	Deutsche Bank ZRT		Commerzbank
	K and H Bank NYRT.(FORMERLY KERESKEDELMI		Commonwealth Bank of Australia
	ES HITELBANK RT)		Credit Agricole Indosuez
	Unicredit Bank Hungary ZRT		Deutsche Bank AG
India	Bank of America, N.A.		HSBC Bank
	Bank of Ceylon		JP Morgan Chase
	BNP Paribas India		Mizuho Corporate Bank Ltd.
	Citibank NA		National Bank of Pakistan (Tokyo & Osaka)
	Deutsche Bank		Société Générale
	J.P.Morgan Chase Bank NA		Standard Chartered Bank
	Mashreq Bank Limited		Sumitomo Mitsui Banking Corporation
	Punjab National Bank		U.B.A.F.
	Standard Chartered Bank		Wachovia Bank, NA
	State Bank of India		Woori Bank
Indonesia	ABN Amro Bank (now Royal Bank of Scotland)	Jordan	Housing Bank for Trade & Finance
	Bank Central Asia		Jordan Islamic Bank for Finance & Investment
	Bank of America, N.A.		Standard Chartered Bank Jordan
	Bank Syariah Mandiri	Kenya	Gulf African Bank Ltd.
	Deutsche Bank AG		Habib Bank AG Zurich
	HSBC Bank		Kenya Commercial Bank Limited
	J.P.Morgan Chase Bank NA	Korea	ABN Amro Bank (now Royal Bank of Scotland)
	PT Bank Mandiri (Persero) Tbk		Bank of New York
	PT Bank SBI Indonesia		Daegu Bank Ltd., The
	Standard Chartered Bank		Deutsche Bank AG
	Woori Bank		Hana Bank
Ireland	AIB Bank		HSBC
	Bank of America, N.A.		Industrial Bank of Korea
	Bank of Ireland International Banking		J.P.Morgan Chase Bank NA
	Citibank		Kookmin Bank
	HSBC Bank Plc		Korea Exchange Bank
	National Irish Bank		Kyongnam Bank
	San Paolo IMI SpA		

Country	Bank	Country	Bank
	National Bank of Pakistan	Oman	HSBC Bank Middle East
	Pusan Bank		BankMuscat SAOG
	Standard Chartered Bank		Oman International Bank
	Sumitomo Mitsui Banking Corporation, The	Pakistan	Al Baraka Islamic Bank BSC
	U.B.A.F.		Allied Bank Limited
	Wachovia Bank, NA		Askari Commercial Bank Ltd
	Woori bank		Bank Islami Pakistan
Kuwait	Burgan Bank, SAK		Bank Al Habib Limited
	Citibank NA		Bank AlFalah Limited
	Commercial Bank of Kuwait, SAK		Bank of Khyber
	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	AS Unicredit Bank, Latvia		Dubai Islamic Bank
	Nordea Bank Sweden AB (publ)		Faysal Bank
Lebanon	Lebanon and Gulf Bank SAL		Faysal Bank (formerly RBS and ABN Amro)
Lithuania	Nordea Bank Sweden AB (publ)		Habib Metropolitan Bank
Luxembourg	BNP Paribas Luxumbourg		Habib Bank Limited (HBL)
	Commerzbank		HSBC Bank Middle East
Malaysia	ABN Amro Bank (now Royal Bank of Scotland)		KASB Bank Limited
	Al-Rajhi Bank		MCB Bank Limited
	Ambank Berhad		National Bank of Pakistan
	Bank of America, N.A.		NIB Bank
	CIMB Islamic Bank		Oman International Bank
	Citibank NA		Samba Bank Limited
	Deutsche Bank AG		Silk Bank Limited
	HSBC Bank		Sindh Bank Limited
	J.P.Morgan Chase Bank Berhad		Soneri Bank Limited
	Malayan Banking Berhad (Maybank)		Standard Chartered Bank
	RHB Bank Berhad		Summit Bank Limited
	Standard Chartered Bank		United Bank Limited
Malta	Credit Europe Bank NV Malta Branch	Papua New Guinea	Bank of South Pacific Ltd
Mauritius	Mauritius Post and Cooperative Bank Ltd	Philippines	Asian Development Bank
	HSBC Bank (Mauritius) Limited		Banco de Oro Universal Bank
Mexico	Banca del Bajio S.A.		Bank of America, N.A.
	Bank of America, N.A.		Deutsche Bank AG
Macau	BNP Paribas SA		HSBC
	HSBC	Poland	Bank BPH SA
Mongolia	Trade & Development Bank of Mongolia		Bank Polska Kasa Opieki SA
Morocco	Attijariwafa Bank		Deutsche Bank AG
	Banque Marocaine du Commerce Extérieur		Deutsche Bank Polska S.A.
	Société Générale		Nordea Bank Sweden AB (publ)
Nepal	Bank of Kathmandu Ltd		Société Générale
	Himalayan Bank Limited	Portugal	Banco Espirito Santo SA
	NABIL Nepal Arab Bank Ltd		Caixa Geral De Depositos
	Nepal Industrial and Commercial Bank Ltd		Montepio Geral - Caixa Economica
	Standard Chartered Bank	Qatar	Barwa Bank
Netherlands	Bank of America, N.A.		Mashreq Bank Limited
	Commerzbank		Qatar International Islamic Bank
	Credit Europe Bank N.V.		United Bank Limited
	Deutsche Bank AG	Romania	Citibank Europe Plc, Dublin-Sucursala Romania
	Finansbank (Holland) N.V.		MKB Nextebank SA (formerly Romexterra Bank)
	Fortis Bank (Netherlands) N.V.		Romanian Bank for Development (BRD) Groupe Societe Generale
	Habib Bank Limited		Unicredit Tiriac Bank SA
	ING Bank N.V.	Russian Federation	Bank for Foreign Trade
	KBC Bank NV		Bank of Moscow
	Lanschot Bankiers NV F. van		Commerzbank
	Rabobank Nederland		Credit Bank of Moscow (Open Joint Stock Company)
	Royal Bank of Scotland (formerly ABN Amro Bank N.V.)		Deutsche Bank AG
New Zealand	Bank of New Zealand		International Moscow Bank
	HSBC New Zealand	Saudi Arabia	Al Inma Bank
Nigeria	Standard Chartered Bank		Al Rajhi Bank
Norway	DNB NOR Bank ASA		Bank Al Bilad
	Fokus Bank, part of Danske Bank Group		Bank Al Jazira
	Nordea Bank Sweden AB (publ)		

Correspondent Banking Network



Country	Bank	Country	Bank
Singapore	Banque Saudi Fransi	Taiwan	Banque Cantonale Vaudoise
	BNP Paribas Saudi Arabia		Banque de Commerce et de Placements
	Deutsche Bank AG, Riyadh Branch		BNP Paribas (Suisse) SA
	Gulf International Bank B.S.C.		Commerzbank (Schweiz) AG
	Islamic Development Bank		Credit Agricole Indosuez
	JP Morgan Chase Bank		Deutsche Bank AG Zurich
	National Bank of Pakistan, Riyadh		Deutsche Bank AG, Frankfurt, Central Entry Point Europe
	National Commercial Bank		Habib Bank AG Zurich
	Riyadh Bank		HSBC Private Bank (Suisse) S.A.
	Saudi Hollandi Bank		ING Belgium NV/SA, Geneva Branch
	The Saudi British Bank (HSBC group)		Merrill Lynch Bank (Suisse) S.A.
	ABN Amro Bank (now Royal Bank of Scotland)		United Bank Limited AG Zurich
	Bank of America, N.A.		Zuercher Kantonalbank
	BNP Paribas - Singapore branch		Bank of America, N.A.
	Citibank NA		Bank of New York
	Commerzbank		Chinfon Commercial Bank
	Commonwealth Bank of Australia		Citibank NA
	DBS Bank Ltd.		Citibank Taiwan Ltd (formerly Bank of Overseas Chinese)
	Deutsche Bank AG		Deutsche Bank AG
	Fortis Bank		J.P.Morgan Chase Bank NA
	Habib Bank Limited		Mega International Commercial Bank (International Commercial Bank of China)
	Hana Bank		Société Générale
	HSBC Bank		Standard Chartered Bank
	Ing Bank NV		Sumitomo Mitsui Banking Corporation, The
	JP Morgan Chase Bank		Tainan Business Bank
	KBC Bank NV		Taiwan Cooperative Bank
	Mizuho Corporate Bank Ltd		Union Bank of Taiwan
National Bank of Kuwait	Habib African Bank		
Nordea Bank Sweden AB (publ)	Bangkok Bank Public Company Limited		
PT Bank Mandiri (Persero) Tbk	Bank of America, N.A.		
Rabobank Asia Ltd	Citibank NA		
Société Générale	Deutsche Bank AG		
Standard Chartered Bank	HSBC Bank		
Sumitomo Mitsui Banking Corporation, The	J.P.Morgan Chase Bank NA		
U.B.A.F.	Standard Chartered Bank		
Woori bank	Sumitomo Mitsui Banking Corporation, The		
Slovakia	Commerzbank	Tunisia	Arab Tunisian Bank
Slovenia	SKB Banka dd		Citibank NA
South Africa	Unicredit Bank Slovenija	Turkey	Société Tunisienne de Banque
	Citibank NA		Aktif Yatirim Bankasi A.S.
Spain	Firststrand Bank Ltd	Al Baraka Turkish Finance House	
	Habib Overseas Bank Limited	Aşya Katilim Bankasi A.S.	
	HBZ Bank Limited (Habib Bank AG Zurich)	Citibank NA	
	Banco de Sabadell SA	Denizbank A S	
	Banco Espanol de Credito	Deutsche Bank AG	
	Banco Pastor SA	Habib Bank Limited	
	Bank of America, N.A.	HSBC Bank	
	Bilbao Bizkaia Kutxa	ING Bank A.S. (formerly Oyak Bank A.S.)	
	BNP Paribas S.A. Sucursal En Espana	Kuveyt Turk Evkaf Finans Kurumu A.S	
	Caja De Ahorros de Galicia (Caixa Galicia)	Tekstilbank	
	Caja De Ahorros Del Mediterraneo	Türkiye Finans Katilim Bankasi AS	
	Commerzbank	Türkiye Garanti Bankasi AS	
	Deutsche Bank AG	Türkiye Halk Bankasi AS	
	HSBC Bank	Türkiye Is Bankasi AS	
	Bank of Ceylon	Türkiye Vakiiflar Bankasi T.A.O	
	Deutsche Bank AG	Turkland Bank (T-Bank)	
	Habib Bank Limited	Yapi Ve Kredi Bankasi A.S.	
Hatton National Bank	Prominvest Bank		
HSBC Bank	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		
Switzerland	Banco Santander (Suisse) SA		



Correspondent Banking Network

Country	Bank	Country	Bank
	Dubai Islamic Bank		Habib American Bank
	Emirates Bank International, PJSC (now Emirates NBD)		Habib Bank Limited
	First Gulf Bank		Hana Bank
	Habib Bank AG Zurich		HSBC Bank
	Habib Bank Limited		InterBusiness Bank, N.A.
	HSBC Bank Middle East		International Finance Corporation (IFC)
	Kuwait Turkish Participation Bank Dubai Limited		Israel Discount Bank of New York
	Mashreq Bank Limited		JPMorgan Chase Bank
	National Bank of Abu Dhabi		KeyBank National Association
	National Bank of Dubai (now Emirates NBD)		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
UK	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	Vietnam	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	Yemen	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		
Ukraine	Prominvestbank		
Uruguay	Banco Itau		
USA	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.		

Branch Network



Alhamdulillah, Meezan Bank has established 275 branches in 83 cities across Pakistan. This is a milestone that is not only the success story of Meezan Bank but also the continuing success story of Islamic banking in Pakistan. With this extensive network, our existing and potential customers are now closer than ever in attaining Islamic banking at their doorstep. All branches provide real time online banking facilities to customers.

As the first and largest dedicated Islamic bank in Pakistan, Meezan Bank's team continues to build on its Vision of establishing "Islamic banking the banking of first choice". One of the key objectives of the Bank is to have its footprint strategically placed throughout the country enabling the public to avail the benefits of Shariah-compliant banking in their neighbourhood.

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

Southern Region

Hub (Lasbela)
Hyderabad
Karachi
Mirpurkhas
Moro
Muslim Bagh
Nawabshah
Quetta
Sakrand
Sanghar
Shahdadpur
Sukkur
Tando Adam
Tando-Allah-Yar

Central Region

Ahmedpur East
Arifwala
Bahawalnagar
Bahawalpur
Burewala
Chichawatni
Chiniot
Cishtian
Daska
Dera Ghazi Khan
Faisalabad
Gojra
Gujranwala
Gujrat
Hafizabad
Haroonabad
Hasilpur
Jampur
Jhang
Kabirwala
Kasur
Khanewal
Khanpur
Kharian
Khushab
Lahore
Lalamusa
Lodhran
Mandi Bahauddin
Mian Channu
Mianwali
Multan
Muzaffargarh
Okara
Pattoki
Pirmahal
Rahim Yar Khan
Sadiqabad
Sahiwal
Sargodha
Sheikhupura
Sialkot
Toba Tek Singh
Vehari
Wazirabad

Northern Region

Abbottabad
Attock
Chakwal
Charsadda
Dadyal
Dera Ismail Khan
Dina
Gujar Khan
Haripur
Havelian
Islamabad
Jhelum
Kohat
Mansehra
Mardan
Mirpur Azad Kashmir
Muzaffarabad
Nowshera
Peshawar
Rawalpindi
Swabi
Swat
Timergara
Wah Cantt

For 2012 Meezan Bank has planned to open an additional 35 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

Auto Bhan Branch
Shop No 6 & 7 Boulevard Enclave Auto
Bhan Road Latifabad No 3, Hyderabad
Tel: (92-22) 3821291-98

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

Al-Hilal Society Branch
Nafees Arcade, Plot No.SC-14,
Chandni Chowk, KDA Scheme No.7,
Main University Road, Karachi.
Tel: (92-21) 34124111 - 115

Al Tijarah Centre Branch
S-8, Ground Floor, Al-Tijarah Centre,
Block-6, PECHS, Shahrāh-e-Faisal, Karachi.
Tel: (92-21) 34169030-34

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) 34859021-3

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

Dalton Market Branch
Plot No.4-C, Dalton Market,
Khayaban-e-Shamsheer, DHA Phase V, Karachi.
Tel: (92-21) 35240811-815

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

FB Area Branch
C-12, Block 10, FB Area, Karachi.
Tel: (92-21) 36805370-6

FTC Branch
Ground Floor, Block B, FTC Building,
Shahrāh-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

Gizri Branch
Plot No. K-7/9 Gizri Chaudhry
Khalique-uz-zaman Colony Bakhshan
village Bazar Area Clifton Karachi.
Tel: (92-21) 35865670-674

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) 34030251-54

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

Branch Network



Gulshan Chowranghi 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

Hub River Road Branch
Building No 06 Commercial Sector No 04
Haroon Bahria Co Operative Housing Society
Hub River Road Karachi
Tel: (92-21) 32364236-39

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

Jamshed Road Branch
Plot No. 713/6, Shaheen Tower,
Jamshed Quarters,
M.A Jinnah Road Karachi.
Tel: (92-21) 34923281-85

Jodia Bazar Branch
H-91 A, Darya Lal Street, Jodia Bazaar, Karachi.
Tel: (92-21) 32473326-9

Joffa Towers Branch
SB-23 & 24, Office # G2, 102, 103 & 104,
Joffa Towers, Main University Road,
Block-13 C, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 34830141-45

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

Kharadar Branch
Shop No.1, Ground Floor,
Al-Fatima Plaza, Paria Street,
Ghulam Hussain Kassam Quarters, Kharadar.
Tel: (92-21) -3231-6510-14

Khayaban-e-Bukhari Branch
Shop # 1-2 & Mezanine Floor,
Plot No. 22-C, Khayaban-e-Bokhari,
Phase VI, DHA, Karachi
Tel: (92-21) 35243561-65

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
Fakhri Trade Centre, Plot No. SR - 6/10,
Shahra-e-Liaquat, New Challi, Karachi.
Tel: (92-21) 32602121-126

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 Block-M Branch
Plot No.SB-2, Block-M,
North Nazimabad, Karachi.
Tel: (92-21) 36627054-55

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

Pakistan Chowk Branch
Ground Floor, Plot # 08, Survey Sheet # RB-5,
Pakistan Chowk Arambagh Road, Karachi.
Tel: (92-21) 32219651-656

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

Safora Chowk
Shop # 3, 4, 5 & 6, Ground Floor, Prime Tower,
Plot # SB-20, Block 7, KDA Scheme No 36,
Safora Chowk, Gulistan-e-Jauhar, Karachi.
Tel: (92-21) 34660661-65

Shahrah-e-Faisal Branch
29-A, Ground Floor, Sabah Palace,
P.E.C.H.S. Block 6, Shahrah-e-Faisal, Karachi.
Tel: (92-21) 34322186-90

Shah Faisal Colony Branch
CB-33, Al Falah Society,
Shah Faisal Colony, Karachi
Tel: (92-21) 34686271-3, 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 1,
Shireen Jinnah Colony, Karachi.
Tel: (92-21) 35833025, 35836758, 35836780



Branch Network

Sir Syed Road Branch
Plot no. 152-S, Ground Floor,
Sir Syed Road, Block 2, PECHS, Karachi
Tel: (92-21) 35143500-04

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

Urdu Bazar Branch
Shops No. 11 & 12, Anfal Centre,
Plot No. RB-9/1, Rambagh Quarters,
Urdu Bazar, Karachi.
Tel: (92-21) 32603031-35

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

Moro
Moro Branch
Property No. 60 Ward 13
Main Road National Highway Moro.
Tel: (92-242) 411008-14

Muslim Bagh
Muslim Bagh Branch
Shop No 40 - 41,
School Road Muslim Bagh.
Tel: (92-823) 669592-593

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

Mannan Chowk Branch
Mannan Chowk, Jinnah Road, Quetta.
Tel: (92-81) 2829470-2

Mission Road Branch
Shop No 1-30/51 & 1-30/52 Mission Road
Opposite Palace Bakery Quetta
Tel: (92-81) 2832851-55

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

Sirki Road Branch
Shop No. 1 & 2, Kasi Complex, Sirki Road, Quetta.
Tel: (92-81) 2454222-3

Shahdadpur
Shahdadpur Branch
Property No.293/1, Ward-C, Station Road
Shahdadpur.
Tel: (92-235) 842952-53

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
Ahmed Pur East
Ahmed Pur East Branch
Property # 338, Block # IV, Kutchery Road,
Ahmed Pur East.
Tel: (92-62) 2273261-62

Arifwala
Arifwala Branch
3-A, Lakkar Mandi, City Road, Arifwala.
Tel: (92-457) 834502-3

Bahawalnagar
Bahawalnagar Branch
Shop # 12 Grain Market, Minchanabad Road
Bahawalnagar.
Tel: (92-63) 22 71611- 612

Bahawalpur
Bahawalpur Branch
Milad Chowk, Eidgah Road, Bahawalpur.
Tel: (92-62) 2732145-7

Burewala
Burewala Branch
Multan Road, Opp. College Road, Burewala.
Tel: (92-67) 3773751-4

Chichawatni
Chichawatni Branch
Property No. 278-279, Adjacent National Saving
Centre, G.T. Road, Chichawatni.
Tel: (92-405) 487601-03

Chiniot
Sharah-e-Quaid-e-Azam Chiniot Branch
P-468, AI-469 II,
Shahrah-e-Quaid-e-Azam, Chiniot.
Tel: (92-47) 6331103-4

Chishtian
Chishtian Branch
Plot # 109, B- Block,
Opposite Ghalla Mandi Gate, Chishtian.
Tel: (92-63) 2509301-302

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

Jhang Road Branch
Plot # S-29-30, Near Ayub Colony,
Opposite Motor Market, Jhang Road
Faisalabad.
Tel: (92-41) 2650854-56

Madina Town Susan Road Branch
Plot # 98/23, Madina Town, Susan Road,
Faisalabad.
Tel: (92-41) 8557141-43

Branch Network



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

Sargodha Road Branch
Plot No.654-656, Near Hafeez Plaza,
Ali Town Sargodha Road, Faisalabad.
Tel: (92-41) 8785151- 53

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

Haronabad

Haronabad 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

Kabirwala

Kabirwala Branch
Property No. 162, Khanewal Road,
Opposite PSO petrol Pump, Kabirwala.
Tel: (92-65) 2400721-23

Kasur

Kasur Branch
216-9R-IV, Railway Road, Kasur.
Tel: (92-492)2764999

Khanewal

Khanewal Branch
Plot No. 624-625, Block # 8,
Sir Syed Road, Khanewal
Tel: (92-65) 2556625-27

Khanpur

Khanpur Branch
Kutchery Road, Khanpur.
Tel: (92-68) 5577127-8

Kharian

G.T Road Kharian Branch
Ground Floor, Barakat Plaza,
Main G.T Road, Kharian.
Tel: (92-537) 533497-498

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
19-Bismillah Block, Azam Cloth Market, Lahore
Tel: (92-42) 37642011-13

Bedian Road Branch
Khasra # 3799, Mauza LIDHAR,
Main Bedian Road, Lahore.
Tel: (92-42) 35749607-10

Brandrath Road Branch
46 Brandrath Road, Lahore.
Tel: (92-42) 37676388-92

Bund Road Branch
Property No. SW XI 1-S-1/B/6,
Main Bund Road Lahore.
Tel: (92-42) 37482671-73

Canal Bank Road, Mughalpura Lahore Branch
Plot # 125, St # 33, Naya Pul, Punj Pir Road,
Canal Bank Road, Mughalpura Lahore.
Tel: (92-42) 365543-44

Cavalry Ground Branch
72-Commercial Area, Cavalry Ground,
Lahore Cantt.
Tel: (92-42) 36619780-3

Circular Road Branch
141-Circular Road,
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

G.T Road Daroghawala Branch
Plot No.329-F, Main G.T Road,
Daroghawala Lahore.
Tel: (92-42) 36550501-3

DHA Phase I Branch
167- G, DHA Phase I, Lahore.
Tel: (92-42) 35742891-2

DHA Phase III Branch
Plot No. 97-Y, DHA Phase III Commercial,
Opposite Sheba Park, Lahore.
Tel: (92-42) 35742582-3

DHA Phase IV Branch
Plot # 85-CCA, Phase IV (Comm.),
Defense Housing Authority, Lahore.
Tel: (92-42) 35747761-2

EME Housing Society Branch
Plot No.1 & 37, Block-D Commercial,
EME Sector, DHA Lahore.
Tel: (92-42) 37498956-8

Gulberg Branch
60 - Main Boulevard Gulberg, Lahore.
Tel: (92-42) 35879870-2



Branch Network

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

Islampura Branch
Property # 61 Main Bazar, Islampura, Lahore
Tel: (92-42) 37117463-64

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,
McLeod 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

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

Saddar Bazar Lahore Branch
Property No. 1184 Dubai Chowk,
Main Tufail Road Saddar Bazar Lahore.
Tel: (92-42) 36622824-26

Samanabad Branch
Plot No.210, Main Poonch Road,
Samanabad Lahore.
Tel: (92-42) 37587213 - 215

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

WAPDA Town Chowk Branch
Plot No. 429, Block-E, Main Boulevard, P.I.A
Employees Co-operative Housing Society,
Wapda Town Chowk, Lahore.
Tel: (92-42) 35211591-94

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

Mianwali

Mianwali Branch
Property No.D-3-4/A, Ballo Khel Road, Mianwali.
Tel: (92-459) 233305-9

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
Mehtar 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

Branch Network



Vehari Road Branch
Rehman Commercial Centre, Near Grain Market,
Vehari Road, Multan.
Tel: (92-61) 6244153-5

Muzaffargarh
Muzaffar Garh Branch
Property No. 470, Block # IV, Hakeem Plaza,
Multan Road, Muzaffargarh.
Tel: (92-662) 428708-10

Okara
Okara Branch
MA Jinnah Road, Okara.
Tel: (92-44) 2521935-7

Pattoki
Pattoki Branch
Shop No. 09-11, Abdullah Centre, Opposite
Ghalla Mandi, Shahrah-e-Quaid-e-Azam,
Pattoki. Tel: (92-49) 4421025-28

Pir Mahal
Pir Mahal Branch
Plot No. P-10-11, Kousar Abad,
Chak Abadi 779-GB, Qasba Pir Mahal.
Tel: (92-46) 3367601-607

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

Satellite Town Branch
Plot No. 34 Block-C, Main Chowk,
Satellite Town, Sargodha
Tel: (92-48) 3225731-55

Sheikhupura
Sheikhupura Branch
Civic Center, Sargodha Road, Sheikhupura.
Tel: (92-56) 3813560-2

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

Vehari
Karkhana Bazar Vehari Road Branch
Plot No. 23, Block-A,
Karkhana Bazar, Vehari.
Tel: (92-67) 3366031-33

Wazirabad
Wazirabad Branch
Plot No. I-14S-37, Sialkot Road Wazirabad.
Tel: (92-55) 6600313-14

Northern Region
Abbottabad
Abbottabad Branch
Plot No. 843-846, Manshera Road, Abbottabad.
Tel: (92-992) 344701-3

Abbottabad 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

Charsadda
Main Tangi Road Charsadda Branch
Shop No. 1-2 Gul Market, Near Singer Pakistan
Outlet, Main Tangi Road Charsadda.
Tel: (92-91) 9220171-3

Chakwal
Chakwal Branch
B VI/4-A Bab-e-Chakwal, Talagang Road,
Chakwal.
Tel: (92-545) 543381-4

Dadyal
Dadyal Branch
Plot No. 313, Hussain Shopping Centre,
Main Bazar Dadyal, Mirpur Azad Kashmir.
Tel: (92-5827) 465881-83

Dera Ismail Khan
Dera Ismail Khan Branch
East Circular Road, Dera Ismail Khan.
Tel: (92-966) 717257-8

Dina
Dina Branch
Al-Bilal Shopping Centre, Main Chowk,
G.T. Road, Dina, Distt. Jehlum.
Tel: (92-544) 636119-21

Gujar Khan
Gujar Khan Branch
B-III, 215-E, G.T. Road, Gujar Khan.
Tel: (92-51) 3515679-83

Haripur
Haripur Branch
Rehana Plaza, G.T. Road, Haripur.
Tel: (92-995) 627250 - 3

Main Bazar Branch
Main Bazar, Near Sheranwala Gate, Haripur.
Tel: (92-995) 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

G-11 Branch
Plot No.15, Penorama Arcade,
G-11 Markaz, Islamabad.
Tel: (92-51) 2830513-16

I-8 Branch
Plot No.25, VIP Square,
I-8 Markaz, Islamabad.
Tel: (92-51) 4861389-92

I-9 Branch
Plot No. 2/A, Industrial Area, I-9, Islamabad.
Tel: (92-51) 4859644-47



Branch Network

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,
Karakuram 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

Mirpur Azad Kashmir

Mirpur Branch

Plot No. 123, Sector F/1,
Sultan Plaza, Kotli Road, Mirpur Azad Kashmir.
Tel: (92-5827) 438891-93

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

Charsada Road Branch

Property No.190, Opposite Al Hajj Market,
Mirch Mandi, Charsadda Road, Peshawar.
Tel: (92-91) 5270543-45

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

Hayatabad Township Branch

Plot No. 08, Bilal Market, Sector D-1,
Phase 1, Hayatabad, Peshawar.
Tel: (92-91) 5816163-65

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

Adyala Road Branch

Ground Floor, Daulat Plaza,
Near Dhaman Morh,
Main Adyala Road Rawalpindi.
Tel: (92-51) 5574880-82

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

Saidpur Road Branch

Plot NO CA-294/A Chistiabad, Shabbir Plaza,
Near Siddiqui Chowk, Saidpur Road Rawalpindi.
Tel: (92-51) 4416215-17

Sawabi

Sawabi Branch

Amjad Mughalbaz Khan Plaza,
Near TMA Office Mardan Road, Sawabi
Tel: (92-938) 222704-6

Swat

Mingora Branch

Makanbagh Chowk, Mingora Swat.
Tel: (92-946) 714316-18

Timergara

Timergara Branch

Al-Imran Hotel G.T Road
Timergara Bazar, Timergara.
Tel: (92-945) 825271-73

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
Meezan House,
C-25, Estate Avenue S.I.T.E.,
Karachi.

I/We _____ of _____ being a member(s) of **Meezan Bank Limited** and holder of _____ ordinary shares as per Share Register Folio No. _____ and/or CDC Investor Account No. / CDC Participant 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 16th Annual General Meeting of Meezan Bank Ltd. to be held on Thursday, March 29, 2012 at Meezan House, C-25, Estate Avenue S.I.T.E., Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2012.

Witness:

Signature: _____

Name: _____

Address: _____

CNIC or Passport No. _____

Please affix
Rupees five
revenue
stamp

Signature of Member(s)

NOTES:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the company.

Please affix
correct
postage

The Company Secretary
Meezan Bank Limited
Meezan House, C-25,
Estate Avenue, SITE,
Karachi, Pakistan.



Meezan Bank
The Premier Islamic Bank

Head Office: Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.
PABX: (92-21) 38103500 UAN: 111-331-331
www.meezanbank.com