



Annual Report 2009

Rising Higher- Exploring Horizons



Meezan Bank
The Premier Islamic Bank

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Rising Higher Exploring Horizons

Since its inception, Meezan Bank has been committed to a set of core values that were embodied by the Bank's founders and remain the cornerstone of our philosophy. These values shape everything we do - from how we develop and market our products to how we serve our customers, employees, and communities. By the grace of Almighty Allah, 2009 marks yet another milestone in the history of Islamic banking in Pakistan as Meezan Bank's network grows to 201 Branches in 54 cities nationwide.

This year's Annual Report is a tribute to the workforce of Meezan Bank. Our constant commitment to excellence has not only kept us at the pinnacle of the Islamic Banking sector of the country but has also earned us recognition at the international level. With each passing year, we continue to expand and explore new horizons of success with a vision of rising higher and enhancing our expertise for serving you better, insha'allah.

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The Premier Islamic Bank

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Our Vision

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

Our Mission

To be a premier Islamic bank, offering a one-stop shop for innovative value-added products and services to our customers within the bounds of Shariah, while optimizing the stakeholders' value through an organizational culture based on learning, fairness, respect for individual enterprise and performance.

A vibrant hot air balloon festival with many colorful balloons in the sky. The balloons feature various patterns and colors, including stripes, stars, and solid colors. The sky is a clear, bright blue. The balloons are scattered across the frame, with some in the foreground and others in the distance. The overall scene is festive and celebratory.

Our Values

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

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

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

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



Quaid's Concept of Islamic Banking

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

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

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

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

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



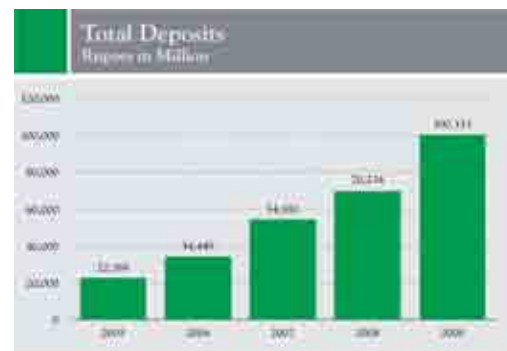
Key Figures at a Glance

	2009	2008	2007	2006
Profit and Loss Account				
Return on financings, investments and placements	10,102	6,803	4,574	2,704
Return on deposits and other dues expensed	4,970	3,088	2,452	1,464
Net Spread earned before provisions	5,132	3,715	2,122	1,240
Fee, commission, forex and other income	1,332	802	742	441
Dividend income	190	244	104	165
Gross Core Banking Income	6,654	4,761	2,968	1,846
Administrative and Operating Expenses	3,471	2,713	1,765	1,028
Core Banking Income before provisions	3,183	2,048	1,203	818
Provision against non performing financings	(1,430)	(428)	(435)	(122)
Provision for diminution in investments and impairment	(89)	(289)	(1)	(1)
Capital gain / (loss) on investments	76	(339)	502	85
Profit before Taxation	1,740	992	1,269	780
Taxation	715	371	306	176
Profit after Taxation	1,025	621	963	604
Balance Sheet				
Total Financing - net	44,188	39,528	34,576	27,031
Total Assets	124,182	85,276	67,179	46,439
Total Deposits	100,333	70,234	54,582	34,449
Share Capital	6,650	4,926	3,780	3,780
Total Shareholders Equity	9,091	6,341	5,720	4,763
Market Capitalization	10,467	10,581	14,572	7,465
Number of Staff	3,669	3,170	2,205	1,389
Number of Branches	201	166	100	62
Ratios				
Break up Value (Rs.)	13.67	12.87	15.13	12.60
Market Value per Share (Rs.)	15.74	21.48	38.55	19.50
Cash Dividend (%)	-	-	-	-
Stock Dividend (%)	5.00	8.60	20.00	10.00
Right Shares at par (%)	-	35	-	50.00
Price Earning Ratio	9.20	17.60	15.12	10.51
Earning per Share (Rs.)	1.71	1.22	1.96	1.88
Net Spread to Gross Return (%)	50.80	54.61	46.39	45.86
Net Profit Before Tax to Total Income (%)	14.87	13.21	21.43	22.98
Net Profit After Tax to Total Income (%)	8.76	8.27	16.27	17.80
Expense to Income (%)	72.15	77.24	71.21	73.40
Financing / Advances to Deposit Ratio-ADR (%)	44.04	56.62	56.90	65.68
Capital Adequacy Ratio	12.77	9.58	10.71	12.80
Return on Average Assets (%)	0.98	0.82	1.70	1.57
Return on Average Equity (%)	13.29	10.30	18.39	15.64



Rupees in million

2005	2004	2003	2002
1,459	534	376	311
690	250	183	192
769	284	193	119
262	133	67	124
93	109	115	111
1,124	526	375	354
719	409	255	198
405	117	120	156
(69)	(17)	18	63
30	(2)	(2)	(2)
267	123	105	53
633	221	24	270
214	(3)	27	47
419	224	214	223
19,741	12,340	7,397	3,532
30,676	19,697	11,10	6,971
22,769	13,770	7,757	5,079
2,037	1,346	1,064	1,001
3,025	2,098	1,748	1,586
4,736	2,247	1,649	1,151
786	511	238	159
28	16	10	6
14.85	15.59	16.43	15.84
23.25	16.70	15.50	11.50
-	-	5.00	5.00
16.00	15.00	10.00	10.00
20.00	30.00	-	-
15.92	10.02	7.71	5.16
1.46	1.67	2.01	2.23
52.69	53.15	51.45	38.41
30.42	24.56	36.33	45.15
20.15	24.94	32.26	37.24
67.71	73.36	66.05	64.98
73.86	69.97	82.61	69.22
10.67	10.00	15.62	22.99
1.67	1.46	2.37	4.95
16.70	12.16	13.74	16.66





Shareholders

Shareholding Structure	%	Rs. in millions
Noor Financial Investment Co, Kuwait	46	3,027
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	30	1,995
Islamic Development Bank, Jeddah	9	620
Others	15	1,008
Paid up Capital	100	6,650

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

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

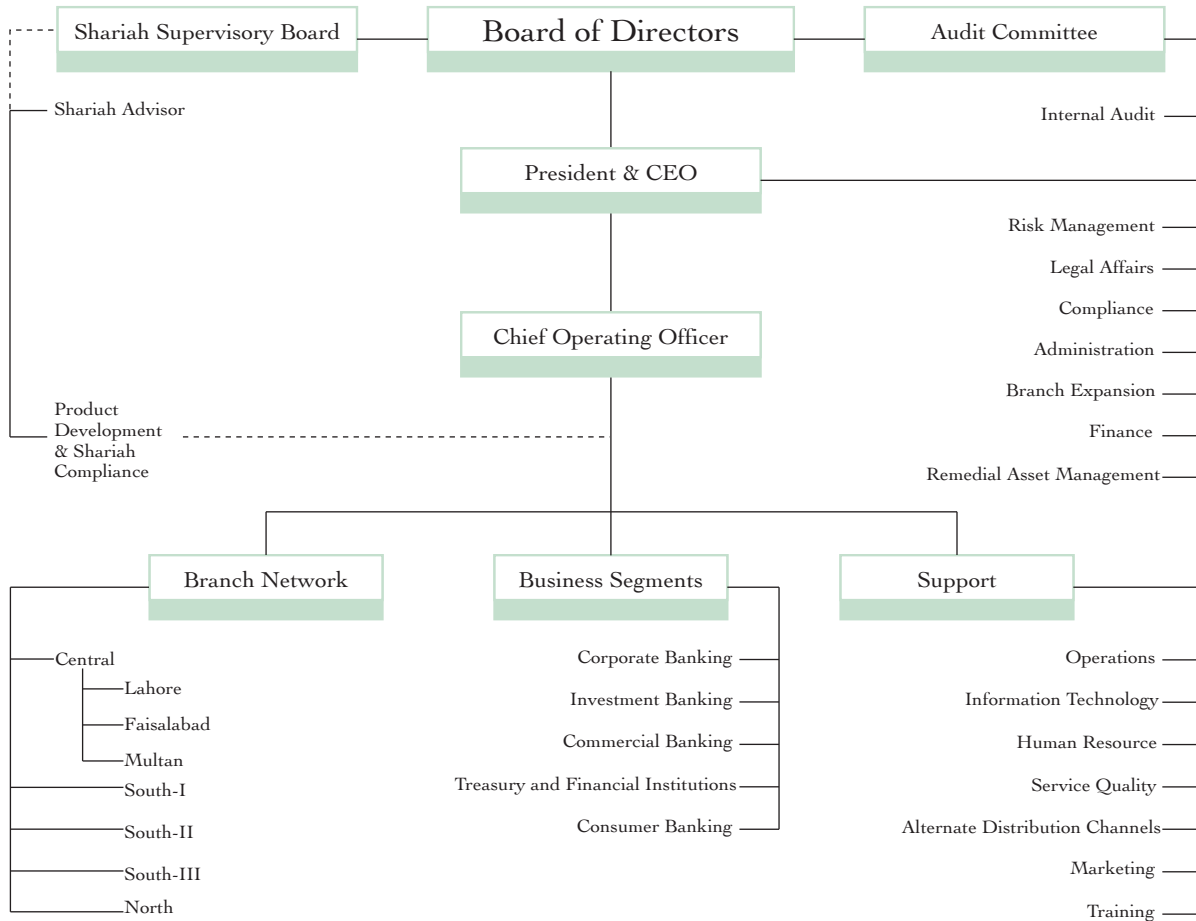
Pakistan Kuwait Investment Company (Private) Limited (PKIC), a joint venture between the Governments of Pakistan and Kuwait, is one of the most profitable and respected financial institutions in Pakistan. It is commonly referred to as a leading example of a successful sovereign joint venture. PKIC has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

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

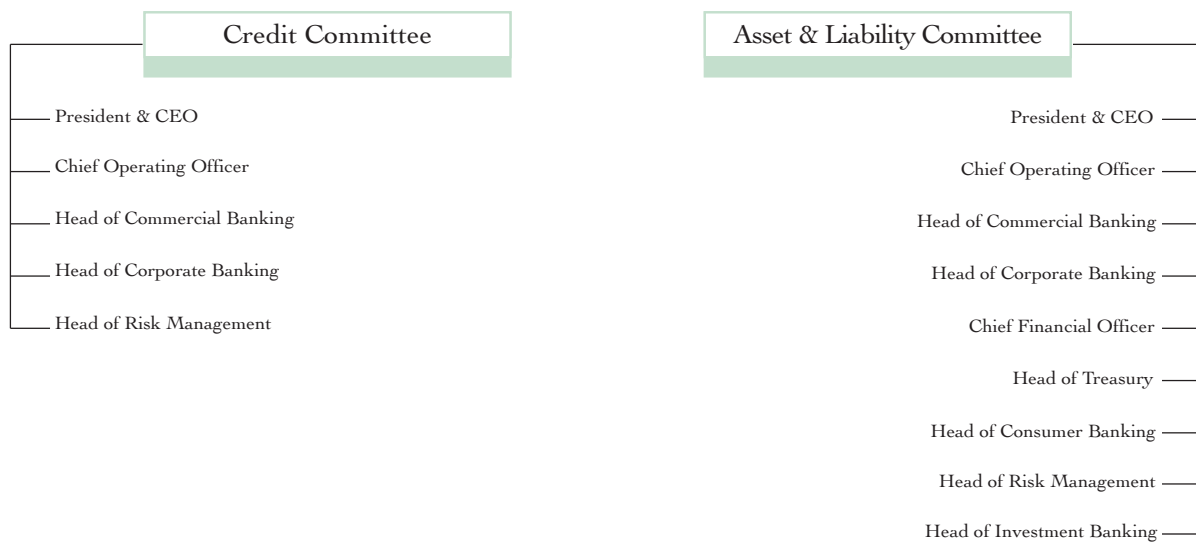




Organisation Structure



Composition of Significant Management Committees





Corporate Information

Board of Directors

H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa
Naser Abdul Mohsen Al-Marri
Jassar Dakheel Al-Jassar
Rana Ahmed Humayun
Mohammed Azzarog Rajab
Ahmed Abdul Rahim Mohamed
Nawal Ahmed
Alaa A. Al-Sarawi
Mazhar Sharif
Irfan Siddiqui
Ariful Islam

Chairman
Vice Chairman

President & CEO

Shariah Supervisory Board

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

Chairman

Audit Committee

Nawal Ahmed
Ahmed Abdul Rahim Mohamed
Mazhar Sharif

Risk Management Committee

Alaa A. Al-Sarawi
Mazhar Sharif
Ariful Islam

Human Resource Committee

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

Company Secretary

Shabbir Hamza Khandwala



Management

Irfan Siddiqui
 Ariful Islam
 Muhammad Shoaib Qureshi
 Arshad Majeed
 Azhar Naqvi
 Rizwan Ata
 Shabbir Hamza Khandwala
 Abdul Ghaffar Memon
 Faiz-ur-Rehman
 Irfan Ali Hyder
 Kazi Mohammad Aamir
 Muhammad Abdullah Ahmed
 Munawar Rizvi
 Saleem Khan
 Saleem Wafai
 Sohail Khan
 Zia-ul-Hasan
 Zubair Haider
 Aasim Salim
 Ahmed Ali Siddiqui
 Anwarul Haq
 Mohammad Raza
 Syed Amir Ali
 Muhammad Abid
 Tariq Mahboob
 Omer Salimullah

President & CEO
 Chief Operating Officer
 Commercial Banking
 Operations
 Risk Management
 Central Circle (Lahore, Faisalabad and Multan)
 Chief Financial Officer
 Remedial Asset Management / Fraud and Forgery Investigation
 Information Technology
 Human Resource
 South-II Region
 Treasury & Financial Institutions
 Branch Expansion & Administration
 North Region
 Compliance
 Marketing and Training
 Internal Audit
 Corporate Banking
 Multan Region
 Product Development & Shariah Compliance
 Faisalabad Region
 Consumer Banking
 Investment Banking
 South-I Region
 South-III Region
 Alternate Distribution Channels

Shariah Advisor

Dr. Muhammad Imran Usmani

Legal Advisor

Rizvi, Isa, Afridi & Angell

Auditors

KPMG Taseer Hadi & Co.

Registered Office

3rd Floor, PNSC Building, M.T. Khan Road, Karachi-74000, Pakistan
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 24/7 Call Centre 111-331-331

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Shares Registrar

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 State Life Building -3, Dr. Ziauddin Ahmed Road
 Karachi-75530, Pakistan. Ph: (9221) 111-000-322, Fax: (9221) 35655595



History of Riba-Free Banking in Pakistan

1947

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

1980

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

1985

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

1991

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

1997

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

1999

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

2001

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



2002

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



2003

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

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

2004

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

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

2005

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

2006

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

2007

Meezan Bank opens up its 100th branch. Two new dedicated Islamic Banks start operations in Pakistan, namely Emirates Global Islamic Bank and Dawood Islamic Bank.

2008

With 166 branches (including sub-branches) in 40 cities, Meezan Bank is clearly positioned as the leading Islamic Bank in the country. Work starts on construction of Meezan Bank's new Head Office building.

The total number of branches (including sub-branches) of 6 dedicated Islamic Banks reaches 384 and the number of branches & sub-branches of 12 conventional banks (with Islamic banking branches) reaches 130.

2009

Branch network of six dedicated Islamic banks increases to 480 branches (including sub-branches) with Meezan Bank having a 42% share of the Islamic Banking branch network in the country with 201 branches in 54 cities across the country. Islamic banking's share grows to over 5.5% of the total Banking industry.





Chairman's Review

This year marks the achievement of a number of significant milestones in the history of Meezan Bank that is a testimony of blessings of Allah (SWT) and the excellent performance of the management of the Bank.



Alhamdulillah, all praises and thanks are Allah's

It gives me immense pleasure to present the Annual Report of Meezan Bank Limited for the year ended December 31, 2009. This year marks the achievement of a number of significant milestones in the history of Meezan Bank that is a testimony of blessings of Allah (SWT) and the excellent performance of the management of the Bank.

A few of these notable milestones are:

- Total deposits have now crossed Rs. 100 billion
- Branch network of over 200 branches in 54 cities
- Profit/return earned on financing and investment activities exceeded Rs. 10 billion
- Handled more than Rs. 100 billion of import and export business on behalf of customers

These achievements, in a short span of eight years, reflect the dedication, commitment and hard work of the entire Meezan Bank team for which they need to be congratulated. Above all, these achievements have been made possible due to the support of the customers of the Bank who have gone the extra mile in demonstrating their desire to use Islamic banking products and services. We would like to thank all our customers for the confidence reposed in Meezan Bank Limited and assure them of our fullest support and best quality of service going forward.

Although we are beginning to see signs to the end of what many experts refer to as the worst financial crisis experienced by the world since the Great Depression of the 1930's, we are not out of the woods yet. As a result, the Board of Directors of the Bank has decided to maintain the cautious approach adopted last year and has directed the management to focus on improving systems and controls and exercise extra prudence in all financing activities.

Meezan Bank is now well on its way to realizing its Vision of 'Establishing Islamic banking as banking of first choice...' and its Mission 'To be the premier Islamic bank...' It is now ranked amongst the top 15 banks operating in Pakistan (out of a total population of 40). Total deposits increased by 43% during the year - one of the highest growth percentages in Pakistan's banking industry. The Bank now commands approximately 45% market share of the Islamic commercial banks in Pakistan and has, by far, the largest network of branches in the country. The Bank has a proven track record of consistent profitability over eight years as a full-fledged Islamic commercial bank. The Bank has not, by the Grace of Allah, reported a loss in any one of these eight years - a testimony to its prudent and cost-efficient management. I am confident that Meezan Bank will insha'allah maintain its leadership position in the Islamic banking industry.

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, fellow Board Members, members of the Shariah Supervisory Board and the Bank's staff for their unrelenting mission in making Meezan Bank the premier and fastest growing Islamic bank of Pakistan.

May Allah grant us success in our endeavours.

Ebrahim Bin Khalifa Al-Khalifa
Chairman

February 05, 2010



Charity for Social Welfare

Alhamdulillah, with the growth of Meezan Bank's operations and the corresponding increase in financing transactions, charity received on account of delayed installments due against financing facilities has increased manifold. Meezan Bank ensures that customers do not take undue advantage of the nature of Islamic banking products and that charity is properly recovered on account of non-timely payment. The Shariah Advisor and Shariah Supervisory Board of the Bank monitor this process and the charity account operates under their guidance and approval so as to ensure that the funds from this account are utilized for promotion of social and welfare causes in the society. For this purpose, an independent trust by the name of Ihsan Trust has also been established. The charity contributions made by the trust are not linked to the business interests of Meezan Bank.

During the year, an amount of Rs. 51.2 million was transferred to the charity account and Rs. 14.605 million was disbursed. Details of charity disbursements are given in Note. 18.4 to these accounts. The funds were utilized mainly for healthcare, education and relief efforts. A few of the projects undertaken either on account of the Charity Fund or directly by Meezan Bank are explained more fully below:

Qarz-e-Hasna for Advanced Studies

A Qarz-e-Hasna scheme was developed under which markup-free loans are provided on merit-cum-need basis to students to pursue higher studies. Memorandums of Understanding (MOU) have been signed by Ihsan Trust with various universities all over Pakistan including IBA-Karachi, Lahore University of Management Sciences, Aga Khan University and Riphah International University, Islamabad. Discussions are underway with Institute of Business Management, National University of Science & Technology, NED University and Sir Syed University of Engineering & Technology for signing of MOUs. Students who get the Qarz-e-Hasna are selected by the Trust on the basis of well defined eligibility criteria. It is expected that over the years, several hundred students will be able to benefit from this initiative insha'allah.



THE AGA KHAN UNIVERSITY



Institute of Business Administration, Karachi - National Talent Hunt Program

The Institute of Business Administration (IBA), Karachi initiated a scholarship program titled 'National Talent Hunt Program'(NTHP) for providing fully paid scholarships to meritorious but needy students, primarily of remote and under-developed areas of the country for completing their Bachelors and Masters from IBA.

Students inducted into the NTHP first go through a two month Orientation programme for preparation of the IBA entrance test. Students' expenses for attending the Orientation programme are also borne by NTHP. It is encouraging to note that during 2009, a total of 40 students were selected to enroll for the Orientation programme. Students that pass the entrance test are then provided fully-paid scholarships for completing their education from IBA.

IBA conducts interviews throughout the country to select students for the NTHP. These Interviews were conducted at Meezan Bank's main branches at Lahore, Islamabad, Peshawar and Quetta for students of the under-developed areas adjoining these cities. Meezan Bank's senior staff members of the respective areas, being locals of the area, were in the interview panel along with IBA's Alumni and were instrumental in ensuring that only the genuinely needy and deserving students were accommodated into the NTHP.



Ihsan Trust has initiated a partnership with IBA for the NTHP. The Trust provides 70% of the total cost of the NTHP Orientation Programme and the balance 30% is provided by IBA. For those student who are finally selected by IBA, the Trust will bear all costs - 100% tuition fee and other expenses for the full six year MBA programme. This is an on-going programme and will benefit many deserving students in the future insha'allah.



The Citizens Foundation (TCF)

TCF continues to play a commendable role in the promotion of education among the under-privileged class of the country. TCF is a professionally managed, non-profit organization set up in 1995 and is now one of Pakistan's leading organizations focused on providing formal, quality education to the lowest stratum of the society. It has established 600 purpose-built schools nationwide with an enrollment of 80,000 students. TCF encourages female enrollment and boasts of a 50% female ratio in almost every campus.



Meezan Bank and Ihsan Trust continued their support to various initiatives of TCF during the year.

Sindh Institute of Urology and Transplantation (SIUT)

SIUT is the largest public sector health organization in the country which provides free, comprehensive and modern medical care in kidney diseases and transplantation to all. SIUT's patients are predominantly from the rural and poorer urban strata who are financially incapable of affording modern diagnostic and treatment facilities from the private sector. SIUT has treated over 1 million patients and spent over a billion rupees on patient care.



SIUT depends substantially on contributions from the public, corporate bodies and citizens to provide free treatment to all. Support to SIUT continued during the year.

Internally Displaced Persons (IDPs) in Swat

Recognizing the special skills and repute of various NGOs doing relief work during the influx of IDPs, a total amount of Rs. 7 million was disbursed to three organizations - Muslim Aid Trust Pakistan, Islamic Relief and Citizen Police Liaison Committee (CPLC) in order to contribute to the relief efforts on a humanitarian basis. Meezan Bank's staff members also contributed personal funds and visited the IDP camps to supervise the rescue efforts.

Corporate Social Responsibility

In addition to the above, the Bank has also made efforts in promoting the cause of Corporate Social Responsibility from its own resources as follows:

Meezan Bank Limited and Islamic Relief sign MOU for launching Islamic Microfinance

Meezan Bank signed an MOU with Islamic Relief, an independent International Relief and Development Organization founded in 1984 in UK with offices in more than 25 countries, for launching Islamic Microfinance in Pakistan. Under the MOU, Meezan Bank will assist Islamic Relief to enhance its Islamic Microfinance operations in Pakistan by capacity building, training and product development support.



Public awareness seminars on Islamic Banking

Meezan Bank conducted 24 Islamic Banking seminars in 14 cities across Pakistan during 2009. Customers appreciated this initiative by Meezan Bank and requested that such seminars should be held more frequently since these help them in gaining a better understanding of Islamic Banking.



Launch of MBA in Islamic Banking at Riphah University, Islamabad

Meezan Bank Limited and Riphah International University, Islamabad signed an MOU for jointly launching a programme on Islamic Business and Finance for students and finance professionals. Meezan Bank will provide expertise in structuring the course, provide faculty for conducting full credit hour courses and for conducting workshops & seminars and share case studies and proprietary research.



Business and Operations Review

Business Review

Alhamdulillah, the main business units of Meezan Bank comprising of Corporate banking, Investment banking, Commercial banking, Consumer banking, Treasury and Asset Management performed well during the year. This was made possible by a strong inflow of deposits throughout the year.

Branch Network and Deposits

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

The Bank continued with its aggressive branch expansion plan during 2009 and expanded to 201 branches (including sub-branches) in 54 cities from 166 branches in 41 cities. This has further strengthened Meezan Bank's ability to create awareness and deliver Islamic banking products and services throughout the country.



Alhamdulillah, the strategy to aggressively grow the branch network has been successful. Total deposits at December 31, 2009 crossed Rs. 100 billion compared to Rs. 70 billion for 2008, an increase of 43%, compared to the national average of 12.63 %. In addition to a large branch network, Meezan Bank also has an effective customer outreach programme that uses a team of Business Development Officers. The branch and liability sales teams have done a great job and need to be complimented for their efforts.

Corporate Banking

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



Despite a difficult 2009 on both the economic and business fronts, Corporate banking was able to achieve growth in its asset portfolio through careful addition of high quality customers and application of conservative risk criteria. Corporate assets, including corporate Sukuks stood at more than Rs. 40 billion, an increase of 28% over 2008.

Through extensive marketing efforts, Corporate banking added new clients in various sectors such as Power, Oil and Gas, Textiles, Cement, Sugar, etc. Highlights of the year included Tijarah financing with Pakistan State Oil Company Limited, Istisna financing with Pak-Arab Refinery Limited and Murabaha financing with Punjab Food Department under the government commodity financing programme.

For 2010, Corporate banking will pursue its growth strategy of building the asset portfolio, albeit with caution, by developing strong relationships with high quality and top rated corporate clients operating in the country.



Investment Banking

The Investment banking department was setup in 2006 and consists of highly qualified and experienced professionals who are young, energetic and possess efficient delivery capabilities. The department is currently providing the following services to its clients:

- ▣ Syndicated and Structured finance
- ▣ Project Finance
- ▣ Corporate and Financial Advisory Service

Even though 2009 was a difficult year, Investment banking continued its positive trend and closed a number of high value and prestigious transactions for the Bank. These included mandates for lead/joint-lead roles for multi-billion Rupee financing deals, a few of which are highlighted below - including the Rs. 6.8 billion Sukuk issue by Pakistan International Airlines Corporation (PIA). Meezan Bank acted as lead arranger and Shariah structuring agent for this transaction which has the honor of being selected as Pakistan Deal of the Year by the Islamic Finance News, REDmoney Group.

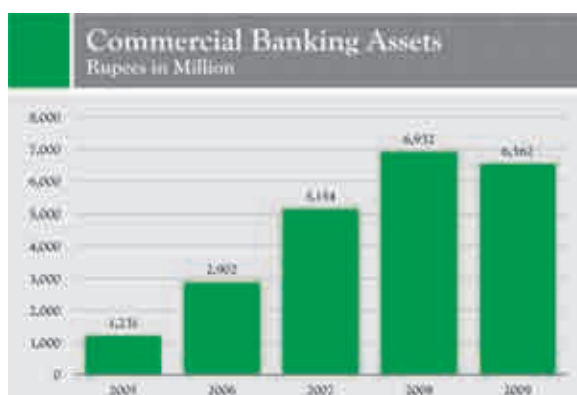
<p>Pakistan International Airlines corporation</p>  <p>Privately Placed Sukuk Rs. 6.8 billion Joint Lead Advisors & Structuring Agent</p> 	<p>Liberty Power Tech Limited</p>  <p>Privately Placed Sukuk Rs. 12.35 billion Joint Lead Advisors & Structuring Agent</p> 	<p>Amreli Steels Limited</p>  <p>Privately Placed Sukuk Rs. 880 million Joint Lead Advisors & Structuring Agent</p> 
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Investment banking has established itself as a key player in the investment banking arena, especially for Islamic banking transactions. It was also encouraging to see the Financial Advisory unit handle with a number of private equity transactions during the year under review. We expect that 2010 will present us with the opportunity of managing sizeable financial restructuring and acquisitions. The Financial Advisory unit will, insha'allah be able to capitalize on these opportunities and close a large number of transactions during 2010.

Commercial Banking (including Small and Medium Enterprises)

Commercial banking targets the 'middle-market' segment of customers with sales turnover of upto Rs. 800 million. This segment also includes 'small and medium scale enterprises' (SME) - customers with sales turnover of upto Rs. 300 million and financing requirement upto Rs. 75 million. This market segment represents the backbone of Pakistan's economy and has high growth potential. In addition to the SME market, Meezan Bank is also focusing on the financing of seasonal products such as rice, wheat and cotton as part of its asset-booking strategy.

The substantial increase in the Bank's branch network has allowed Commercial banking to penetrate key markets and build a very well-diversified portfolio. The total asset portfolio of Commercial Banking has registered an annualized growth rate of over 50% per annum during the period 2005-2009 - increasing from Rs. 1.2 billion to Rs. 6.5 billion. In light of the difficult economic conditions during 2009, the Bank adopted a more cautious approach in booking assets and customer accounts were booked after extensive due diligence and market checking. As a result the total portfolio decreased from Rs 6.9 billion in 2008 to Rs. 6.5 billion at the end of 2009.





Consumer Banking

The Consumer banking department is responsible for generating deposits and managing the consumer asset business of the Bank. Deposits are mobilized through dedicated sales teams placed at the branches, that solicit both new and existing customers for liability products such as Current Accounts, Savings Accounts, Term Deposits etc. The two consumer asset products of the Bank, Car Ijarah (a car leasing product) and Easy Home (a home financing product), are managed through dedicated sales teams placed at select branches and sales and processing 'hubs' strategically located across Pakistan.

Meezan Bank has the distinction of being the first bank in Pakistan to introduce Shariah-compliant products for Auto Finance and Home finance under the brand of Car Ijarah and Easy Home respectively. Despite the slow down experienced by the auto industry in 2009, Meezan Bank continued its presence in this segment, although volumes were lower due a more cautious approach in booking customers.

Auto Finance

With an 8-year-old portfolio, Meezan Bank's Car Ijarah business now stands at Rs. 3.8 billion and is made up of 8,000 active vehicle contracts. Going forward the strategy for 2010 is focused on aggressive sales effort while maintaining stringent financing criteria. Healthy portfolio management and risk diversification is evident as delinquent assets account for only 1.43% of the portfolio which is indicative of the effectiveness of the 'product programme' currently being applied by the Bank for this facility.



Housing Finance

The Bank adopted a very cautious approach in booking home mortgages and business targets were realigned by modifying and fine tuning consumer financing policies. The total housing finance portfolio currently stands at Rs. 3.0 billion representing 1145 customers across Pakistan. Furthermore, contrary to the industry-wide trend of an increase in non-performing loans, Meezan Bank managed to maintain its delinquent assets within acceptable limits of between 5% to 6%, which is one of the lowest in the industry. With the impending revival of economy, the Bank plans to aggressively grow this business in 2010.



Treasury and Financial Institutions

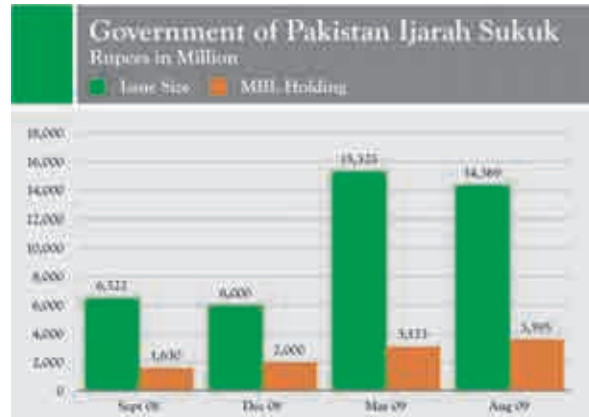
In 2009, Meezan Bank's Treasury continued to play an active role in the local foreign exchange and money market. On the foreign exchange front, Treasury continues to support the various business units in generating higher volumes of trade finance business. As trade finance business of the bank grew to Rs. 110 billion for the year, Treasury witnessed huge growth in foreign exchange volumes. Despite the removal of forward cover facility for importers, relationships with good-quality corporate clients continued to grow on the basis of Meezan Bank's competitive pricing in the market. Treasury is also active in handling export business and the Bank booked forward cover contracts totaling more than Rs. 8 billion during the year.

Meezan Bank continues its strive to develop the market for Government of Pakistan (GOP) Ijarah Sukuks by not only successfully bidding in the auctions held in 2009, but also trading this instrument in the secondary market



Going forward, Meezan Bank is cognizant of State Bank of Pakistan's (SBP) initiative to introduce e-bond automated trading for GOP securities, which includes Ijarah Sukuks through Bloomberg. Being a primary dealer for GOP Ijarah Sukuks, Meezan Bank will try to not only introduce this platform within itself, but also create a viable secondary market for these Sukuks.

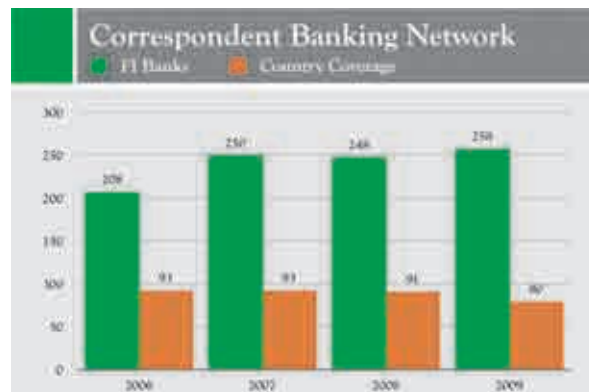
Meezan Bank continues to facilitate other Islamic banks and Islamic banking branches in their quest to deploy or solicit excess liquidity through various Islamic modes. Treasury is in constant liaison with the Bank's Product Development and Shariah Compliance (PDSC) department to devise new treasury products with the vision to create an Islamic interbank money market.



The Financial Institutions (FI) and Correspondent banking unit kept a vigilant eye on changes happening in both the local and international markets in the form of mergers, acquisitions and liquidation of financial institutions. The Bank has installed a new online facility of the Bankers Almanac to ensure that up-to-date on financial data on banks worldwide. FI has been working hard to nurture and grow correspondent banking relationships as a result of which it has been able to handle record volumes of trade finance business through its counters.

Capitalizing on the Trade Finance Facilitation Agreement that the Bank signed with International Finance Corporation (IFC) in 2008, the Bank entered into similar programs with the Asian Development Bank (ADB) and Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), a subsidiary of the Islamic Development Bank. Under these arrangements, international correspondent banks add confirmation on Meezan Bank L/Cs against the support of IFC, ADB and ICIEC.

The complete list of all correspondent banking relationships is given on page 180.

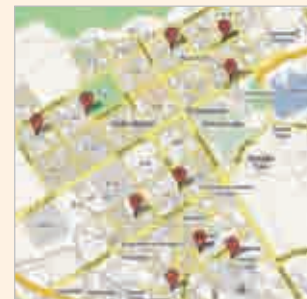


Meezan Bank's Branch Network Charted on Google Maps

Meezan Bank has charted its entire branch network of 201 branches in 54 cities of Pakistan on Google Maps; thus providing its customers and the general public the facility to easily locate any branch of Meezan Bank from their home or office, making the largest Islamic Banking branch network in Pakistan available at customers' fingertips.

Each branch of Meezan Bank has been marked accurately and with all the relevant branch and contact details on Google Maps. Additional marking of relevant roads, shops and landmarks has also been done to provide easy directions to each branch.

By utilizing Google's services, anyone can locate Meezan Bank's nearest branch and also retrieve the best route to their desired branch. The service can be accessed from both home and office and on cell phones via GPRS.





Al Meezan Investment Management Ltd.

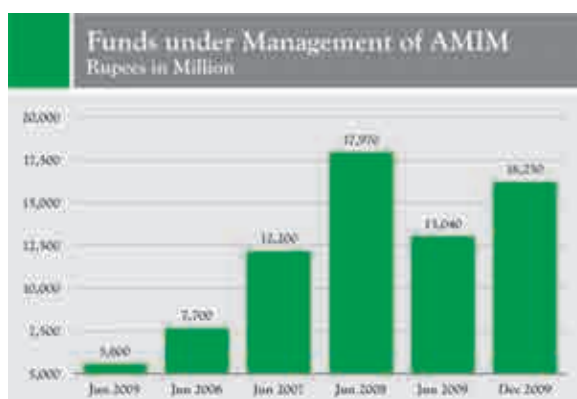
Al Meezan Investment Management Limited

Asset Management

The asset management business of Meezan Bank Limited is managed by its subsidiary, Al Meezan Investment Management Limited (AMIM). The company has been in operation since 1995 and is one of the oldest private sector companies managing mutual funds in Pakistan. AMIM is the only asset management company in Pakistan with the exclusive mandate of providing Shariah-compliant investment solutions to its investors. Total funds managed by AMIM exceeded Rs. 16 billion as at December 31, 2009.

The PDSC team of Meezan Bank ensures that funds managed by Al Meezan are in accordance with Shariah guidelines issued from time to time by the Shariah Advisor. During the year, Al Meezan launched Meezan Cash Fund; its seventh fund under management and is currently working on the launch of another fund, namely Meezan Sovereign

Fund, which would primarily invest in Shariah-compliant government backed securities. After the launch of Pakistan's first co-branded Islamic equity index KMI-30 in 2008, AMIM is also working on developing a Shariah-compliant Exchange Traded Fund in Pakistan.



Name of Fund	Type	Net Assets - Rs. In million (December 31, 2009)	Annualized Return Since Inception
Al Meezan Mutual Fund (AMMF)	Closed-end Equity	1,396	22.50%
Meezan Islamic Fund (MIF)	Open-end Equity	4,363	16.64%
Meezan Balanced Fund (MBF)	Closed-end Balanced	1,240	13.13%
Meezan Islamic Income Fund (MIIF)	Open-end Income	4,117	9.42%
Meezan Cash Fund (MCF)	Open-end Money Market	3,276	9.31%

MCF return is annualized since its launch on 15 June 2009





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 policies and procedures of the Bank, legal and regulatory requirements and the directives of its Shariah Advisor and the Shariah Supervisory Board. The support units are:

Product Development and Shariah Compliance

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

□ Product Development and Research

Several new initiatives were undertaken in the area of Product Development. New business solutions were provided to Oil marketing sector based on Tijarah, while Istisna-based solutions were successfully offered to textile, packaging, food processing, fertilizer and export related industries, broadening the reach of Islamic banking solutions. Successful solutions were provided for swapping short-term and long-term liabilities from conventional banking to Islamic banking based on Tijarah and other Shariah-compliant modes. Furthermore, tailor-made industry-specific solutions were offered to different SME and Corporate customers for working capital and long term finance needs based on Islamic financing modes like Murabaha, Istisna, Tijarah, Ijarah, Diminishing Musharakah and Sukuk.

A Shariah-compliant wheat-procurement-financing program was developed and executed during the year to facilitate the procurement of wheat by Punjab Food Department (PFD). Running Musharakah and transactions-based Musharakah facilities were refined to make them attractive for the customers. Based on the philosophy of continuous improvement the Bank also refined the legal documentation of its financing agreements to incorporate the new Shariah guidelines and research. To facilitate international trade payments, a Shariah-compliant International Trade Guarantee arrangement was entered into with Asian Development Bank. Focused research is also being done for development of solutions for service sector such as travel industry, Islamic micro financing and agriculture financing.

During the year, the Bank developed Shariah-compliant products for structured financing transactions for different corporate clients including Liberty Power Sukuk, PIA Sukuk and Amreli Steels Sukuk.

Being a leader in Islamic banking in Pakistan, Meezan Bank continued to play its role of promoting standardization and enhancing the penetration of the Islamic Banking industry in the country. During the year, Shariah-compliant products for Islamic Inter-bank financing for Islamic Banks were successfully developed with the consensus of other

Meezan Bank launches 'Meezan Labbaik', Savings Account for Hajj and Umrah

Meezan Bank launched its new product 'Meezan Labbaik', which allows customers to save money to perform Hajj or Umrah and is also available to customers who want to make full payment upfront and proceed immediately for the pilgrimage.

On opening a Meezan Labbaik account, Meezan Bank will facilitate the customers for all matters related to the Holy act of performing Hajj or Umrah including visa processing, ticketing through a designated travel agent, hotel reservations etc.

Meezan Bank has launched this product to provide comfort, convenience and security to pilgrims so that they can perform Hajj and Umrah with peace of mind and at an affordable cost. The especially designed packages are well-organized and competitively priced.



A Holy Journey with Comfort & Convenience!



major Islamic banks; this initiative would pave the way for the development of an Islamic banking benchmark rate as an alternative to KIBOR. A comprehensive research paper for development of Islamic banking benchmark was also prepared and circulated to the major Islamic banks in the country.

The Bank also continued to play its active and leading role in the Islamic banking subcommittee of Pakistan Bankers Association (PBA) and at several SBP task forces for promotion of Islamic banking in the country.

□ **Retail Banking Products**

In order to develop innovative products for individual customers, a new unit for Retail Banking products was formed in March 2009 under the guidance of Meezan Bank's Shariah Advisor. This unit will work both towards development of new value added products and refinement of the existing products.

During the year, the Bank also introduced Meezan Labbaik under which individuals can save money with Meezan Bank for performing the Hajj or Umrah pilgrimage.

□ **Internal Training**

Meezan Bank has always given importance to continuous training of its staff. During the year, 72 Islamic Banking Training Sessions were held in which 2234 employees participated throughout Pakistan. The 4th Batch of in-house Islamic banker Certification Course - an extensive 4-month program was successfully held simultaneously through video conferencing for the first time in four cities namely Karachi, Islamabad, Lahore and Multan. An intensive 5-Day training session was also organized in which leading scholars and Shariah Advisors of various Islamic banks imparted training to Meezan Bank's staff. Islamic banking refresher course was also held for the Senior Management of the Bank which was conducted by the Bank's Shariah Supervisory Board member; Sheikh Essam Muhammad Ishaq. Furthermore self-training methodology was reshaped and encouraged by development of Islamic banking training videos and branch-wise Islamic banking FAQs sessions.

□ **External Training and Awareness Initiatives**

With the objective of creating awareness and spreading education about Islamic banking, Meezan Bank continued its active role by conducting various training programs, workshops and seminars on Islamic banking both locally and internationally. During the year, 24 Islamic banking seminars were successfully held in 14 cities across Pakistan. The Bank also continued its support to other institutes in Pakistan including State Bank of Pakistan, National Institute of Banking and Finance and Centre for Islamic Economics in conducting Islamic banking training sessions. Several Islamic banking courses were also conducted by Meezan Bank's staff at various institutes including Institute of Business Administration, IBA-Sukkur, Institute of Business Management, Karachi Institute of Economics and Technology, and Sheikh Zayed Islamic Institute (Karachi University). A full fledged MBA program in Islamic banking was also launched with Riphah International University, Islamabad.

With a focus to promote Islamic banking internationally and share its experiences, a specialized training workshop was conducted on Islamic banking products and practical aspects in collaboration with Ernst and Young in Bahrain. To help in the development of Islamic microfinance and capacity building, a 2-day workshop was conducted by the Bank for the field and office staff of Islamic Relief at their Country Office in Islamabad.

□ **Shariah-compliance and Audit**

Shariah-compliance has always been the strength of Meezan Bank where no compromise is made on Shariah principles. Shariah-compliance mechanism at Meezan Bank operates at different levels ranging from customer visits, designing of specific process flows for financing customers, random transaction reviews to formal Shariah Audits. Shariah Audit works in close liaison with Internal Audit and Compliance functions of the Bank to ensure Shariah-compliance through multiple cross-functional checks.

During the year, Meezan Bank conducted several Murabaha transactions where the Bank purchased goods directly from the supplier without the involvement of an agent in order to further refine its Murabaha product. In Istisna and Tijarah transactions, Shariah-compliance is ensured through 100% physical inspection before taking delivery of the goods purchased by the Bank for onward sale.



□ **Islamic Financial Advisory Services**

Meezan Bank provides Islamic Financial Advisory Services to different financial institutions interested in offering Islamic banking products and services both in Pakistan and abroad. The main objective of Meezan Bank's Advisory function is to help institutions develop Islamic Financial Products by sharing the experience, research and success stories of Meezan Bank. In the area of Islamic Fund advisory the Bank advised Al-Meezan Investment Management Limited (AMIM), National Fullerton Asset Management Company Limited (NAFA), KASB Funds Limited and Pak-Oman Asset Management Limited for launch of various types of Shariah-compliant Mutual Funds. Being the Shariah Advisor of AMIM, the Bank also provided Shariah Advisory and related technical services for matters related to re-composition of KMI - 30 Index (KSE Meezan Islamic Index) which is Pakistan's first ever Shariah-compliant Islamic Index.

Meezan Bank also provided advisory services for launch of Islamic consumer finance to United Sales (Pvt) Ltd (USL), a subsidiary of Dawlance.

Operations

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

One of the major projects currently being handled by the Operations department is the implementation of the Bank's new core banking application - T-24 (more fully explained under Information Technology). Significant progress has been made on this project to date and the Bank's first branch went live on T-24 in May 2009 while an additional fifty branches migrated onto the new platform by the end of 2009. All core banking modules will be implemented at all branches during 2010 insha'allah.

During the year the Bank conducted an extensive exercise for mapping all its existing procedures in order to identify ways of enhancing internal controls and eliminating process inefficiencies. Going forward, particular attention is being given to improving systems and controls and a new unit has been set-up to focus on this activity.

A number of key Operations functions have been centralized and extensive efforts are underway towards centralization. This will improve processing in a more controlled environment and ensure that errors and audit gaps are minimized.

Trade Finance is an important unit of the Bank's Operations department. Alhamdulillah, during the year the total volume of business handled by the unit crossed the landmark figure of Rs.100 billion and generated fee income of Rs.195 million. The Islamic Export Refinance Scheme also continues to remain a successful product for the Bank's customers.

The Credit Administration unit, an integral and critical arm of the Operations department, is responsible for ensuring that the documentation supporting asset based transactions conducted by the Bank are properly completed as per the relevant approval, so as to safeguard the interest of the Bank and also to comply with all legal and regulatory requirements.





Information Technology

A strong and robust Information Technology (IT) backbone is at the heart of all transaction processing at Meezan Bank. Significant investment continues to be made in various IT initiatives such as the roll-out of a new Core banking application, T-24, supplemented by Oracle E-Business Suite covering General Ledger, Business Intelligence capability and enterprise level self-service Human Resource Management System (HRMS). T-24 is a core banking application developed by a Swiss company, Temenos, that is currently deployed at over 400 financial institutions world-wide. This new system is currently being implemented and 51 branches are presently live on the new application. The new Human Resource Management System is also in the final stages of implementation.

The Bank has also setup a dedicated unit for the purpose of implementing strict Information Security Controls and IT governance and is putting in place Software Quality Assurance procedure as per the international standards.

The Bank offers unified communication platform for messaging and collaborative applications over mobile devices. Round-the-Clock Data Centre Service monitoring is also maintained with the help of automated Alert mechanism to avoid any possible downtime.

The following projects will insha'allah be completed in 2010

- Implementation of all modules of T-24 across the entire Meezan network.
- Improvement in operational efficiency of core banking system T-24.
- Maximizing the use of Financial ERP solutions implemented to further improve financial reporting and business agility.
- Implementation of Oracle Core HR, Payroll, Learning Management and Self Service.

Alternate Distribution Channels

The Alternate Distribution Channel (ADC) department plays a vital role in promoting Meezan Bank as an institution that cares about its customers. ADC is responsible for all channels other than 'brick and mortar' branches, that allow customers to manage their accounts and conduct financial transactions on a 24/7 basis. These include ATMs, Call Centre, Internet Banking and VISA Debit Card.

A new product, the **Meezan Bank VISA Debit Card** was launched in September 2009 and more than 30,000 cards have already been issued. The card allows Meezan Bank customers to shop at more than 30 million merchants worldwide. In addition, the card also allows customers to withdraw funds from their accounts from more than 1.4 million ATM's worldwide. The VISA Debit card provides customers the convenience of not having to carry cash for everyday purchases and also allows them to keep an automatic track of their spending.

Meezan Bank launches the Meezan VISA Debit Card

Meezan Bank launched its Meezan VISA Debit Card which is a halal and Shariah-compliant product with no late payments and no interest charges, providing customers with convenience, security and reliability to access their account anytime, anywhere.

Meezan VISA Debit Card is accepted at over 30 million outlets worldwide and allows customers to withdraw funds from their Meezan Bank account from more than 1.4 million ATMs worldwide. This card is an ideal choice for shopping, dining, traveling, fuel and cash needs.





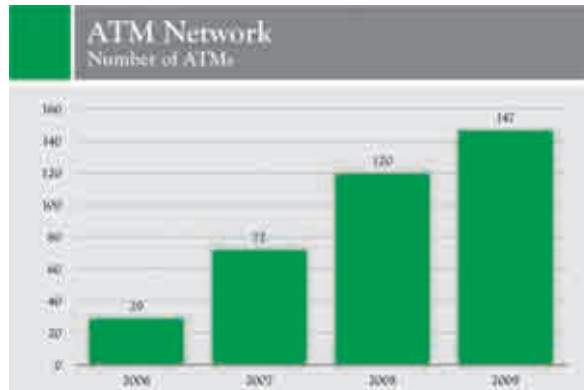
ADC also added 27 new ATMs to its growing network taking the total to 147 ATMs. All Meezan Bank ATMs are linked to the ILink and Mnet switch – the only two switches that are available in Pakistan – and gives Meezan Bank customers access to over 3,000 ATMs across the country.

Meezan Bank's Call Center handled more than 770,000 calls during the year. Customers can call the bank 24/7 for their account information or to carry out banking transactions such as issuance of pay orders, transfer of funds and ordering of cheque books. Not having to visit the branch to perform these and other tasks is a major convenience for the Bank's customers.

The SMS alert service keeps the customers constantly informed about every transaction that occurs on their account.

Any unauthorized transaction is instantly communicated to customers via SMS and the customer can take action accordingly. The usefulness of this service can be gauged from the fact that over 5 million SMS alerts were sent out in 2009.

Meezan Bank's Internet Banking (<https://ebanking.meezanbank.com>) has gained significant popularity amongst customers in 2009. Internet banking is a user-friendly tool that allows customers to conduct their banking transactions from the comfort of their home or office. Tasks such as ordering a Payment-order or changing of mailing address and contact details are easily done in minutes through leading encryption technology that ensures complete security.



Human Resource

At Meezan Bank we believe that our people are our primary asset. The total staff strength of Meezan Bank now stands at over 3,200 people; it is this team that is helping the Bank achieve its corporate goals and objectives and spearheading the effort of promotion and establishment of Islamic Banking in Pakistan.

During 2009, the strength of Meezan Bank's Human Resource (HR) department was increased to cater to the increased number of staff in the organization. The Bank also continued to work on refining its employee value proposition.

During the year, a comprehensive HR Policy and Procedures Manual was compiled, approved by the Board of Directors, and published on the company's intranet.

Our efforts on modernizing our HR function continue with the implementation of the ORACLE-HRMS system which is in an advanced state of completion. This will automate HR procedures, simplify workflows, improve MIS, facilitate the implementation of policies and improve employee record-keeping.

Training and Development

At Meezan Bank, training and development of new and existing staff has always remained a priority. During the year, in order to support the aggressive growth in our head count, continuous efforts were made to impart multi-dimensional training to the staff, covering Islamic banking concepts and products, core-banking skills as well as soft skills. To facilitate the continuous training process, five state-of-the-art fully equipped training centres have been set up in Karachi, Islamabad, Lahore, Faisalabad and Multan.

In the area of Islamic banking 72 training sessions were held and attended by 2234 employees throughout Pakistan. Over 30 mandatory Islamic banking Orientation programs were conducted for new staff members to give them basic knowledge about Islamic

Meezan Bank re-introduces course of Islamic Banking and Finance at Institute of Business Administration

Meezan Bank is playing a pivotal role in disseminating information about Islamic banking by encouraging related courses at leading universities of the country.



A course in Islamic Banking and Finance was re-introduced at the Institute of Business Administration (IBA) Karachi, as a regular course, after a gap of almost three years. This shows the growing demand of students to acquire knowledge in this field. Efforts are also underway to introduce a full fledged MBA programme in Islamic Business and Finance at leading educational institutes of Pakistan.



banking and Meezan Bank. A 4-month Islamic Banker Certificate course was conducted by PDSC through video conferencing in four cities across Pakistan. In addition to this, a number of staff members were sent to external Islamic banking PGD courses by the Bank.

To impart core-banking skills and enhance the soft skills of the employees an extensive menu of over 40 technical and soft skill courses has been put into place, comprising of modules on General banking Operations, Islamic banking Products, Credit, Trade Finance, Branch Audit, AML/ KYC, Sales, Service Excellence, Team Building etc. tailored to the training needs of various categories of staff. During the year, over 10,000 staff have gone through these trainings conducted in more than 480 training sessions across the country.

As part of the Bank's Trainee Officer program, the Bank hired the 4th Batch of trainee officers with 76 fresh business graduates from different Pakistani educational institutes. The batch was inducted after a rigorous selection process and new trainee officers were provided an intensive 6-months training comprising of 24 days classroom and over 5 months on-job training.

To further enhance the quality and frequency of internal training sessions a pool of over 150 internal trainers has been identified and developed over the last two years by the Training department. During the year, most of the in-house trainings have been conducted by the Bank's internal trainers.

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

Service Quality

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

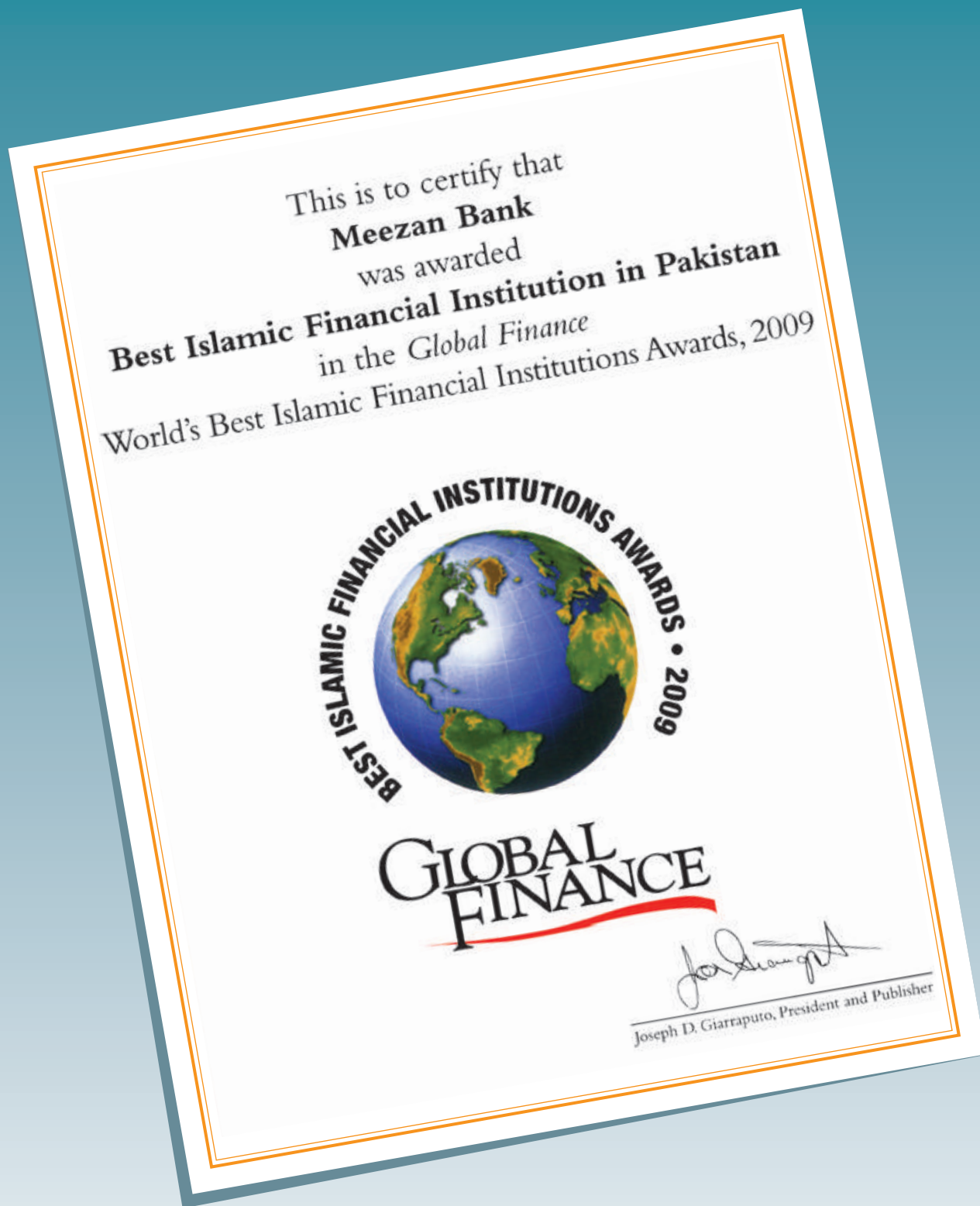
Service Level Agreements and Internal Service Measures have been developed and agreed between various departments. These are developed to monitor Key Performance Indicators, focusing on the service recipient, their business needs and objectives.

A centralized complaint resolution department (Customer Care Unit) deals with all customer queries and complaints and coordinates their resolution with the concerned departments.

In order to increase its monitoring efficiency, a monthly Customer Satisfaction Survey is conducted by the Service Quality department along with a Mystery Shopping exercise which is conducted through an external source. The purpose of these activities is to obtain an unbiased picture of the Bank's overall service-performance and to work towards improvement of the service culture.



Global Finance names Meezan Bank “the Best Islamic Financial Institution in Pakistan”





Directors' Report to the Members

The Directors of Meezan Bank Limited are pleased to present the thirteenth Annual Report and audited financial statements, setting out the detailed financial results of the Bank together with the consolidated financial statements of the Group, including Al-Meezan Investment Management Limited (its asset management arm), for the financial year ended December 31, 2009.

Economic Overview

Pakistan has continued to suffer from the fallout of the international financial crisis that began in 2008. The real Gross Domestic Product (GDP) growth rate fell to 2% for fiscal year 2008-2009; however, the process of gradual recovery has started and real GDP is likely to be close to the target of 3.3% for fiscal year 2009-2010. Foreign Direct Investment (FDI) continued to fall and manufacturing sector output has also been negatively impacted due to a drop in demand for exports. Although parts of the textile sector have benefited from the significant depreciation in the Pak Rupee in 2008, the industry as a whole is still in a downturn. The silver lining has been the agricultural sector that performed well and registered positive growth and the outlook on agriculture for the current year is also good. In addition, workers' remittances increased during the year to a level of more than US\$ 8 billion during Jan-Dec 2009. Another significant improvement has been the reduction in the Current Account deficit that fell from US\$ 7.8 billion for the first half of fiscal 2008 to US\$ 1.3 billion in the corresponding period in 2009. This reduction is mainly on account of lower crude oil prices. This together with aid flows under the IMF program has helped stabilize the Rupee exchange rate and increased foreign exchange reserves to more than US\$ 15 billion.

The tight monetary stance adopted by the SBP brought the rate of inflation down from very high levels at the start of the year and the 12 month moving average rate of inflation for the year was 13.6%. As a result, we have recently witnessed the easing of monetary policy with the discount rate falling from 15% at the start of 2009 to 12.5% at the end of the year. The reduction in rates bodes well for the economy and should help industrial output recover to its former levels.

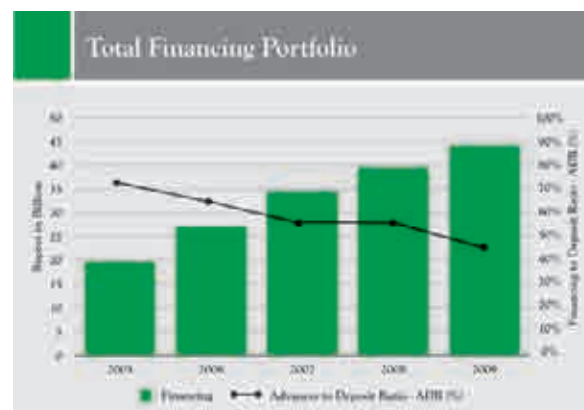
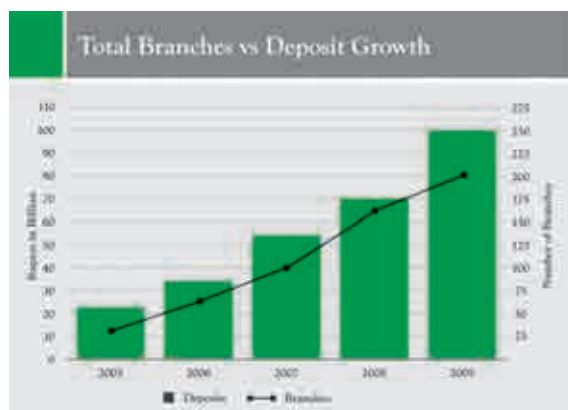
The stock markets in Pakistan performed very well in 2009. KSE 100 index registered an increase of 60% during the year while Shariah based KSE-Meezan Index (KMI) recorded an appreciation of 105%. The average daily trading volume stood at 171 million shares as compared to 133 million shares in 2008. A few capital market offerings were also seen, after a long period of inactivity, and received very good response from investors with two issues being well over-subscribed.



Operating Results

Despite the difficult economic conditions, Meezan Bank has achieved, Alhamdulillah, excellent results. Several historic milestones have been achieved in 2009:

	2009	2008	Growth
Branch Network	201 Branches	166 Branches	21% ↑
Deposit	Rs. 100 Billion	Rs. 70 Billion	43% ↑
Profit After Tax-Bank	Rs. 1.025 Billion	Rs. 0.621 Billion	65% ↑
Profit After Tax-Consolidated	Rs. 1.577 Billion	Rs. 0.213 Billion	640% ↑
Trade Finance Business	Rs. 115 Billion	Rs. 93 Billion	24% ↑



The historic milestone of 201 branches in 54 cities of Pakistan was achieved during the year by adding 35 new branches to the Bank's existing network. This significant achievement of establishing an extensive network within a short span of 8 years enabled Meezan Bank to consolidate its dominant position in the Islamic banking industry.

Deposit growth of 43% was achieved - a rate of growth that is significantly higher than that recorded by the banking industry as a whole. In addition, this growth was achieved without any increase in cost of funds that was maintained at low levels, relative to the industry average. This reflects the strong "Brand Equity" of Meezan Bank.

The economic downturn has taken a serious toll on the banking sector of the country. Delinquencies have increased, as a result of which non-performing portfolio of the banking industry reached Rs. 422 billion at the end of the third quarter, representing 14% of the gross financing portfolio of the banking industry. As a result, provision for non-performing financings for Meezan Bank also increased substantially, increasing from Rs. 428 million in 2008 to Rs. 1,431 million in 2009.

Notwithstanding the very high level of provisioning, the Bank registered an impressive 65% increase in profit after tax, from Rs. 621 million to Rs. 1,025 million. In addition, the consolidated profit after tax of the bank increased from Rs. 213 million to Rs. 1.577 billion, primarily on account of substantial increase in the Net Asset Value of the Bank's investments in funds managed by its subsidiary, Al-Meezan Investment Management Limited.

The Bank has been cautious in increasing its financing portfolio due to the uncertain economic and political environment. The total financing portfolio grew by only 15% during the year and the Bank's Advances Deposits Ratio (ADR) was maintained at low levels - approximately 45% during the year.

Financial Results

Rs. in million

PROFIT AND LOSS ACCOUNT	2009	2008
Total returns on financings, investments and placements	10,102	6,803
Total returns to depositors	(4,970)	(3,088)
Net spreads before provisions	5,132	3,715
Fee, commission, forex and other income	1,332	802
Dividends	190	244
Gross Core banking income	6,654	4,761
Operating expenditure	(3,471)	(2,713)
Core banking income before provisions	3,183	2,048
Provision against non-performing financings	(1,431)	(428)
Capital gain / (loss)	(12)	(628)
Profit before tax	1,740	992



The Islamic Banking industry continues to grow in Pakistan and 6 full-fledged Islamic Banks and 12 Islamic windows of conventional banks are presently operating in Pakistan. Islamic Banks now account for over 5.50% of the total banking industry. This augurs well for the Islamic Banking sector and we are confident that Islamic Banks will further increase their market share in the coming years.

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

Earning Per Share

Due to increase in profitability, the Earning per Share increased from Rs. 1.22 to Rs. 1.71 per share, reflecting an increase of 40%.

Dividend

The Board has recommended to issue 5% Bonus Shares (2008: 8.6%) for year 2009 continuing 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. 6.98 billion.

Right Shares

The paid-up capital of the Bank was increased to Rs. 6.6 billion during the year after taking into account the proceeds of the Right Issue of Rs. 1.7 billion approved by the Board of Directors. Accordingly, the minimum capital requirement of Rs. 6 billion required to be met by December 31, 2009 as stipulated by State Bank of Pakistan was met. The Bank's Tier 1 capital adequacy ratio is at a comfortable level of 12.77 % as at December 31, 2009.

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 therefrom 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 seven 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, 2009 amounted to Rs. 266.026 million. The value of investments of Gratuity Fund amounted to Rs. 68.129 million based on un-audited accounts as at December 31, 2009.
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, 2009 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.



Risk Management Framework

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

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

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

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

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

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

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

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

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

Reporting on Internal Controls

During the year, the State Bank of Pakistan (SBP) directed the banks that they are not required to publish the Directors' Statement on Internal Controls and the related report by the external auditors with the 2009 Annual Report. However, SBP requires the auditors to assess the status of compliance by the banks with its directives on Internal Controls and report the same to SBP. Accordingly, the Statement on Internal Controls is not being published with the financial statements. However, the auditors of the Bank will submit their report to the SBP as and when relevant guidelines are issued by SBP/Institute of Chartered Accountants of Pakistan in this regard.

Credit Rating

The JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Agency, Japan maintained the Bank's long-term entity rating at A+, and upgraded the Outlook from "Stable" to "Positive". The short-term rating has been maintained at A1.

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2009 is annexed with the report.



Directors

An Extraordinary General Meeting of the Bank was held on November 17, 2009 for the election of Directors. The Board wishes to place on record its appreciation of the services rendered by the retiring directors and welcome all newly elected directors on the Board.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible offers themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Bank for the year ending December 31, 2010.

Future Outlook and strategy

In 2006 the Board of Directors of Meezan Bank, approved a Strategic Plan for the period 2007 to 2011. One of the key milestones of that plan was to aggressively grow the branch network to 200 branches by the end of 2010. This milestone, together with most other milestones envisaged in the strategic plan mentioned above have now been successfully achieved. As a result and also in the light of the significant macro-economic changes experienced both domestically and internationally, the management team has developed a new strategic plan for the next five years. The highlights of the Strategic Plan 2010 - 2014 are to:

- Improve systems and controls
- Maintain growth without any compromise on Shariah-compliance
- Continue to build the branch network
- Sustained investment in technology
- Focus on service quality
- Improve staff training

The Bank will strive to build a high quality financing portfolio and increase ADR to a level between 55% and 60% so as to increase shareholder return.

As technology assumes ever increasing importance in the banking services industry, the Bank has developed a comprehensive IT strategy to see it through the coming years. The Bank is in process of implementing a new core banking application - T-24 (a product of Temenos, a leading Swiss software company). Core retail modules (Branch-wise functionality) have already been successfully rolled out in 51 branches. The deployment is in progress and Insha'allah our entire network will be switched to T-24 during 2010.

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

Acknowledgement

The landmark achievement of Meezan Bank, in a short span of 8 years, would not have been possible without the relentless efforts of the entire Meezan Bank team. We wish to sincerely thank each one of them for their hard-work and commitment. May Allah Almighty bestow His blessings on them and their families.

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

On behalf of the Board

Ebrahim Bin Khalifa Al-Khalifa
Chairman

Irfan Siddiqui
President & CEO

February 5, 2010.



Annexure to the Directors' Report for the year ended December 31, 2009

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

	Number of shares as at January 01, 2009	Right Shares allotted/ Subscribed during the year	Number of shares as at December 31, 2009
NAME OF DIRECTORS			
H.E.Sheikh Ebrahim Bin Khalifa Al-Khalifa	3,294,323	1,153,012	4,447,335
Mr. Naser Abdul Mohsen Al-Marri	3,294,323	1,153,012	4,447,335
Mr. Rana Ahmed Humayun	658,736	230,557	889,293
Mr. Irfan Siddiqui	108,601	38,010	146,611
CFO & COMPANY SECRETARY			
Mr. Shabbir Hamza Khandwala	-	-	-

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

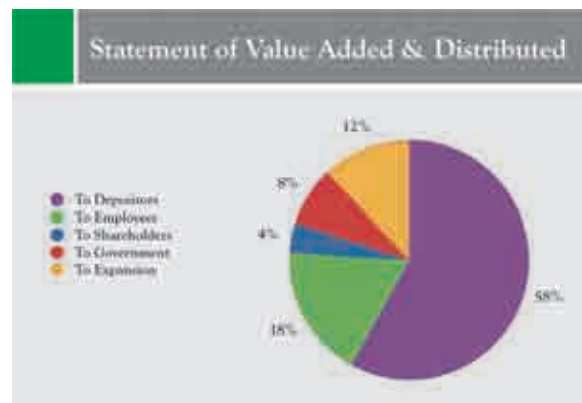
NAME OF DIRECTOR	Meetings Attended
H.E.Sheikh Ebrahim Bin Khalifa Al Khalifa - Chairman	4
Mr. Naser Abdul Mohsen Al-Marri - Vice Chairman	5
Mr. Jassar Dakheel Al-Jassar	1
Mr. Rana Ahmed Humayun	5
Mr. Mohammed Azzaroog Rajab	2
Mr. Ahmed Abdul Rahim Mohamed	5
Mr. Nawal Ahmed	5
Mr. Alaa A. Al-Sarawi	4
Mr. Wamiq Rizvi (Appointed on May 15, 2009)	2
Mr. Mazhar Sharif *	-
Mr. Irfan Siddiqui - President & CEO	3
Mr. Ariful Islam	5

* Appointed on November 17, 2009 and no meeting was held after his appointment.



Statement of Value Added and Distributed

	2009 Rupees in '000	%	2008 Rupees in '000	%
Value Added				
Profit / return on financings, investments and placements-net of provision	8,582,884	99.7	6,085,893	111.0
Fee, commission and brokerage income	529,260	6.2	431,725	7.9
Dividend income	189,973	2.2	243,585	4.5
Income from dealing in foreign currencies	752,904	8.7	304,692	5.6
Gain / (loss) on sale of securities and other income	125,667	1.5	(272,094)	(5.0)
	10,180,688		6,793,801	
Administrative and other expenses	(1,576,572)	(18.3)	(1,313,313)	(24.0)
	8,604,116	100.0	5,480,488	100.0
Value allocated as follows:				
to depositors/ financial institutions Return on deposits and other dues expensed	4,969,916	57.7	3,088,334	56.4
to employees Salaries, allowances and other benefits	1,555,186	18.1	1,167,839	21.3
to shareholders Dividend - bonus shares	332,502	3.9	390,085	7.1
to Government Income tax	714,372	8.3	371,124	6.8
to expansion Depreciation and amortisation	339,291	3.9	232,004	4.2
Retained in business	692,849	8.1	231,102	4.2
	1,032,140	12.0	463,106	8.4
	8,604,116	100.0	5,480,488	100.0

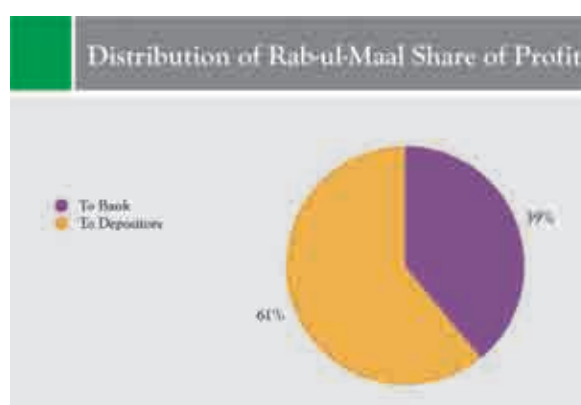




Allocation of Income and Expenses to Remunerative Depositors' Pool

For the year ended December 31, 2009

	2009	2008
	Rupees in '000	
Income from financing activities	5,226,529	4,744,522
Income from investments	1,986,795	917,394
Income from placement with financial institutions	3,039,724	1,189,972
Other income attributable to pool	592,266	123,031
Total income	10,845,314	6,974,919
Less: Administrative expenses directly attributable to pool	(182,093)	(186,797)
Less: Profit distributed to other special Pools	(393,096)	(191,278)
Gross distributable income	10,270,125	6,596,844
Mudarib (bank) share of profit	(4,016,462)	(2,331,369)
Rab-ul-Maal share of profit	6,253,663	4,265,475
Rab-ul-Maal share of profit is distributed as follows:		
- Remunerative depositors' share in mudarabah pool	4,576,820	2,897,056
- Bank equity in mudarabah pool	1,676,843	1,368,419
	6,253,663	4,265,475





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 eighth year of Islamic commercial banking for Meezan Bank Limited. During this year, the bank developed and executed a variety of new as well as established Islamic banking products and transactions after due approval from the Shariah Supervisory Board and/or Shariah Advisor. During the year, the Shariah Supervisory Board (SSB) of Meezan Bank Limited held 2 meetings to review various products, concepts, transactions, processes and their Shariah-compliance, referred to them by the Shariah Advisor.

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

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

1. Research & New Product Development: During the year, the bank has launched a Hajj & Umrah product namely Meezan Labbaik, a product designed for customers to facilitate their holy journey. Several customized Shariah-compliant solutions were provided to new sectors of the industry based on Islamic modes of financing including Tijarah & Istisna. Solution for Islamic Inter-bank financing was successfully developed based on Musharakah & Wakalah with the consensus of other major Islamic banks in Pakistan. An innovative structure was developed for financing transaction with Food Department, Government of Punjab, for the procurement of wheat. Based on the guidelines provided by the Chairman of SSB of the bank, legal documentation of all financing products was further refined as part of the continuous improvement process.

Furthermore, active research is being done in many areas of business including development of Islamic alternative for the Continuous Funding System (CFS) transactions, Islamic Microfinancing & Agriculture financing, Islamic Benchmark as an alternative to KIBOR, Islamic long-term finance facility (ILTFF) for exporters and new deposit product options for small savers etc.

2. Investment Banking: During the year Meezan Bank structured & participated in various Shariah-compliant structured finance transactions such as Liberty Power Sukuk, PIA Sukuk and Amreli Steel Sukuk.

3. Training & Development: Several specialized in-house functional-level Islamic banking training sessions were held across all four regions during the year. The number of internal training sessions was increased with 72 Islamic Banking Training Sessions held during the year 2009 (60 sessions during 2008) in which 2234 employees participated across Pakistan. These sessions range from basic level orientation and Islamic Banking Certification to specialized sessions for middle and senior-level management. Furthermore, online self-training modules were developed by the product development & research team of the Bank to provide continuous training to all MBL staff through Intranet. Due to continuous increase in number of branches and employees, the focus on training and development needs to be further enhanced in the coming years. The bank also conducted 24 Islamic banking awareness seminars for corporate customers as well as the general public.

4. Shariah Advisory: The PDSC department of the bank is also involved in providing Islamic Financial Advisory Services to different financial institutions interested in offering Islamic banking products & services both in Pakistan and abroad with the objective of promoting Islamic financial products by sharing Meezan Bank's experience, research & success stories. During the year, the bank advised Al-Meezan Investment Management (AMIM), National Fullerton Asset Management Company (NAFA) and KASB Funds, Pak Oman Asset Management Limited for the launch & management of various types of Shariah-compliant Mutual Funds. Being the Shariah Advisor of AMIM, MBL also provided Shariah Advisory Services for matters related to re-composition of KMI - 30 Index (Karachi Stock Exchange Meezan Islamic Index) which is Pakistan's first ever Shariah-compliant Islamic Index. During the year, the Bank entered into 'Shariah Technical Services and Support' agreements with Meezan Cash Fund, Meezan Asset allocation Fund & Meezan Sovereign Fund.

Islamic Financial Advisory function of the bank also provided advisory for launch of Islamic consumer finance to United Sales (Pvt) Ltd (USL), a subsidiary of Dawlance group under the umbrella of *Diyanat financing*. The Bank also provided product-review advisory to Islamic Relief, UK for their Islamic microfinance program in Pakistan

Review of Assets

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



Murabaha transactions (including Islamic Export Refinance Scheme) constitute around 47% of the total financing portfolio as compared to 45% last year, while the share of Diminishing Musharakah & Istisna increased from 14.5% & 4% to 23% & 8% respectively. However, Ijarah transactions' share moved downward from 23% to 17%. These ratios suggest that the percentage of Murabaha in the overall financing figure has remained at the same level, however the Istisna-based financing has gained popularity. The Bank's total financing portfolio reached Rs. 46.716 billion as on December 31, 2009. All these transactions were executed using Shariah-compliant financing agreements.

It is a matter of great concern that due to excess liquidity, the bank has executed local currency Commodity Murabaha transactions amounting to Rs. 34.499 billion as compared to last two years' figures of Rs. 18.108 billion and Rs. 8.850 billion respectively, while the remaining excess liquidity was used in inter-bank Musharakah. In the absence of short-term placement avenues this mode was inevitably used. However, the Bank, in consultation with other players in the market, should try to explore other opportunities for short-term liquidity management.

Review of Liabilities

On the liability side, the Bank offered different Shariah-compliant deposit products based on the mode of Mudarabah. The total deposits of the Bank reached Rs. 100.333 billion as at December 31, 2009. During the year, the Bank accepted deposits on the modes of Musharakah for short-term liquidity management from inter-bank market and corporate clients.

Throughout the year, the process of the allocation of assets & 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 were monitored and reviewed in accordance with Shariah rules & principles.

Shariah Audit & Compliance Reviews

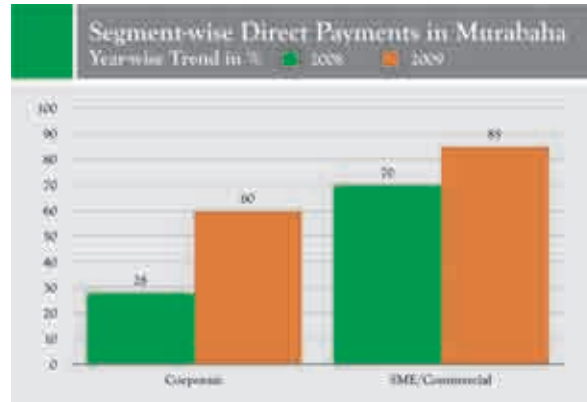
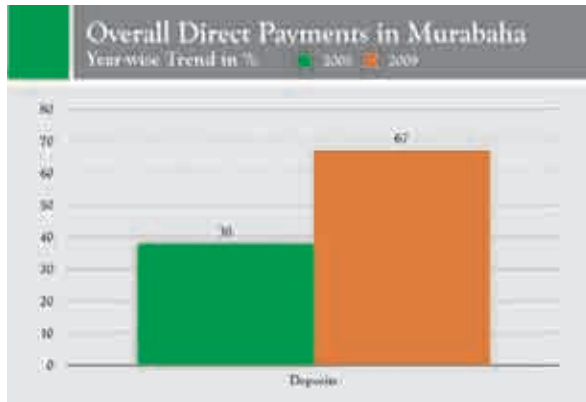
To ensure that all the products and services being offered by the bank strictly adhere to conjunctions of Shariah, the PDSC department actively monitored various operational activities of the Bank throughout the year. During the year, credit approvals, restructuring of financing facilities, customer-specific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

During 2009, over 400 customer-specific transactional process flows (of Murabaha, Diminishing Musharakah, Istisna, Tijarah & Ijarah) were revised / developed for SME customers and more than 380 Credit approvals and Restructuring of facilities were reviewed. For Corporate customers, over 400 customer-specific transactional process flows (of Murabaha, Diminishing Musharakah, Istisna, Tijarah & Ijarah) were revised / developed, 100 security documents, 120 credit approvals and restructuring of more than 10 clients were reviewed

Summary of Direct Payment in Murabaha Financing for Meezan Bank

MURABAHA FINANCING - DIRECT PAYMENT	2008	2009	Growth
Overall Portfolio	38%	67%	76%
Customer Wise Breakup			
Corporate	28%	60%	114%
SME/Commercial	70%	85%	21%
Region Wise Breakup			
NORTH	56%	88%	57%
SOUTH	46%	81%	76%
CENTRAL	30%	54%	80%

As per the directive of SSB to increase direct payments in Murabaha, it is a matter of appreciation that Bank has increased the overall percentage of direct payments. In the year 2009, a significant growth of 76% was registered in terms of direct payment for Murabaha financing as the overall percentage of direct payment was increased to 67% in the year 2009 against 38% in the year 2008.



In customer wise break-up of direct payments, a persistent upward trend was witnessed. In SME/Commercial segment the percentage of direct payment increased from around 70% in the year 2008 to 85% in the year 2009. For Corporate customers, a great deal of improvement was observed as the percentage of direct payment jumped from 28% in the year 2008 to around 60% in the year 2009.

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

In addition to the above compliance measures, this year Shariah audit & compliance review of 130 branches was conducted in order to get the first hand knowledge of the activities being carried out at these branches. These audited branches had approximately 74% share of total branch financing and approx. 75% share of total deposits of the bank.

During the year, Shariah Audit was conducted in all major branches, to ensure and evaluate the overall Shariah compliance of the bank's operation and their alignment with the guidelines given by Shariah Advisor and the SSB. In the audit process, following areas have been checked:

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

Based on the Shariah review, the Shariah Advisor has directed the Bank's management to provide for income amounting to Rs. 6.666 million earned on certain financing transactions where non-compliance was observed. Moreover, an amount of Rs 1.141 million was provided for charity to eliminate the non-compliant portion and purify the dividend income earned from the investment made in the Shariah-compliant stocks by the bank.

During the period, the Bank returned an amount of Rs. 7.635 million received as dividend income from M/s Faysal Management Services (FMS) as it was identified that the amount received as dividend income from the company was earned out of bank placement at a conventional bank thus rendering this whole amount as non-shariah compliant. Further the management has been advised to direct FMS to ensure that all investments are made in a Shariah-compliant manner.

Murabaha Monitoring System (MMS)

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



Charity

During the year, an amount of Rs. 51.170 million was transferred to the Charity account and an amount of Rs. 14.605 million was disbursed after the approval of the Shariah Advisor. Details of charity are available in note # 18.4¹. Moreover, as per the directive of SSB a charitable foundation by the name of Ihsan Trust has been established to ensure effective utilization and disbursement of charity funds.

Recommendations

Based on the review of various transactions, it is recommended that:

- For the placement of excess liquidity, the Bank shall explore new avenues of investment instead of only relying on the Commodity Murabaha transactions. Furthermore, the Bank should explore doing Commodity Murabaha transactions through the Commodity Exchange.
- In view of 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 shall organize special training workshops for the executives of their financing clients and continue the practice of conducting customer awareness seminars.
- The Bank should try to initiate execution of Musharakah transactions using the approved models of Running Musharakah facility and transaction-based Musharakah with its customers.
- In the area of retail banking, new deposit schemes that could give higher returns and added benefits to lower income segments and senior citizens shall be introduced.
- Efforts should be made to implement Islamic Microfinancing schemes in Pakistan.
- It is recommended that for residential area branches, separate Women-banking counters should be established to facilitate female customers and arrangements should be made to ensure minimal interaction of female staff with male customers at the branches.
- To strengthen the Shariah-compliance framework in the bank, the scope of external audit shall also include the review of bank's activities in light of the guidelines given by the Shariah Supervisory Board, Shariah Advisor, PDSC and SBP guidelines for Shariah compliance issued from time to time.

Conclusion

As per the charter of the Bank, it is mandatory on all of the management & employees to ensure application of Shariah principles and guidelines issued by the 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: Safar 09, 1431 H / January 25, 2010 AD

¹ For details see "Utilization of Charity Fund"



اس شریعہ آڈٹ کے نتیجے میں شریعہ ایڈوائزر نے بینک کی انتظامیہ کو ہدایت کی ہے کہ مختلف جمعیوں کی عتقود میں کمائے گئے 6.666 ملین روپے چیریٹی اکاؤنٹ میں ڈالے جانے کے لئے الگ کر دیئے جائیں۔ مزید برآں 1.141 ملین روپے چیریٹی اکاؤنٹ میں دے دئے جانے کی بھی ہدایت کر دی گئی ہے تاکہ کمائے گئے ڈیویڈنڈ کا ناجائز حصہ الگ کر دیا جائے۔

اس سال بینک نے 7.635 ملین روپے جو بینک کو فیصل منجمنٹ سروسز سے ڈیویڈنڈ کی مدد میں حاصل ہوئے تھے، وہ فیصل منجمنٹ سروسز کو واپس کر دئے، اس لئے کہ یہ رقم سودی بینک میں رقم رکھ کر حاصل ہوئی تھی، جس کی بنا پر ملل رقم شرعاً ناجائز تھی۔ بینک کی انتظامیہ کو یہ مشورہ بھی دیا گیا کہ وہ فیصل منجمنٹ کمپنی کو ہدایت کرے کہ شرعاً ناجائز جگہوں پر سرمایہ کاری کی جائے۔

مراہمہ ماٹرننگ سسٹم

عتقود مراہمہ کی مسلسل نگرانی کے لئے ایک کمپیوٹرائزڈ نظام قائم کیا گیا ہے جس کے مطابق وہ تمام برانچز جو مراہمہ کی بنیاد پر تمویل فراہم کرتی ہیں، ان کے لئے یہ ضروری ہے کہ ہر مراہمہ سے متعلق بنیادی معلومات ہر دو ہفتہ بعد شریعہ ڈپارٹمنٹ (PDSC) کو ارسال کی جائیں تاکہ تمام عتقود مراہمہ کی تصفیذ میں غلطی سے محفوظ رہا جاسکے۔

چیریٹی/صدقات و خیرات

رواں سال میں کل 51.170 ملین روپے چیریٹی اکاؤنٹ میں منتقل کئے گئے۔ کل 14.605 ملین روپے شریعہ ایڈوائزر سے منظوری کے بعد مختلف رفاہی اداروں کو دئے گئے۔ چیریٹی سے متعلق تفصیلات نوٹ نمبر 18.4 میں مذکور ہیں۔ شریعہ سپروائزرز کی بورڈ کی ہدایات کے مطابق ایک رفاہی ادارہ احسان ٹرسٹ کے نام سے قائم کیا جا چکا ہے تاکہ چیریٹی فنڈز کے صحیح استعمال کی یقین دہانی ہو سکے۔

تجاویز

متعدد عتقود کا جائزہ لینے کی بنیاد پر ہم درج ذیل امور تجویز کرتے ہیں۔

- فاضل سرمایہ کی سرمایہ کاری کے لئے بینک کو چاہیے کہ وہ محض کموڈٹی مراہمہ پر اعتماد کرنے کی بجائے مزید مواقع تلاش کرے۔ نیز کموڈٹی مراہمہ کے عتقود کو ڈیٹا کی تصفیذ کے ذریعہ کرنے کی سعی کرے۔
- بینک کی روز افزوں معتد بہ ترقی، اس کی برانچز اور ملازمین کی تعداد میں اضافہ کی بناء پر اسلامی بینکاری کی پروڈکٹس اور بینک کی طرف سے پیش کردہ خدمات کے بارے میں ملازمین (اور خصوصاً فرنٹ آفس کے ملازمین) کا معیار معلومات مزید بڑھانا اور ان کی مزید تربیت کا انتظام کرنا نہایت اہم ہے، بینک کو چاہیے کہ اس جانب اپنی توجہ برقرار رکھے۔
- کارپوریٹ، گزٹو اور ایس ایم ای ڈی پارٹنٹس اور بینک کے تمام علاقہ جات (Regions)، اپنے جمعیوں کی گاہکوں کے ایگزیکٹو کے لئے خصوصی تربیتی پروگرام منعقد کریں، نیز گاہکوں کی آگاہی کے لئے شروع کئے گئے سیمیناروں کا سلسلہ جاری رکھے۔
- بینک کو چاہیے کہ منظور شدہ رنگ مشٹارک ٹیبلیٹی کو استعمال کرتے ہوئے عتقود و مشارک شروع کرنے کی کوشش کرے۔
- ریٹیل بینکنگ میں بینک کو ایسی پروڈکٹس تیار کرنی چاہئیں جن کے ذریعہ کم آمدنی والے طبقے اور بڑی عمر کے حضرات کو زیادہ نفع حاصل ہو۔
- پاکستان میں اسلامی بانکی و فنانسنگ اسکیم کو جاری کرنے کی کوششیں ہونی چاہئیں۔
- رہائشی علاقوں میں واقع برانچز میں خواتین کے علیحدہ بینکنگ کاؤنٹرز ہونے چاہئیں تاکہ خواتین گاہکوں کو سہولت ہو اور عمومی طور پر تمام برانچز میں ایسے انتظامات کئے جانے چاہئیں جن کے نتیجے میں خواتین ملازمین کا مردوں سے اختلاط نہ ہو۔
- بینک کے معاملات میں شرعی اعتبار سے مزید مضبوطی لانے کے لئے یہ ضروری ہے کہ بیرونی آڈیٹر کے دائرہ کار میں یہ بات بھی شامل کی جائے کہ وہ بینک کے معاملات کے بارے میں اس بات کا جائزہ لے لے کہ آیا یہ معاملات شریعہ ایڈوائزر، شریعہ سپروائزرز اور اسٹیٹ بینک کی طرف سے وقتاً فوقتاً دی جانے والی ہدایات کے مطابق ہیں یا نہیں۔

خلاصہ کلام

بینک کے چارٹر کے تحت تمام انتظامیہ اور ملازمین کے لئے یہ ضروری ہے کہ وہ شریعہ سپروائزرز کی بورڈ اور شریعہ ایڈوائزرز کی طرف سے جاری کردہ بینک کے تمام معاملات سے متعلق ہدایات پر عمل درآمد کو یقینی بنائیں۔ بینک کے معاملات کے شریعت کے مطابق ہونے کی بنیادی ذمہ داری بینک کی انتظامیہ پر عائد ہوتی ہے۔

بینک کی طرف سے انجام کردہ مختلف عتقود، ان کی متعلقہ دستاویزات، اس کے طریقہ کار، ڈیپازٹرز کو تقسیم ہونے والے نفع کا طریقہ کار اور ان کے متعلق انتظامیہ کی دی گئی رائے کے جائزہ کی بنیاد پر ہماری رائے میں رواں سال میں بینک کی طرف سے کئے گئے عتقود اسلامی شریعہ کے ان اصولوں اور ہدایات کے مطابق ہیں جو میزبان بینک کے شریعہ سپروائزرز کی بورڈ، شریعہ ایڈوائزرز کی بورڈ، 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 چیریٹی میں منتقل کی جارہی ہے۔

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

والسلام علیکم ورحمۃ اللہ وبرکاتہ

ڈاکٹر محمد عمران عثمانی

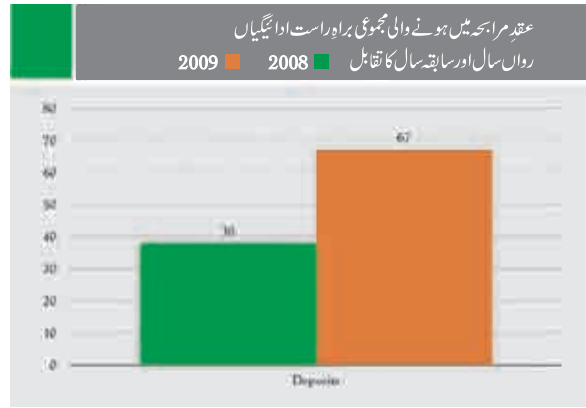
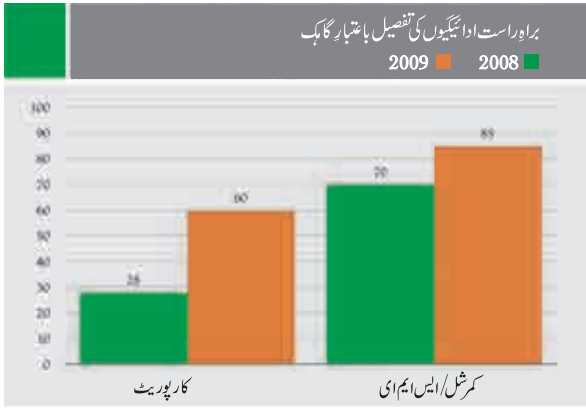
ممبر شریعہ سپروائزرز کی بورڈ، شریعہ ایڈوائزر مورخہ: 9 صفر، 1431ھ / 25 جنوری 2010ء

ل. مزید تفصیل اسی رپورٹ میں "Utilization of Charity Fund" کے عنوان کے تحت ملاحظہ فرمائیں۔



عقدِ مراضحہ میں براہِ راست ادائیگیوں کا خلاصہ

شرح ترقی	2009	2008	عقدِ مراضحہ میں کی جانے والی براہِ راست ادائیگیاں
76%	67%	38%	مجموعی پورٹ فولیو
			باعتبارِ گاہک
114%	60%	28%	کارپوریٹ
21%	85%	70%	ایس ایم ای / کمرشل
			باعتبارِ علاقہ جات (Regional)
57%	88%	56%	شمال
76%	81%	46%	جنوب
80%	54%	30%	مرکز



مزید برآں اسٹھناغ اور تجارتی کے عقود میں اثاثوں کے قبضہ کے لئے 100% مواقع پر خریدی گئی اشیاء کا شخصی معائنہ (Physical Inspection) کیا گیا۔ مذکورہ بالا اقدامات کے ساتھ ساتھ اس سال بینک کی 130 برانچوں کا شریعہ آڈٹ کیا گیا تاکہ ان برانچز میں ہونے والے عقود کی براہِ راست جانچ پڑتال کی جاسکے۔ برانچوں کے ذریعہ کی جانے والی تمویل میں ان 130 برانچوں کا حصہ تقریباً 74% ہے، جبکہ بینک کے مجموعی ڈپازٹ میں ان 130 برانچوں کا حصہ 75% ہے۔

بینک کی مجموعی طور پر شرعی قوانین کی مطابقت اور شریعہ ایڈوائز اور شریعہ سپروائزر کی بورڈ کی طرف سے دی گئی ہدایات پر عمل کو جانچنے کے لئے رواں سال کے دوران تمام بڑی برانچوں کا شریعہ آڈٹ کیا گیا۔ آڈٹ کے دوران درج ذیل امور کو بطور خاص پرکھا گیا۔

- مراضحہ اجارہ، مشارکت، متناقصہ، اسٹھناغ، تجارت اور بیع سلم کے معاہدات
- مراضحہ مائٹنگ شیٹس اور تاخیر سے موصول ہونے والی ڈیلگریشن
- ڈیلگریشن، اثاثوں کی تفصیلات، متعلقہ خریداری کی رسیدیں، دستاویزات کے نفاذ کی ترتیب، مراضحہ میں بینک کی طرف سے کی جانے والی خریداری میں مدت کا فرق کتنا ہے۔
- پرچیز ڈیڈ (رسید خریداری)، ملکیت سے متعلق اخراجات کی تفصیلات، عقود اجارہ میں اجرتیں وصول کرنے کا طریقہ کار۔
- مشارکت متناقصہ کی بنیاد پر کی گئی تمویل عقاری (House Financing) میں ملکیت کا تناسب اور وقت پر خریداری کی رسیدوں کا اجراء۔
- اسٹاک ایچینج میں ہدایات کے مطابق کی گئی سرمایہ کاری
- امپورٹ فائننس ٹرانزیکشنز اور متعلقہ دستاویزات
- گاہکوں کی ادائیگیوں، پرچیز سائیکل اور گاہک کے طرزِ تمویل کا وقتاً فوقتاً جائزہ۔
- دیگر متعلقہ دستاویزات اور ان کی تھفیز کا طریقہ کار۔
- نفع کی شرح کا تناسب، نفع کے اوزان، پوز کا طریقہ کار، ڈپازٹ پروڈکٹس کے لئے اثاثوں اور ڈپازٹس کی تعیین



بینک کی طرف سے یونائیٹڈ سیلز لمیٹڈ (USL) (جو کہ ڈاؤ لینس گروپ کی ذیلی کمپنی ہے) کو اس کی پروڈکٹ ”دیانت فنانسنگ“ کے لئے شرعی اعتبار سے مشاورت فراہم کی گئی۔ مذکورہ بالا پروڈکٹ کے ذریعہ USL اپنے گاہکوں کو شرعی اعتبار سے جائزہ مالی سہولت فراہم کرے گا۔ بینک کی طرف سے ”اسلامک ریلیف (برطانیہ)“ کو بھی پاکستان میں مائیکرو فنانس پروگرام کی پروڈکٹ کو شرعی اعتبار سے جانچنے سے متعلق مشاورت فراہم کی گئی۔

اثاثوں کا جائزہ

موجودہ سال میں میزان بینک نے ابتدائی طور پر مراہجہ، اجارہ، مشارکہ متناقضہ، استھناع، تجارت اور مسلم کی بنیاد پر تمویلی سہولیات فراہم کیں۔

میزان بینک میں ہونے والے عقود مراہجہ (بشمول اسلامک ایکسپورٹ ری فنانس اسکیم) بینک کے مجموعی تمویلی حصہ کا 47% ہیں، جبکہ سابقہ برس یہ مقدار 45% تھی۔ دوسری طرف مشارکہ اور استھناع کے عقود کی مقدار بینک کے مجموعی تمویلی عقود کے مقابلہ میں بالترتیب 14.5% اور 4% سے بڑھ کر 23% اور 8% ہو چکی ہے، جبکہ عقود اجارہ کی مقدار 23% سے گر کر 17% ہو چکی ہے۔ ان اعداد و شمار سے یہ واضح ہوتا ہے کہ تمویلی عقود کے مجموعے میں عقود مراہجہ کا تناسب کم و بیش اتنا ہی رہا ہے جتنا سابقہ برس تھا، اس کے برخلاف عقود استھناع کی بنیاد پر کیا جانے والا معاملہ نسبتاً زیادہ مقبولیت اختیار کر چکا ہے۔ بینک کا مجموعی تمویلی پورٹ فولیو (برطانیہ 31 دسمبر 2009ء) 46.716 ارب روپے تک پہنچ چکا ہے۔ بینک کے یہ تمام تمویلی عقود ان معاہدات کو استعمال کرتے ہوئے کئے گئے جو شرعی اعتبار سے درست ہیں۔

یہ بات قابل توجہ ہے کہ فاضل سرمایہ (Excess Liquidity) کو تجارت میں لگانے کے لئے بینک نے لوکل کرنسی کموڈٹی مراہجہ کی مدد میں 34.499 ارب روپے کے عقود کئے ہیں، جبکہ گزشتہ دو سالوں میں بالترتیب یہ مقدار 18.108 اور 8.850 ارب روپے تھی۔ دیگر مواقع نہ ہونے کی بنا پر بقایا فاضل سرمایہ (Excess Liquidity) انٹرنیشنل بینک مشارکہ میں استعمال کیا گیا۔ چونکہ قصیر المیعاد سرمایہ کاری کے لئے مواقع میسر نہ تھے اس لئے کموڈٹی مراہجہ کو بحالت مجبوری استعمال کر لیا گیا۔ ضرورت اس امر کی ہے کہ بینک مارکیٹ میں موجود دیگر اداروں کی مشاورت سے نقد کی بیجمنٹ کے لئے نئے مواقع تلاش کرے۔

ڈپازٹ سائیڈ کا جائزہ

بینک نے اپنی ڈپازٹ سائیڈ پر کئی ایسی شرعی ڈپازٹ پروڈکٹس وضع کی ہیں جو عقد مضار بہ پر مبنی ہیں۔ برطانیہ 31 دسمبر 2009ء بینک کا مجموعی ڈپازٹ 100.333 ارب روپے تک پہنچ چکا ہے۔ اس سال بینک نے دیگر بینکوں اور کارپوریٹ گاہکوں سے مشارکہ کی بنیاد پر قبیل المیعاد مدت کے لئے رقم وصول کی ہیں۔

رواں سال میں بینک کی ڈپازٹ سائیڈ سے متعلق درج ذیل امور انجام دئے گئے:

مختلف اثاثوں اور فنڈز کو مختلف پولز کی طرف منسوب کرنا، مضار بہ کی بنیاد پر جمع شدہ رقم کے مجموعی نفع کے تناسب کا اعلان کرنا، ماہانہ اوزان متعین کرنا، سرمایہ داروں میں نفع تقسیم کرنا وغیرہ۔

شرعی آڈٹ

اسلامی بینکاری کی پروڈکٹس کے عملی نفاذ کے دوران عقود کی مکمل صحیح شرعی اور نگرانی کے لئے PDSC ڈپارٹمنٹ بینک کے مختلف اعمال کی عملی طور پر پورے سال نگرانی کرتا رہا ہے۔ رواں سال میں تمویل کی منظوریوں، تمویلی سہولیات کی از سر نو تجدید، ہر گاہک کے لئے عقود کی تصفیہ کا الگ الگ طریقہ کار، اور ضامنی دستاویزات کا شرعی اعتبار سے جائزہ لیا گیا تاکہ گاہکوں کو دی جانے والی تمویلی سہولیات شرعی اعتبار سے درست ہوں۔

2009ء میں چھوٹے اور درمیانے کاروباری اداروں (SME) کے لئے کم و بیش 400 ان مخصوص طرُق (Process flows) کا جائزہ لیا گیا اور ضروری ترامیم کی گئیں جن کے مطابق مراہجہ، مشارکہ متناقضہ، استھناع، تجارت اور اجارہ کے عقود کو استعمال کرتے ہوئے تمویلی سہولیات فراہم کی گئیں، 380 سے زائد تمویلی منظور یوں اور تمویلی سہولیات کے لئے از سر نو بنائے گئے ڈھانچوں کا جائزہ لیا گیا۔ کارپوریٹ گاہکوں کے لئے 400 سے زائد (مراہجہ، مشارکہ متناقضہ، استھناع، تجارت اور اجارہ کے) مخصوص طرُق تیار کئے گئے۔ 100 ضامنی دستاویزات، 120 تمویلی منظوریاں اور دس سے زائد گاہکوں کی سہولیات کے از سر نو بنائے گئے تمویلی ڈھانچوں کا جائزہ لیا گیا۔

بینک کے شرعی سپروائزر کی بورڈ کی ہدایات کے مطابق بینک نے عقود مراہجہ میں براہ راست ادائیگیوں کے مجموعی تناسب کو بڑھا دیا ہے اور یہ بات قابل ستائش ہے۔ 2009ء میں براہ راست ادائیگیوں کا تناسب 67% رہا، جبکہ یہ تناسب 2008ء میں 38% تھا۔ چنانچہ مجموعی طور پر براہ راست ادائیگیوں میں کل 76% اضافہ ہوا۔

اگر مختلف گاہکوں کے اعتبار سے جائزہ لیا جائے تو یہ واضح ہوتا ہے کہ براہ راست ادائیگیوں میں تو اترا کے ساتھ اضافہ ہوتا آ رہا ہے۔ چھوٹے اور درمیانے طبقے (SME) میں براہ راست ادائیگیوں کا تناسب 2008ء میں 70% تھا جو 2009ء میں بڑھ کر 85% ہو گیا۔ کارپوریٹ کسٹمرز کی براہ راست ادائیگیوں کے تناسب میں بھی کافی اضافہ ہوا ہے۔ چنانچہ اس سیکٹر میں براہ راست ادائیگیوں کا تناسب 2008ء میں 28% تھا جو 2009ء میں بڑھ کر 60% ہو گیا۔



شریعی ایڈوائز رپورٹ

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

الحمد لله، زبرمطالعہ سال میزان بینک لمیٹڈ کا اسلامی تجارتی بینکاری کا آٹھواں سال ہے۔ اس سال بینک نے شریعی ایڈوائزری بورڈ/شریعی ایڈوائزری کی منظوری کے بعد کئی نئی اور متنوع الاقسام پروڈکٹس متعارف کرائیں۔ رواں سال میں شریعی ایڈوائزری کی طرف سے میزان بینک کی مختلف جدید پروڈکٹس، عقود، طُرُق تمویل اور ان کے عملی انعقاد کو چیک کرنے کا طریقہ کار شریعی سپروائزری بورڈ کے غور اور جائزے کے لئے پیش کیا گیا، چنانچہ اس سلسلے میں شریعی سپروائزری بورڈ کے دو اجلاس منعقد ہوئے۔

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

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

1- نئی پروڈکٹس کی تیاری اور تحقیق

اس سال بینک نے عازمین حج و عمرہ کی سہولت کے لئے ایک پروڈکٹ ”میزان لیک“ کے نام سے متعارف کی۔ انڈسٹری کے نئے شعبہ جات کے لئے مخصوص طور پر تیار کردہ متعدد شرعی اعتبار سے درست طُرُق تمویل مہیا کئے گئے۔ مثلاً ”تجارہ“ اور ”استصناع“۔ بینکوں کے درمیان انجام پانے والی تمویلات کو مشارکہ اور وکالت کی بنیاد پر نافذ کرنے کے لئے شرعی اعتبار سے درست طریقہ کار پاکستان کے دیگر اہم اسلامی بینکوں کی اتفاق رائے کے ساتھ وضع کر لیا گیا۔ پنجاب گورنمنٹ کے شعبہ ”فوڈ ڈیپارٹمنٹ“ کے ساتھ گندم کے حصول کے لئے تمویلی عقد کا ایک جدید طریقہ کار وضع کیا گیا۔ بینک کے شریعی بورڈ کے چیئرمین کی دی جانے والی ہدایات کے مطابق بینک کے تمام تمویلی عقود کے قانونی معاہدات کی مزید اصلاح کی گئی تاکہ بینک کے معاملات شرعی اعتبار سے مزید بہتر ہو جائیں۔

مزید برآں، تجارت کی مختلف جہتوں میں مسلسل شرعی متبادل کی تلاش میں تحقیقات جاری ہیں مثلاً بدلہ کے عقود، اسلامی ہائیکرو فنانسنگ اور ایگریکلچرل فنانسنگ کا شرعی طریقہ کار، کارٹور کے متبادل کے طور پر اسلامی بیج مارک کی تحفیذ کا طریقہ کار، برآمد کنندگان کے لئے شرعی اعتبار سے درست طویل المیعاد تمویل کا طریقہ، اور چھوٹے گاؤں کے لئے نئی ڈپازٹ پروڈکٹس کا اجراء وغیرہ۔

2- انوسٹمنٹ بینکنگ

رواں سال میں میزان بینک نے نہایت تحقیق اور احتیاط کے ساتھ تیار شدہ شرعی اعتبار سے جائز عقود استعمال کرتے ہوئے متعدد اسٹریٹجک ڈیپازٹس کے معاملات کے مثلاً لیبریٹی پاور سلوک، پی آئی اے سلوک، امریلی اسٹیل سلوک۔

3- ٹریڈنگ اور ڈیولپمنٹ

اس سال کے دوران میزان بینک میں متعدد تربیتی پروگرامز چاروں علاقہ جات (Regions) میں منعقد کئے گئے۔ میزان بینک میں اندرونی طور پر منعقد تربیتی مجالس کی تعداد 72 رہی (جبکہ سابقہ برس یہ تعداد 60 تھی) جس میں پورے پاکستان سے 2234 ملازمین نے شرکت کی۔ ان مجالس میں اسلامی بینکاری کے تعارفی کورسز کے ساتھ ساتھ بینک کے سینئر افسران کے لئے تفصیلی کورسز بھی شامل ہیں۔ بینک کی پروڈکٹ ڈیولپمنٹ ٹیم نے ایسے تربیتی پروگرامز ترتیب دئے ہیں جن کے ذریعہ انٹرانسٹ کو استعمال کرتے ہوئے میزان بینک کے تمام ملازمین اپنی تربیت آپ کر سکتے ہیں۔ اس کے ساتھ ساتھ بینک نے اپنے گاؤں کے لئے اسلامی بینکاری کے 24 سیمینارز منعقد کئے۔ یہ تمام کوششیں قابل تعریف ہیں۔ البتہ بینک کے ملازمین اور اس کی برانچز کی تعداد چونکہ مسلسل بڑھ رہی ہے، لہذا بینک کو آئندہ سالوں میں ملازمین کی تربیت اور رہنمائی پر مسلسل توجہ مرکوز رکھنا چاہیے۔

4- شریعی ایڈوائزری

PDSC ڈیپارٹمنٹ دنیا بھر کے متعدد ایسے تمویلی اداروں کو شریعی ایڈوائزری کی خدمات فراہم کر رہا ہے جو اسلامی بینکاری کی پروڈکٹس اور خدمات اختیار کرنا چاہتے ہیں۔ اپنے تجربات، تحقیقات اور کامیابیوں میں دوسروں کو شریک کر لینے کا مقصد اسلامی طُرُق تمویل کی دنیا بھر میں ترویج ہے۔ رواں سال میزان بینک نے المیزان انوسٹمنٹ مینجمنٹ لمیٹڈ (AMIM)، نیشنل فلٹرن انوسٹ مینجمنٹ کمپنی لمیٹڈ (NAFA)، KASB، اسلامک فنڈز لمیٹڈ اور پاک امان انوسٹ مینجمنٹ لمیٹڈ (POAML) کو مختلف انواع کے شریعی کمپلائنس فنڈز کو لانچ کرنے اور چلانے کے لئے شرعی مشاورت فراہم کی۔ AMIM کے شریعی ایڈوائزری کے طور پر میزان بینک لمیٹڈ نے KMI-30 انڈیکس (KSE Meezan Islamic Index) کو بھی شریعی ایڈوائزری فراہم کی جو کہ پاکستان کا پہلا شریعی کمپلائنس اسلامک انڈیکس ہے۔ موجودہ سال میں بینک نے میزان کیش فنڈ، میزان انوسٹ ایلیکشن فنڈ اور میزان سوورین فنڈ (Sovereign Fund) کے ساتھ ”شریعی ٹیکنیکل سروسز اینڈ سپورٹ“ ایگریمنٹس بھی کئے۔



Statement of Compliance with the Code of Corporate Governance For the year ended December 31, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board has nine non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred in the Board during the year were duly filled after obtaining prior approval from the State Bank of Pakistan as per its directives.
5. Statement of Ethics and Business Practices has been approved and signed by the directors of the Bank.
6. The Board has developed a vision and mission statement and an overall corporate strategy and significant policies of the Bank. A complete record of the significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman 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 various laws i.e. the Companies Ordinance, 1984, the Code of Corporate Governance, the Banking Companies Ordinance, 1962, the Prudential Regulations of the State Bank of Pakistan and the Listing Regulations of the Karachi Stock Exchange as required under clause (xiv) of the Code i.e. with respect to the 'Orientation Course' of directors to acquaint them of their duties and responsibilities and enable them to manage the affairs of the Bank on behalf of shareholders.
10. There was no new appointment of the CFO, Company Secretary or Head of Internal Audit during the year ended December 31, 2009.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholdings.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.



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

Irfan Siddiqui
President & CEO

February 05, 2010



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Review Report to the Members on the Directors' Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Meezan Bank Limited ("the Bank") to comply with the Listing Regulations of the Karachi Stock Exchange where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 31 December 2009.

Date: 05 FEB 2010
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.



Statement of Sources and Uses of Charity Fund

For the year ended December 31, 2009

	2009	2008
	Rupees in '000	
Opening balance as at January 01	78,169	42,056
Additions during the year		
- Received from customers on delayed payments	43,362	35,008
- Dividend purification	1,142	902
- Non-shariah compliant income	6,666	378
- Profit on Charity saving account	3,499	1,955
	54,669	38,243
Less: Distribution of Charity		
- Education	(1,900)	(914)
- Health	(3,537)	(600)
- Relief & disaster recovery	(7,000)	-
- Social welfare	(2,168)	(616)
	(14,605)	(2,130)
Closing balance as at December 31	118,233	78,169

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.



Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the Members of Meezan Bank Limited will be held insha'allah on Wednesday, March 24, 2010 at 9:30 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on November 17, 2009.
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, 2009 together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors' of the Bank for the year ending December 31, 2010 and to fix their remuneration. The present auditors, KPMG Taseer Hadi & Co, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

Special Business

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

“Resolved that:

- a) a sum of Rs. 332,502,400 out of free reserves of the Bank for the issue of bonus shares be capitalized and applied for the issue of 33,250,240 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 24, 2010 in the ratio of 5 ordinary shares for every 100 ordinary shares held (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 be deemed fit for the issuance, allotment, distribution, etc. of the said bonus shares.”
- 5 To approve the remuneration paid/payable to the Chairman and Non Executive Directors of the Bank for attending Board meetings and meetings of the Committees formed by the Board, for the year ended December 31, 2009 and to pass the following resolution as an Ordinary Resolution:

“Resolved that the remuneration paid/payable to the Chairman and Non Executive Directors of the Bank for attending Board meetings and meetings of the Committees formed by the Board, as disclosed in note 35 of the Audited Financial Statements of the Bank for the year ended December 31, 2009, be and is hereby approved.”

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

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

By Order of the Board

Shabbir Hamza Khawwala
Company Secretary

Karachi
March 2, 2010



Notes:

- i) The Members' Register will remain closed from March 16, 2010 to March 24, 2010 (both days inclusive) to determine the names of members entitled to receive bonus shares and to attend and vote in the meeting.
- ii) A member eligible to attend and vote at this meeting may appoint any person as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the Registered Office not less than forty eight (48) hours before the holding of the meeting.
- iii) An individual beneficial owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card alongwith the participant ID numbers and sub account numbers with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purposes.

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

This statement sets out the material facts concerning the resolutions contained in item (4) & (5) of the Notice pertaining to the special businesses to be transacted at the Annual General Meeting of the Bank to be held on March 24, 2010.

I) Issue of Bonus Shares

In order to meet the requirements of State Bank of Pakistan to increase the paid up capital of the commercial banks to Rs. 7 billion by December 31, 2010, the Board of Directors of the Bank are of the view that Bank's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 332,502,400 for the issue of 33,250,240 bonus shares of Rs. 10/- each in the ratio of 5 ordinary shares of every 100 ordinary shares held i.e. 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.

III) Status of approval of investment in associated companies

As required under the S.R.O. No. 865 (I) 2000 dated December 6, 2000, the position of investment in an associated company against the approval accorded by the shareholders of the Bank in the 12th Annual General Meeting held on March 27, 2008 for investment of Rs. 870,000 in subscription of 8,700 Right Shares of Rs. 100 each at par of Blue Water (Pvt.) Ltd, an associated company, the Bank has not invested any amount as the Right Shares has not yet been issued by the associated investee company due to slow down in domestic real estate markets.

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





Financial Statements

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Auditors' Report to the Members


We have audited the annexed balance sheet of **Meezan Bank Limited** ("the Bank") as at 31 December 2009 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 2009, in which are incorporated the unaudited certified returns from the branches except for 15 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 balance sheet 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 except for the change specified in note 6.1 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, 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 2009 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: 05 FEB 2010
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative



Balance Sheet

As at December 31, 2009



	Note	2009	2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	8,387,432	5,763,710
Balances with other banks	8	5,260,467	1,344,974
Due from financial institutions	9	34,499,500	18,108,000
Investments	10	23,290,309	14,526,699
Financings	11	44,188,066	39,528,731
Operating fixed assets	12	2,416,375	1,880,515
Deferred tax asset	13	204,172	-
Other assets	14	5,935,413	4,123,441
		124,181,734	85,276,070
LIABILITIES			
Bills payable	15	1,249,210	1,057,017
Due to financial institutions	16	8,468,425	4,008,496
Deposits and other accounts	17	100,333,051	70,233,875
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities	13	-	453,038
Other liabilities	18	4,946,589	3,548,666
		114,997,275	79,301,092
NET ASSETS		9,184,459	5,974,978
REPRESENTED BY			
Share capital	19	6,650,048	4,925,961
Reserves	20	1,050,092	845,022
Unappropriated profit		1,390,395	570,114
		9,090,535	6,341,097
Surplus / (deficit) on revaluation of investments	21	93,924	(366,119)
		9,184,459	5,974,978
CONTINGENCIES AND COMMITMENTS	22		

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

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

Irfan Siddiqui
President and
Chief Executive

**Naser Abdul
Mohsen Al-Marri**
Director

**Mazhar
Sharif**
Director



Profit and Loss Account

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
Profit / return earned on financings, investments and placements	23	10,102,060	6,803,213
Return on deposits and other dues expensed	24	4,969,916	3,088,334
Net spread earned		5,132,144	3,714,879
Provision against non-performing financings (net)	11.7	1,430,536	428,436
Provision for diminution in value of investments and impairment	10.10	88,640	288,884
Bad debts written off directly		-	-
		1,519,176	717,320
Net spread after provisions		3,612,968	2,997,559
OTHER INCOME			
Fee, commission and brokerage income		529,260	431,725
Dividend income		189,973	243,585
Income from dealing in foreign currencies		752,904	304,692
Capital gain on sale of investments - net	25	76,160	47,001
Unrealised loss on held for trading investments	10.11	-	(23,014)
Impairment on reclassification of securities from held for trading to available for sale securities		-	(362,751)
Other income	26	49,507	66,670
Total other income		1,597,804	707,908
		5,210,772	3,705,467
OTHER EXPENSES			
Administrative expenses	27	3,530,161	2,626,606
Other provisions / write offs / (reversals)		(60,859)	86,263
Other charges	28	1,747	287
Total other expenses		3,471,049	2,713,156
		1,739,723	992,311
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,739,723	992,311
Taxation - Current	29	1,440,374	314,790
- Prior years		-	-
- Deferred		(726,002)	56,334
		714,372	371,124
PROFIT AFTER TAXATION		1,025,351	621,187
Unappropriated profit brought forward		570,114	1,219,228
Profit before appropriations		1,595,465	1,840,415
			Rupees
Basic and diluted earnings per share	30	1.71	1.22

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

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Mazhar
Sharif
Director



Statement of Comprehensive Income

For the year ended December 31, 2009



	2009	2008
	Rupees in '000	
Profit for the period	1,025,351	621,187
Other comprehensive income	-	-
Comprehensive income transferred to equity	1,025,351	621,187
Components of comprehensive income not transferred to equity		
Surplus / (deficit) revaluation on investments	528,835	(386,538)
Deferred tax on revaluation of investments	(68,792)	33,673
Total comprehensive income	1,485,394	268,322

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

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Chief Executive

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Mohsen Al-Marri
Director

Mazhar
Sharif
Director



Cash Flow Statement

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,739,723	992,311
Dividend income		(189,973)	(243,585)
		1,549,750	748,726
Adjustments for non-cash charges			
Depreciation		307,438	210,095
Amortisation		31,853	21,909
Provision against non-performing financings (net)		1,430,536	428,436
Provision for diminution in the value of investments			
- on associates - listed		-	287,046
- on associates - unlisted		-	1,838
- on others		88,640	-
Loss on reclassification of securities from held for trading to available for sale securities		-	362,751
Gain on sale of fixed assets		(13,123)	(12,744)
Gain on securities with deferred purchase commitments		-	(23,014)
Unrealised loss on held for trading investments		-	23,014
		1,845,344	1,299,331
		3,395,094	2,048,057
(Increase) / decrease in operating assets			
Due from financial institutions		(16,391,500)	(9,258,000)
Held for trading securities		151,096	(51,142)
Financings		(6,089,871)	(5,620,578)
Other assets		(1,807,316)	(1,289,889)
		(24,137,591)	(16,219,609)
Increase / (decrease) in operating liabilities			
Bills payable		192,193	(135,143)
Due to financial institutions		4,459,929	1,592,890
Deposits and other accounts		30,099,176	15,651,522
Other liabilities		251,999	386,904
		35,003,297	17,496,173
		14,260,800	3,324,621
Income tax paid		(294,450)	(4,431)
Net cash flow from operating activities		13,966,350	3,320,190
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		568,481	(114,129)
- available for sale securities		(9,042,992)	(4,196,312)
- listed associated undertakings		-	(451,367)
Dividends received		185,317	243,541
Investments in operating fixed assets		(892,838)	(1,096,419)
Sale proceeds of property and equipment disposed off		30,810	29,607
Net cash flow from investing activities		(9,151,222)	(5,585,079)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-	(4)
Proceeds from right issue		1,724,087	-
		1,724,087	(4)
Net increase / (decrease) in cash and cash equivalents		6,539,215	(2,264,893)
Cash and cash equivalents as at January 1	31	7,108,684	9,373,577
Cash and cash equivalents as at December 31	31	13,647,899	7,108,684

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

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Mohsen Al-Marri
Director

Mazhar
Sharif
Director



Statement of Changes in Equity

For the year ended December 31, 2009



	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, 2008	3,779,897	654,019	-	66,766	1,219,228	5,719,910
Profit after taxation for the year	-	-	-	-	621,187	621,187
Transfer to reserve for issue of bonus shares	-	-	1,146,064	-	(1,146,064)	-
Issue of bonus shares	1,146,064	-	(1,146,064)	-	-	-
Transfer to statutory reserve	-	124,237	-	-	(124,237)	-
Balance as at December 31, 2008	4,925,961	778,256	-	66,766	570,114	6,341,097
Profit after taxation for the year	-	-	-	-	1,025,351	1,025,351
Issue of right shares	1,724,087	-	-	-	-	1,724,087
Transfer to statutory reserve	-	205,070	-	-	(205,070)	-
Balance as at December 31, 2009	6,650,048	983,326	-	66,766	1,390,395	9,090,535

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

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Chairman

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Director

Mazhar
Sharif
Director



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Bank was granted a 'Scheduled Islamic Commercial Bank' license on January 31, 2002, and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from March 20, 2002, on receiving notification in this regard from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.

The Bank was operating through two hundred and one branches (including thirty five sub-branches) as at December 31, 2009 (2008: one hundred sixty six branches). Its registered office is situated at 3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi, Pakistan.

2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of Meezan Bank Limited. The consolidated financial statements of the group are being issued separately. The Bank provides financing mainly through Murabaha, Ijarah, Musharakah, Diminishing Musharakah, Istisna, Tijarah and Export Refinance under Islamic Export Refinance Scheme. Under Murabaha the goods are purchased and are then sold to the customers on credit. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financings is 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 Executive Committee of the Shariah Supervisory Board.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2010:

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 1, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Bank's financial statements.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have any material effect on the Bank's financial statements.
- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Bank's operations.
- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009) states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Bank does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Bank's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements. These amendments are unlikely to have an impact on the Bank's financial statements.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



- Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's financial statements.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Bank's financial statements.
- IAS 24 - Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 1, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's financial statements.
- Improvements to IFRSs 2008 – Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 1, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Bank's financial statements. Standards which became effective during the year beginning January 1, 2009:

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 6.5 and 10).
- (b) Provision for non-performing financings (notes 3.2 and 11.7).
- (c) Determination of forced sale value of underlying securities of non performing financings (note 3.2).
- (d) Impairment of investments in equity instruments of associates and non associate entities (note 6.5.7).
- (e) Staff retirement benefits (notes 6.10, 6.11 and 33).
- (f) Depreciation and amortisation methods of operating fixed assets (note 6.6.3 and 12).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.1.1, 6.9, 13, 22.9 and 29).



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



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

- 3.1.1** The Finance Act, 2009, has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as OAEM (in agriculture) and Substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognised deferred tax asset on such provision amounting to Rs. 313.9 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2008 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F.No. 4(1)ITP/2008-49 dated December 23, 2009 has informed ICAP that it has decided to insert a new Rule 8(a) to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on advice of its tax consultant has treated the FBR commitment as effective. Accordingly, the tax charge for the current and prior period and deferred tax has been recognized on the basis of amendments agreed by FBR vide its above referred letter.

3.2 Effect of change in accounting estimate

During the year, the Bank, in line with the requirements of Circular No. 10 dated 20 October 2009, issued by the State Bank of Pakistan, has applied the enhanced limit of 40% of forced sale value of pledged stocks and mortgaged commercial and residential properties held as collateral in determining the provision as against the limit of 30% applicable till December 31, 2008. Had there been no change, the provision against non performing financing would have been higher by Rs. 63.58 million and financing would have been lower by same amount. The State Bank of Pakistan has restricted the payment of dividend from additional profits arising out of benefit of forced sales value of securities.

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, 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 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.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Change in accounting policy

Starting January 1, 2009, the Bank has changed its accounting policy in respect of 'Presentation of financial statements'.

The Bank has applied Revised IAS 1 Presentation of Financial Statements (2007) which became effective as of 1 January 2009. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on December 31, 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning per share.

The State Bank of Pakistan has notified for adoption of "Islamic Financial Accounting Standard - 2 Ijarah" (IFAS - 2), which is applicable for accounting period beginning on or after January 01, 2009. Consequent to the adoption of IFAS - 2, all Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment, if any, and are shown under 'Financings' (see note 6.4.2).

6.2 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.

6.3 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 amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir.
- iii) Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognised as income on accrual basis.
- iv) Profits on Diminishing Musharakah financings are recognised on accrual basis. Consistent with prior years, profit required to be suspended in compliance with the prudential regulations issued by SBP is recorded on receipt basis.
- v) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- vi) Profit on Tijarah and Istisna financings are recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds by the Bank.
- vii) 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.
- viii) Dividend income is recognised when the Bank's right to receive dividend is established.
- ix) Return on deposits is recognised on receipt basis.

6.4 Financings

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

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

6.4.2 The rentals received / receivable on Ijarah booked under IFAS - 2 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.

The Bank charges depreciation from the date of recognition of Ijarah of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



6.4.3 Provision against non-performing financings

The Bank determines provisions 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. The Bank determines write-offs in accordance with the criteria prescribed by SBP vide BPRD Circular No. 6 of 2007 dated June 05, 2007.

6.5 Investments

6.5.1 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.

6.5.2 The Bank values its investments as follows:

- Quoted securities, excluding investments categorised 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 categorised as 'held to maturity' are carried at amortized cost less impairment.

6.5.3 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 balance sheet, while any surplus / deficit arising as a result of revaluation of 'held for trading securities' is credited / charged to the profit and loss account.

6.5.4 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.

6.5.5 Cost of investment is determined on moving average basis.

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

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

6.5.8 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.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



6.6 Operating fixed assets

6.6.1 Tangible assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment. Items of fixed assets costing Rs. 10,000 or less are not capitalised and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in income currently.

6.6.2 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).

6.6.3 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 Bank charges depreciation / amortisation from the month of acquisition and upto the month preceding the disposal.

6.6.4 Capital work-in-progress

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

6.6.5 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.

6.6.6 Maintenance and normal repairs

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

6.6.7 Impairment

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

6.7 Ijarah Assets (IFAS-2)

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

- Depreciation

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

- Ijarah Rentals

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

6.8 Inventories

The Bank values its inventories 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 Bank / customers as an agent of the Bank for subsequent sale.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



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 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

The Bank operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying eligible service of three years. The scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2009. 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.

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 recognises liability in respect of employees compensated absences in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2009, on the basis of Projected Unit Credit method.

6.12 Dividend and reserves

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

6.13 Foreign currency transactions

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

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

6.14 Provisions and contingent assets and liabilities

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

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

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



6.15 Offsetting

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

Corporate Financing

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

Trading and Sales

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

Retail Banking

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

Commercial Banking

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

Agency Services

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

Payment and Settlement

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

6.16.2 Geographical segments

The Bank operates only in Pakistan.

6.17 Impairment

The carrying amount of the assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in 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	2009	2008
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		2,654,834	2,249,421
- foreign currencies		461,880	486,137
With the State Bank of Pakistan in			
- local currency current accounts	7.1	3,969,496	2,078,381
- foreign currency current accounts	7.1	641,169	444,936
With the National Bank of Pakistan in			
- local currency current accounts		660,053	504,835
		<u>8,387,432</u>	<u>5,763,710</u>

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		665,584	195,901
Outside Pakistan			
- on current accounts		4,578,659	295,976
- on deposit accounts	8.1	16,224	853,097
		<u>5,260,467</u>	<u>1,344,974</u>

8.1 The return on these balances ranges from 0.1% to 1.4% (2008: 1.70% to 5.10%) per annum.

9. DUE FROM FINANCIAL INSTITUTIONS

Commodity Murabaha		<u>34,499,500</u>	<u>18,108,000</u>
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9.1 The average return on these Commodity Murabahas is 12.33% (2008: 15.64%) per annum.

9.2 Particulars of due from financial institutions

In local currency		34,499,500	18,108,000
In foreign currency		-	-
		<u>34,499,500</u>	<u>18,108,000</u>

10. INVESTMENTS

10.1 Investments by types

	Note	2009			2008		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
Rupees in '000							
Held for trading securities	10.4	-	-	-	174,110	-	174,110
Available for sale securities	10.5	20,026,241	-	20,026,241	10,983,249	-	10,983,249
Held to maturity securities	10.6	1,166,848	-	1,166,848	1,735,329	-	1,735,329
		21,193,089	-	21,193,089	12,892,688	-	12,892,688
In related parties							
Subsidiary (unlisted)	10.7	63,050	-	63,050	63,050	-	63,050
Associates (listed)	10.8	2,020,161	-	2,020,161	2,020,161	-	2,020,161
Associates (unlisted)	10.9	274,280	-	274,280	274,280	-	274,280
Investment at cost / carrying value		<u>23,550,580</u>	-	<u>23,550,580</u>	<u>15,250,179</u>	-	<u>15,250,179</u>
Less: Provision for diminution in value of investments and impairment	10.10	(387,152)	-	(387,152)	(298,512)	-	(298,512)
Investments (net of provision)		<u>23,163,428</u>	-	<u>23,163,428</u>	<u>14,951,667</u>	-	<u>14,951,667</u>
Deficit on revaluation of held for trading securities	10.11	-	-	-	(23,014)	-	(23,014)
Surplus / (deficit) on revaluation of available for sale securities	21	126,881	-	126,881	(401,954)	-	(401,954)
Total investments at market value		<u>23,290,309</u>	-	<u>23,290,309</u>	<u>14,526,699</u>	-	<u>14,526,699</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
10.2 Investments by segments			
Fully paid up ordinary shares			
- Listed companies		943,419	962,807
- Unlisted companies		191,050	191,050
Preference shares		146,280	146,280
Global Sukuk Bonds		438,056	980,822
WAPDA First Sukuk Certificates	10.2.1	1,257,625	1,150,000
WAPDA Second Sukuk Certificates		1,750,000	1,750,000
GOP Ijarah Sukuk		10,368,686	3,640,000
PIA Sukuks		1,500,000	-
Sukuk Certificates		4,831,840	4,075,750
Units of open-end funds		1,914,425	2,144,271
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)		897	897
Certificates of a closed-end fund		208,302	208,302
Total investment at cost / carrying value		23,550,580	15,250,179
Less: Provision for diminution in value of investments and impairment	10.10	(387,152)	(298,512)
Investments (net of provision)		23,163,428	14,951,667
Deficit on revaluation of held for trading securities	10.11	-	(23,014)
Surplus / (deficit) on revaluation of available for sale securities	21	126,881	(401,954)
Total investments at market value		23,290,309	14,526,699

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

The legal counsel of the Bank contends that because the Sukuk Certificates were transferred through CDC account of the seller, the Bank is the legitimate and bonafide holder of the Sukuk Certificate from the date of acquisition.

10.3 Investments in subsidiary and associates except Meezan Islamic Income Fund form part of strategic investment of the Bank and cannot be sold for five years from the last date of purchase of such securities, unless stated otherwise.

10.4 Held for trading securities

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

Name of the investee company	2009	2008	2009	2008
	Number of Shares		Cost / carrying amount Rupees in '000	
Oil and gas marketing				
Pakistan State Oil Company Limited	-	285,700	-	46,364
Oil and gas exploration				
Pakistan Oilfields Limited	-	777,000	-	93,018
Oil and Gas Development Company Limited	-	500,000	-	5,537
Fertilizer				
Fauji Fertilizer Bin Qasim Limited	-	400,000	-	29,191
Total			-	174,110



Notes to and forming part of the Financial Statements

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10.5 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	2009	2008	2009	2008	2009	2008		
		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	10.5.1	324,000	324,000	20,352	20,352	19,521	-	10,002	-
Cement									
Attock Cement Pakistan Limited		150,736	175,000	5,535	7,688	7,838	-	6,594	-
D.G. Khan Cement Company Limited		-	855,000	-	33,584	-	-	18,186	-
Fauji Cement Company Limited		-	286,000	-	1,973	-	-	1,344	-
Lucky Cement Company Limited		30,000	-	2,025	-	1,987	-	-	-
Automobile assembler									
Indus Motor Company Limited		35,738	35,738	5,121	5,121	7,023	-	4,391	-
Pak Suzuki Motor Company Limited		90,200	45,200	7,804	3,787	8,024	-	3,598	-
Power generation and distribution									
The Hub Power Company Limited		3,843,000	3,543,000	114,141	89,761	119,440	-	49,921	-
Oil and gas marketing									
Pakistan State Oil Company Limited		298,608	153,580	86,189	36,885	88,818	AAA / A1+	19,285	AAA / A1+
Shell Pakistan Limited		281	1,031	49	180	70	-	320	-
Sui Northern Gas Pipeline Limited		-	227,600	-	6,352	-	AA / A1+	4,884	AA / A1+
Oil and gas exploration									
Pakistan Oilfields Limited		465,460	264,660	103,018	50,174	107,414	-	27,125	-
Oil and Gas Development Company Limited		526,700	684,600	52,199	64,647	58,258	AAA / A1+	34,223	AAA / A1+
Pakistan Petroleum Limited		744,742	510,785	135,375	98,914	141,196	-	51,395	-
Fertilizer									
Engro Chemicals Pakistan Limited		-	545,400	-	98,412	-	AA / A1+	52,609	AA / A1+
Fauji Fertilizer Bin Qasim Limited		3,052,500	2,102,500	67,407	47,895	79,762	-	27,122	-
Fauji Fertilizer Company Limited		1,395,542	683,859	146,291	75,045	143,643	-	40,163	-
Paper and board									
Packages Limited		263,229	170,229	49,516	34,472	37,905	AA / A1+	13,821	AA / A1+
Chemicals									
ICI Pakistan Limited		325,814	278,800	45,094	35,405	54,896	-	19,156	-
Textile composite									
Nishat Mills Limited		346,095	152,330	17,059	6,735	24,192	A+ / A1	3,445	A+ / A1
Technology and communication									
Pakistan Telecommunication Company Limited (A)		2,476,100	1,566,500	62,064	49,338	43,703	-	26,455	-
TRG Pakistan Limited		-	2,160,000	-	8,251	-	-	3,845	-
Refinery									
Pakistan Refinery Limited		10,000	101,900	1,202	10,554	1,207	-	10,027	-
Jute									
Thal Limited		42,000	35,000	3,172	3,172	3,565	-	2,865	-
Miscellaneous									
Tri-Pack Films Limited		174,416	-	19,806	-	17,965	-	-	-
Sukuk Certificates									
WAPDA First Sukuk Certificates	10.5.2 & 10.5.6	22,000	-	107,625	-	113,889	-	-	-
WAPDA Second Sukuk Certificates	10.5.5 & 10.5.6	350,000	350,000	1,750,000	1,750,000	1,760,850	-	1,767,500	-
Pakistan International Airlines	10.5.4 & 10.5.6	300,000	-	1,500,000	-	1,500,000	-	-	-
Dawood Hercules Chemicals Limited	10.5.5 & 10.5.7	20,000	20,000	1,000,000	1,000,000	1,000,000	-	1,000,000	-



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Name of the investee company / fund	Note	2009	2008	2009	2008	2009	2008		
		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			
Century Paper and Board Mills Limited	10.5.6 & 10.5.8	125,000	125,000	625,000	625,000	625,000	-	625,000	-
Sui Southern Gas Company Limited	10.5.6 & 10.5.9	200,000	200,000	833,334	1,000,000	833,334	-	1,000,000	-
Engro Chemicals Pakistan Limited	10.5.10 & 10.5.12	150,000	150,000	750,000	750,000	750,000	-	750,000	-
Sitara Chemical Industries Limited	10.5.11 & 10.5.12	29,600	29,600	74,000	111,000	74,000	-	111,000	-
Quetta Textile Mills	10.5.6 & 10.5.13	30,000	30,000	150,000	150,000	150,000	-	150,000	-
Arzo Textile Mills Limited	10.5.6 & 10.5.14	10,000	10,000	50,000	50,000	50,000	-	50,000	-
Sitara Peroxide Limited	10.5.6 & 10.5.15	30,000	30,000	150,000	150,000	150,000	-	150,000	-
Liberty Power Tech Ltd	10.5.16	6,775,060	-	677,506	-	677,506	-	-	-
Eden Builders Limited	10.5.6 & 10.5.17	14,400	7,950	72,000	39,750	72,000	-	39,750	-
Maple Leaf Cement Factory Limited	10.5.6 & 10.5.18	40,000	40,000	200,000	200,000	200,000	-	200,000	-
Anreli Steel (Pvt) Ltd	10.5.6 & 10.5.19	50,000	-	250,000	-	250,000	-	-	-
GOP Sukuk									
Ijarah Sukuk First	10.5.20 & 10.5.24	16,295	16,400	1,629,500	1,640,000	1,645,681	-	1,640,000	-
Ijarah Sukuk Second	10.5.21 & 10.5.24	20,000	20,000	2,000,000	2,000,000	2,025,000	-	2,000,000	-
Ijarah Sukuk Third	10.5.22 & 10.5.24	31,250	-	3,136,950	-	3,188,583	-	-	-
Ijarah Sukuk Fourth	10.5.23 & 10.5.24	35,950	-	3,602,236	-	3,595,336	-	-	-
Units of open-end funds									
United Composite Islamic Fund		-	232,558	-	25,000	-	-	14,661	-
United Islamic Income Fund		-	1,995,243	-	204,847	-	-	186,017	-
Atlas Islamic Fund		195,662	189,034	102,566	102,566	95,554	-	70,266	-
Sukuk Bonds									
Abu Dhabi Sukuk Bonds	10.5.25	5,000,000	5,000,000	421,208	395,492	399,095	-	395,432	-
Others									
S.W.I.F.T. SCRL		5	5	897	897	897	-	897	-
				<u>20,026,241</u>	<u>10,983,249</u>	<u>20,123,153</u>		<u>10,581,295</u>	

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

10.5.2 The return on Sukuk - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of thirty five basis points. These bonds will mature in 2012. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.

10.5.3 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 certificates will mature in 2017.

10.5.4 The return on Sukuk - PIA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of one seventy five basis points. These bonds will mature in 2014. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.

10.5.5 The paid up value of these sukuku is Rs. 50,000 per certificate.

10.5.6 The paid up value of these sukuku is Rs. 5,000 per certificate.

10.5.7 The tenure of these certificates is 5 years, with principal receivable in 2011-2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 120 basis points.

10.5.8 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.

10.5.9 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.

10.5.10 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.

10.5.11 The tenure of these certificates is 5 years, with principal receivable in 2008-2011. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 170 basis points.



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- 10.5.12 The paid up value of these sukuks is Rs. 3,750 per certificate.
- 10.5.13 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.
- 10.5.14 The tenure of these certificates is 6 years, with principal receivable in 2009-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to year 2 and plus 175 basis points from year 3 to year 6.
- 10.5.15 The tenure of these certificates is 5 years, with principal receivable in 2009-2013. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 110 basis points.
- 10.5.16 The paid up value of these certificates is Rs. 100 per certificate. The tenure is 12 years, with principal receivable in 2011-2020. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.5.17 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.
- 10.5.18 The tenure of these certificates is 6 years, with principal receivable in 2010-2013. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 170 basis points.
- 10.5.19 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.
- 10.5.20 These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market T-Bills plus 45 basis points. These certificates will mature in 2011. These are carried at cost because of non availability of independent market value.
- 10.5.21 These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market T-Bills plus 75 basis points. These certificates will mature in 2011. These are carried at cost because of non availability of independent market value.
- 10.5.22 These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2012. These are carried at cost because of non availability of independent market value.
- 10.5.23 These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market T-Bills minus 5 basis points. These certificates will mature in 2012. These are carried at cost because of non availability of independent market value.
- 10.5.24 The paid up value of these sukuks is Rs. 100,000 per certificate.
- 10.5.25 The paid up value of these bonds is US\$ 1. These bonds will mature in 2011. The profit is calculated on the basis of London inter-bank offer rate plus 40 basis points.

10.6 Held to maturity securities

Name of the investee entity	Note	2009		2008	
		Number of Bonds / Certificates	Cost Rupees in '000	Number of Bonds / Certificates	Cost Rupees in '000
Sukuk Bonds / certificates					
Qatar Global Sukuk Bonds (Sukuk - Qatar)	10.6.1	200,000	1,000,000	16,848	31,639
Dubai Sukuk Bonds (Sukuk - Dubai)		-	7,000,000	-	553,690
WAPDA First Sukuk Certificates (Sukuk - WAPDA)	10.6.2	230,000	230,000	1,150,000	1,150,000
				<u>1,166,848</u>	<u>1,735,329</u>

10.6.1 The paid up value of Sukuk – Qatar is US \$0.2 (2008:US \$0.4) per bond. The return on Sukuk – Qatar is on the basis of London inter-bank offer rate plus a fixed credit spread of 40 basis points. These bonds will mature in 2010.

10.6.2 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.



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10.7 Subsidiary (unlisted)

Particulars	Note	2009	2008	2009	2008	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					
Al Meezan Investment Management Limited (ordinary shares)	10.7.1	2,762,500	2,762,500	63,050	63,050	65	147.78	June 30, 2009	Mr. Muhammad Shoab
				<u>63,050</u>	<u>63,050</u>				

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

10.8 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	2009	2008	Percentage of direct equity holding %	2009	2008
		Number of shares / certificates / units			Cost Rupees in '000	
Ordinary Shares of Closed end mutual fund Al-Meezan Mutual Fund Limited		5,561,607	5,561,607	4.04	46,957	46,957
Certificate of closed end fund Meezan Balanced Fund		16,134,468	16,134,468	13.44	161,345	161,345
Units of open end funds Meezan Islamic Fund	10.8.1	7,242,403	7,242,403	Open end fund	380,525	380,525
Meezan Islamic Income Fund		23,466,113	23,466,113	Open end fund	1,181,334	1,181,334
Meezan Capital Protected Fund	10.8.4	5,035,119	5,000,000	Open end fund	250,000	250,000
					<u>2,020,161</u>	<u>2,020,161</u>

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

10.8.2 The above associates are incorporated in Pakistan.

10.8.3 Investments in listed associates have a market value of Rs. 1,906 million (2008: Rs. 1,608 million).

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



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10.9 Associates (unlisted)

The Bank holds investments in ordinary shares of Rs. 10 each, unless stated otherwise and preference shares of 100 each, in the following unlisted investee companies:

Particulars	2009	2008	2009	2008	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
	Number of shares / Certificates		Rupees in '000		%	Rupees		
Plexus (Private) Limited	1,499,980	1,499,980	15,000	15,000	50	3.42	June 30, 2009	Mr. Abdul Rehman
Faysal Management Services (Private) Limited note 10.9.1	540,000	540,000	54,000	54,000	30	101.82	Dec. 31, 2009	Mr. Nauman Ansari
Blue Water (Private) Limited note 10.9.2	90,000	90,000	9,000	9,000	30	102.40	June 30, 2009	Mr. Shuja-ul- Mulk Khan
Falcon Greenwood (Private) Limited							June 30, 2009	Mr. Abbas Khan
Ordinary shares - note 10.9.2	250,000	250,000	25,000	25,000	25	95.37	-	-
Preference shares - note 10.9.3	1,432,800	1,432,800	143,280	143,280	N/A	N/A	-	-
Advance against issue of Preference Shares	-	-	3,000	3,000	N/A	N/A	-	-
Pak Kuwait Takaful Co. Limited	2,500,000	2,500,000	25,000	25,000	10	9.10	Dec. 31, 2008	Mr. Imtiaz Ahmed Bhatti
Total			<u>274,280</u>	<u>274,280</u>				

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

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

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

10.9.4 The above associates are incorporated in Pakistan.

10.10 Provision for diminution in value of investments and impairment

	2009			2008		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	298,512	-	298,512	9,628	-	9,628
Charge for the year						
- on associates (listed)	-	-	-	287,046	-	287,046
- on associates (unlisted)	-	-	-	1,838	-	1,838
- on available for sale investments	-	88,640	88,640	-	-	-
	-	88,640	88,640	288,884	-	288,884
Closing balance	<u>298,512</u>	<u>88,640</u>	<u>387,152</u>	<u>298,512</u>	<u>-</u>	<u>298,512</u>



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	Note	2009	2008
Rupees in '000			
10.10.1 Provision in respect of type and segment			
Associates - unlisted			
Fully paid up-ordinary shares		11,466	11,466
Associates - listed			
Certificates		67,954	67,954
Units		219,092	219,092
		287,046	287,046
Other - Available for sale Investments			
Fully paid up-ordinary shares		29,972	-
Sukuk Certificates		58,668	-
		88,640	-
		387,152	298,512
10.11 Deficit on revaluation of held for trading securities			
Fully paid up ordinary shares			
Deficit on listed shares		-	23,014
11. FINANCINGS			
In Pakistan			
- Murabaha financings	11.1	16,645,275	14,590,314
- Net investment in Ijarah	11.2	6,527,339	9,553,207
- Net book value of assets/investment in Ijarah under IFAS-2		1,498,191	-
- Export Refinance under Islamic scheme	11.3	4,944,295	3,687,948
- Diminishing Musharakah financings - housing		3,003,063	3,613,476
- Diminishing Musharakah financings - others		7,541,277	5,689,107
- Musharakah financings		80,531	80,531
- Istisna financings		3,729,059	1,605,460
- Tijarah financings		665,260	6,313
- Labbaik financings		3,959	-
- Financings against bills - Salam		601,802	486,449
- Financings against bills - Murabaha		434,864	850,763
- Loans and running finances	11.4	1,041,695	463,352
Total financings		46,716,610	40,626,920
Less: Provision against non-performing financings	11.7	(2,528,544)	(1,098,189)
Financings net of provision	11.5 & 11.9	44,188,066	39,528,731
11.1 Murabaha receivable - gross	11.1.2	17,453,157	15,350,282
Less: Deferred murabaha income		(340,948)	(317,937)
Profit receivable shown in other assets		(466,934)	(442,031)
Murabaha financings		16,645,275	14,590,314
11.1.1 Murabaha Sale Price		17,564,481	15,164,924
Murabaha Purchase Price		(16,645,275)	(14,590,314)
		919,206	574,610
11.1.2		This includes advance for Murabaha aggregating to Rs. 2,116 million (2008: Rs. 1,411 million).	
11.1.3		Net book value of assets / investments in Ijarah under IFAS-2 is net of depreciation of Rs.158.243 million (2008: Nil).	



Notes to and forming part of the Financial Statements

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11.2 Net investment in Ijarah

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	2,453,678	4,344,128	241,268	7,039,074	2,318,449	7,776,671	559,288	10,654,408
Residual value	642,547	895,116	22,973	1,560,636	572,972	1,396,879	30,254	2,000,105
Minimum Ijarah payments	3,096,225	5,239,244	264,241	8,599,710	2,891,421	9,173,550	589,542	12,654,513
Less: Profits for future periods	(626,377)	(1,423,120)	(22,874)	(2,072,371)	(734,983)	(2,275,663)	(90,660)	(3,101,306)
Present value of minimum Ijarah payments	2,469,848	3,816,124	241,367	6,527,339	2,156,438	6,897,887	498,882	9,553,207

	2009	2008
	Rupees in '000	
11.3 Receivable under Islamic Export Refinance Scheme-gross - note 11.3.1	5,063,176	3,783,641
Less: Deferred income	(56,657)	(52,733)
Profit receivable shown in other assets	(62,224)	(42,960)
Receivable under Islamic Export Refinance	4,944,295	3,687,948

11.3.1 This includes advance for Murabaha under Islamic Export Refinance Scheme aggregating to Rs. 1,431 million (2008: Rs. 433 million).

11.4 This includes Rs. 91.816 million (2008: Rs. 104.888 million) representing mark up free loans to staff advanced under Bank's Human Resource Policies.

	2009	2008
	Rupees in '000	
11.5 Particulars of financings - net		
11.5.1 In		
- local currency	42,888,312	37,549,706
- foreign currencies	1,299,754	1,979,025
	44,188,066	39,528,731
11.5.2 Short-term (for upto one year)	27,681,490	21,499,732
Long-term (for over one year)	16,506,576	18,028,999
	44,188,066	39,528,731



Notes to and forming part of the Financial Statements

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- 11.6 Financings include Rs. 3,649.163 million (2008: Rs. 2,060.108 million) which have been placed under non-performing status as detailed below:

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

Category of classification	2008			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Substandard	645,567	-	645,567	119,588	119,588
Doubtful	717,595	-	717,595	353,627	353,627
Loss	696,946	-	696,946	521,534	521,534
	<u>2,060,108</u>	<u>-</u>	<u>2,060,108</u>	<u>994,749</u>	<u>994,749</u>

- 11.7 Particulars of provision against non-performing financings:

	2009			2008		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	994,749	103,440	1,098,189	379,497	293,776	673,273
Charge for the year	1,577,295	-	1,577,295	775,040	9,664	784,704
Less: Reversals	(128,581)	(18,178)	(146,759)	(156,268)	(200,000)	(356,268)
	1,448,714	(18,178)	1,430,536	618,772	(190,336)	428,436
Amount written off - note 11.8	(181)	-	(181)	(3,520)	-	(3,520)
Closing balance	<u>2,443,282</u>	<u>85,262</u>	<u>2,528,544</u>	<u>994,749</u>	<u>103,440</u>	<u>1,098,189</u>

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

- 11.7.2 Particulars of provision against non-performing financings:

	2009			2008		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	2,421,695	85,262	2,506,957	973,519	103,440	1,076,959
In foreign currencies	21,587	-	21,587	21,230	-	21,230
	<u>2,443,282</u>	<u>85,262</u>	<u>2,528,544</u>	<u>994,749</u>	<u>103,440</u>	<u>1,098,189</u>



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	Note	2009	2008
Rupees in '000			
11.8 Particulars of write offs			
11.8.1 Against provision	11.7	181	3,520
Directly charged to profit and loss account		-	-
		<u>181</u>	<u>3,520</u>
11.8.2 Write offs Rs. 500,000 and above		-	3,520
Write offs below Rs. 500,000		181	-
		<u>181</u>	<u>3,520</u>

11.9 Particulars of loans and financing 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	2009	2008
Rupees in '000			
Balance at the beginning of the year		342,270	262,492
Financing granted during the year		182,970	173,419
Repayments		(64,950)	(93,641)
Balance at the end of the year	11.9.1	<u>460,290</u>	<u>342,270</u>

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

	Note	2009	2008
Rupees in '000			
Balance at the beginning of the year		368,827	345,314
Financing granted during the year		58,127	347,671
Repayments		(283,120)	(324,158)
Balance at the end of the year	11.9.2	<u>143,834</u>	<u>368,827</u>

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

	2009	2008
Rupees in '000		
Balance at the beginning of the year	-	669
Financing granted during the year	-	-
Repayments	-	(669)
Balance at the end of the year	<u>-</u>	<u>-</u>

11.9.1 The maximum total amount of financings including temporary financings granted during the year were Rs. 460.290 million (2008: Rs. 342.270 million). The maximum amount has been calculated by reference to the month end balance.

11.9.2 This represents a Musharakah facility outstanding from Blue Water (Private) Limited (an associated company) amounting to Rs. 70.531 million (2008: Rs. 70.531 million), Ijarah facilities outstanding from The General Tyre and Rubber Company Limited (an associated company) (GTR) amounting to Rs. 73.30 million (2008: Rs. 297.620 million) and Ijarah facility outstanding from Pak-Kuwait Takaful Company Limited (an associated company) amounting to Rs. Nil (2008: Rs. 0.674 million). The Musharakah facility is secured against equitable mortgage over property whereas the Ijarah facilities are secured against hypothecation charge over present and future stocks, book debts and the rented assets of GTR and Pak-Kuwait Takaful Company Limited respectively. The maximum total amount of financings, including temporary financings granted during the year were Rs. 427.383 million (2008:Rs. 572.685 million). The maximum amount has been calculated by reference to the month end balance.



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11.9.3 Loans and financings to executives and a director

	Executives		Director	
	2009	2008	2009	2008
	Rupees in '000			
Opening balance	167,773	125,254	430	562
Loans disbursed during the year	97,880	60,776	-	-
Loans repaid during the year	(13,813)	(18,257)	(132)	(132)
Closing balance	251,840	167,773	298	430

Note	2009	2008
	Rupees in '000	

12. OPERATING FIXED ASSETS

Tangible assets

Capital work-in-progress

Property and equipment

Intangible assets

12.1 Capital work-in-progress

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

Note	2009	2008
	Rupees in '000	
12.1	304,045	70,228
12.2	2,017,113	1,715,403
	2,321,158	1,785,631
12.4	95,217	94,884
	2,416,375	1,880,515
	208,588	12,847
	14,771	19,959
	6,354	9,881
	48,450	8,514
	25,836	19,027
	46	-
	304,045	70,228



Notes to and forming part of the Financial Statements

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12.2 Property and equipment

	2009							Rate of depreciation %
	COST			DEPRECIATION			Net book value as at December 31, 2009	
	As at January 1, 2009	Additions / (disposals)	As at December 31, 2009	As at January 1, 2009	Charge / (on disposal)	As at December 31, 2009		
	Rupees in '000							
Land and buildings - note 12.3.1	510,092	173,473	683,565	18,796	7,854	26,650	656,915	5
Leasehold improvements	666,401	201,070 (6,135)	861,336	121,879	73,712 (2,041)	193,550	667,786	10
Furniture and fixtures	119,845	22,768 (629)	141,984	26,233	13,253 (349)	39,137	102,847	10
Electrical, office and computer equipments	689,434	159,364 (2,461)	846,337	283,310	159,358 (2,216)	440,452	405,885	20 and 33
Vehicles	261,192	70,160 (36,616)	294,736	81,343	53,261 (23,548)	111,056	183,680	20
	2,246,964	626,835 (45,841)	2,827,958	531,561	307,438 (28,154)	810,845	2,017,113	

	2008							Rate of depreciation %
	COST			DEPRECIATION			Net book value as at December 31, 2008	
	As at January 1, 2008	Additions / (disposals)	As at December 31, 2008	As at January 1, 2008	Charge / (on disposal)	As at December 31, 2008		
	Rupees in '000							
Land and buildings - note 12.3.1	254,128	255,964	510,092	13,329	5,467	18,796	491,296	5
Leasehold improvements	381,809	287,829 (3,237)	666,401	71,357	50,680 (158)	121,879	544,522	10
Furniture and fixtures	79,227	40,762 (144)	119,845	16,162	10,088 (17)	26,233	93,612	10
Electrical, office and computer equipments	371,136	322,028 (3,730)	689,434	184,481	100,509 (1,680)	283,310	406,124	20 and 33
Vehicles	168,154	130,742 (37,704)	261,192	64,089	43,351 (26,097)	81,343	179,849	20
	1,254,454	1,037,325 (44,815)	2,246,964	349,418	210,095 (27,952)	531,561	1,715,403	



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



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

	Land and buildings	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
	Rupees in '000					
At January 1, 2008						
Cost	254,128	381,809	79,227	371,136	168,154	1,254,454
Accumulated depreciation	(13,329)	(71,357)	(16,162)	(184,481)	(64,089)	(349,418)
Net book value	240,799	310,452	63,065	186,655	104,065	905,036
Year ended December 31, 2008						
Additions	255,964	287,829	40,762	322,028	130,742	1,037,325
Net book value of disposals	-	(3,079)	(127)	(2,050)	(11,607)	(16,863)
Depreciation charge	(5,467)	(50,680)	(10,088)	(100,509)	(43,351)	(210,095)
Net book value as at December 31, 2008	491,296	544,522	93,612	406,124	179,849	1,715,403
Year ended December 31, 2009						
Additions	173,473	201,070	22,768	159,364	70,160	626,835
Net book value of disposals	-	(4,094)	(280)	(245)	(13,068)	(17,687)
Depreciation charge	(7,854)	(73,712)	(13,253)	(159,358)	(53,261)	(307,438)
Net book value as at December 31, 2009	656,915	667,786	102,847	405,885	183,680	2,017,113

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

12.3.2 Included in cost of property and equipment are fully depreciated items still in use aggregating to Rs. 243.149 million (2008: Rs. 144.117 million).



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Vehicles						
Honda City	835	807	28	28	Ex-Gratia	M. Shafi (Late Ex-Employee)
Honda City	896	448	448	725	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Honda City	835	668	167	650	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Honda City	845	845	-	180	MBL Policy	Kazi Amir (Employee)
Honda City	835	668	167	397	MBL Policy	Mustafa Rabbani (Employee)
Honda City	933	575	358	816	Negotiation	Asif Butt
Honda City	477	143	334	507	Negotiation	Khurram Imtiaz
Honda City	458	206	252	511	Negotiation	Mukhtar A Chanda
Honda City	886	665	221	680	Negotiation	Umer
Honda Civic	1,042	834	208	592	MBL Policy	Muhammad Abdullah (Employee)
Honda Civic	1,246	1,246	-	975	Negotiation	M.Rashid
Honda Civic	1,526	356	1,170	1,500	Negotiation	Qadir Ali Baig (Ex-Employee)
Honda Civic	1,323	419	904	698	Negotiation	Syed Ahmed Ali
Santro Club	519	519	-	156	MBL Policy	Irshad Ali (Employee)
Santro Club	579	357	222	418	Negotiation	Adnan Rafiq
Santro Club	499	499	-	333	Negotiation	Khurram Imtiaz
Santro Club	499	499	-	333	Negotiation	Khurram Imtiaz
Santro Club	519	519	-	282	Negotiation	Muhammad Kashif Islam
Santro Club	519	519	-	343	Negotiation	Zahid Qadir
Suzuki Alto	470	39	431	490	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Suzuki Alto	469	344	125	261	MBL Policy	Jamil Chaudhery (Employee)
Suzuki Alto	469	469	-	141	MBL Policy	Zulfiqar Kiani (Employee)
Suzuki Alto	496	471	25	163	MBL Policy	Farkanda (Ex-Employee)
Suzuki Alto	469	281	188	467	Negotiation	Akbar Ali
Suzuki Alto	469	281	188	426	Negotiation	Akbar Ali
Suzuki Alto	479	184	295	468	Negotiation	Akbar Ali
Suzuki Alto	469	281	188	437	Negotiation	Jamal Nasir
Suzuki Alto	484	202	282	433	Negotiation	Asif
Suzuki Alto	469	360	109	486	Negotiation	Khurram Imtiaz
Suzuki Alto	469	438	31	375	Negotiation	Tariq Ghuman
Suzuki Alto	475	150	325	495	Negotiation	Rahat Amir
Suzuki Alto	477	199	278	476	Negotiation	M.Zafar
Suzuki Alto	458	183	275	478	Negotiation	M.Zafar
Suzuki Bolan	427	427	-	256	Negotiation	Abid
Suzuki Cultus	603	603	-	357	Negotiation	M Jawwad Ali
Suzuki Cultus	567	274	293	646	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	560	345	215	527	Negotiation	Khurram Imtiaz
Suzuki Cultus	560	224	336	580	Negotiation	Mohammad Siddique
Suzuki Cultus	560	336	224	523	Negotiation	Mohammad Tariq
Suzuki Cultus	560	392	168	585	Negotiation	Mohammad Nasir
Suzuki Cultus	567	274	293	609	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	568	189	379	631	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	586	205	381	670	Negotiation	Amir
Suzuki Cultus	560	280	280	612	Negotiation	Amir
Suzuki Cultus	560	429	131	575	Negotiation	Bilal Akram
Suzuki Cultus	569	313	256	594	Negotiation	Bilal Akram
Suzuki Cultus	560	429	131	516	Negotiation	Farooq Nawaz
Suzuki Cultus	560	308	252	566	Negotiation	Khurram Imtiaz
Suzuki Cultus	560	308	252	517	Negotiation	Khurram Imtiaz
Suzuki Cultus	590	226	364	618	Negotiation	Khurram Imtiaz
Suzuki Cultus	573	210	363	615	Negotiation	Khurram Imtiaz
Suzuki Cultus	579	232	347	615	Negotiation	Rooman Rehmatullah
Suzuki Cultus	594	158	436	719	Negotiation	Zulfiqar Ahmed Khan
Suzuki Cultus	579	154	425	718	Negotiation	Zulfiqar Ahmed Khan
Suzuki Cultus	606	606	-	403	Negotiation	Rana Saif Ur Rehman
Suzuki Cultus	606	606	-	416	Negotiation	Shafqat Ali
Toyota Corolla	914	589	325	700	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Toyota Corolla	755	755	-	565	Negotiation	Khurram Imtiaz



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Leasehold Improvements						
Civil Works	6,135	2,041	4,094	533	Negotiation	Muhammad Shabbir
Furniture and fixtures						
Blinds, Cabinets, Tables and Chairs	629	349	280	55	Negotiation	Muhammad Shabbir
Electrical, office and computer equipments						
Attendance Control System	362	278	84	48	Negotiation	Innovative (Pvt) Limited
Computer System	62	55	7	25	Insurance	Pak Kuwait Takaful Co. Ltd.
Computer System	246	246	-	21	Negotiation	Muhammad Shabbir
Fax Machine	16	16	-	2	Negotiation	Mansha Brothers
Mobile Phone	16	3	13	12	MBL Policy	Qadir Ali Baig (Ex-Employee)
Note Book	62	46	16	16	MBL Policy	Faisal Kasbati (Ex-Employee)
Note Book	62	56	6	27	Insurance	Pak Kuwait Takaful Co. Ltd.
PABX System	117	111	6	17	Negotiation	Panasonic Media Solutions
Split Air Conditioners	196	196	-	70	Negotiation	Qasim Furniture
Split Air Conditioners	275	240	35	40	Negotiation	Wind World
Split Air Conditioners	812	753	59	71	Negotiation	Muhammad Shabbir
Transformers	235	218	17	20	Negotiation	Muhammad Shabbir
	45,841	28,154	17,687	30,810		

12.4 Intangible assets

	COST			AMORTISATION			Net book value as at December 31, 2009	Rate of amortisation %
	Opening balance as at January 1, 2009	Additions during the year	Closing balance as at December 31, 2009	Opening balance as at January 1, 2009	Amortisation during the year	Closing balance as at December 31, 2009		
Rupees in '000								
Computer software	141,728	32,186	173,914	46,844	31,853	78,697	95,217	20
2008	93,208	48,520	141,728	24,935	21,909	46,844	94,884	

12.5 Intangible assets-Movement of net book value

	Year ended December 31, 2008			Year ended December 31, 2009			
	Net book value as at January 1, 2008	Addition during the year	Amortisation charge for the year	Net book value as at December 31, 2008	Addition during the year	Amortisation charge for the year	Net book value as at December 31, 2009
Rupees in '000							
Computer software	68,273	48,520	21,909	94,884	32,186	31,853	95,217



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
13. DEFERRED TAX ASSETS / (LIABILITIES)			
Credit / (debit) balances arising on account of:			
Excess of accounting book values over tax written down values of owned assets		(181,977)	(169,180)
Excess of Ijarah financings over tax written down values of Ijarah assets		(395,181)	(771,983)
Excess of tax written down values over accounting net book values of investments		24,547	4,013
Other staff benefits		92,277	45,185
Provision against non-performing financings		655,500	341,554
(Surplus) / deficit on revaluation of available for sale investments		(32,957)	35,835
Provision for impairment on available for sale securities		31,702	28,705
Others		10,261	32,833
		<u>204,172</u>	<u>(453,038)</u>
14. OTHER ASSETS			
Profit / return accrued in local currency		2,255,721	1,396,932
Profit / return accrued in foreign currency		3,903	13,210
Advances, deposits, advance rent and other prepayments	14.1	379,731	542,274
Receivables on account of sale of securities		-	200,089
Dividends receivable		8,578	3,922
Stamps		4,992	6,293
Inventories	14.2	2,523,969	1,535,744
Advances against future Ijarah		272,885	312,208
Advances against Diminishing Musharakah		-	144,820
Security deposits		14,126	14,608
Unrealised gain on forward foreign exchange contracts		30,561	20,554
Unrealized gain on securities with deferred purchase commitments		-	23,014
Non-Banking assets acquired in satisfaction of claims		330,432	-
Prepaid exchange risk fee		111	142
Advance against Pre-IPO IGI Islamic Income Fund		100,000	-
Others		41,756	1,842
		<u>5,966,765</u>	<u>4,215,652</u>
Provision against other assets	14.3	(31,352)	(92,211)
		<u>5,935,413</u>	<u>4,123,441</u>

14.1 This includes prepaid rent and prepaid insurance aggregating to Rs. 201.847 million (2008: Rs. 208.063 million) and Rs. 119.710 million (2008: Rs. 113.572 million) respectively which are being amortized over a period of one year.

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
14.3 Provision against other assets			
Opening balance		92,211	-
Charge for the year		21,352	92,211
Reversals		(82,211)	-
Amount written off		-	-
Closing balance		31,352	92,211
15. BILLS PAYABLE			
In Pakistan		1,249,210	1,057,017
Outside Pakistan		-	-
		1,249,210	1,057,017
16. DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		8,326,198	3,994,609
Outside Pakistan		142,227	13,887
		8,468,425	4,008,496
16.1 Particulars of due to financial institutions with respect to currencies			
In local currency		8,326,198	3,971,667
In foreign currencies		142,227	36,829
		8,468,425	4,008,496
16.2 Details of due to financial institutions secured / unsecured			
Secured			
Borrowing from the State Bank of Pakistan under Islamic Export Refinance Scheme	16.2.1	4,819,166	3,517,946
Unsecured			
Overdrawn nostro accounts		142,227	13,887
Others		3,507,032	476,663
		8,468,425	4,008,496
16.2.1			
These borrowings are on a profit and loss sharing basis maturing between January 2, 2010, to June 29, 2010, and are secured against demand promissory notes executed in favour of SBP. A limit of Rs. 5,000 million (2008: 3,800 million) has been allocated to Bank by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2010.			
		2009	2008
Rupees in '000			
16.3 Particulars of due to financial institutions			
Short - term		8,468,425	4,008,496
Long - term		-	-
		8,468,425	4,008,496



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



17. DEPOSITS AND OTHER ACCOUNTS	Note	2009	2008
Rupees in '000			
Customers			
- Fixed deposits		32,351,628	23,455,160
- Savings deposits		36,107,257	24,562,979
- Current accounts - non-remunerative		28,666,058	20,615,241
- Current accounts - remunerative		250,512	165,787
- Margin		525,275	615,994
		97,900,730	69,415,161
Financial Institutions			
- Remunerative deposits		2,419,546	800,330
- Non-remunerative deposits		12,775	18,384
		2,432,321	818,714
		100,333,051	70,233,875
17.1 Particulars of deposits			
In			
- local currency		94,892,303	66,489,552
- foreign currencies		5,440,748	3,744,323
		100,333,051	70,233,875
18. OTHER LIABILITIES			
Return on deposits and other dues			
- payable in local currency	18.1 & 18.1.1	740,869	534,164
- payable in foreign currency		5,529	10,852
Unearned commission		15,608	19,202
Accrued expenses	18.1.2	211,974	94,784
Current taxation (provision less payments)		1,484,667	338,743
Unclaimed dividends		851	851
Unrealised gain (net) on forward foreign exchange contracts		12,638	135,634
Payable to defined benefit plan	33.3	40,347	29,803
Provision against off-balance sheet obligations	18.2	1,600	1,600
Security deposits against Ijarah		2,050,209	2,104,357
Other staff benefits		259,961	129,097
Charity payable	18.4	18,170	8,820
Others		104,166	140,759
		4,946,589	3,548,666

18.1 This includes Rs. 60.315 million (2008: Rs. 40.374 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.

18.1.1 This includes Rs. 1.3 million (2008: Rs. 29.921 million) in respect of payable to a fund of Al Meezan Investment Management Limited (Subsidiary).

18.1.2 This includes Rs. 1.388 million (2008: Rs. 0.651 million) payable to the Al Meezan Investment Management Limited (Subsidiary) against portfolio management fee.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



18.2 Provision against off-balance sheet obligations	Note	2009	2008
Rupees in '000			
Opening balance		1,600	7,548
Charge for the year		-	-
Reversals		-	(5,948)
Amount written off		-	-
Closing balance	18.3	1,600	1,600

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

18.4 Reconciliation of charity payable	Note	2009	2008
Rupees in '000			
Balance as at January 1		8,820	12,419
Additions during the year		51,170	36,288
Less: Transferred to charity savings account (included in deposits and other accounts)	18.4.2	(41,820)	(39,887)
Balance as at December 31		18,170	8,820

18.4.1 Charity paid through savings account during the year is Rs. 14.605 million (2008: Rs.2.13 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organizations:

	2009	2008
Rupees in '000		
Afzal Memorial Thalassemia Foundation	235	-
Alamgir Welfare Trust International	1,738	-
Children Cancer Foundation Pakistan Trust	300	-
Chipa Welfare Association	200	-
CPLC - IDP Fund	1,000	-
Dar-us-Shifa Dialysis Centre	200	-
Health Oriented Preventive Education	-	125
IBA-National Talent Hunt Program	759	-
Idara Al Khair Welfare Society	434	300
Islamic Relief	5,000	-
Marie Adelaide Leprosy Centre	250	-
Murshid Hospital & Health Care Centre	250	-
Muslim Aid Trust Pakistan	1,000	-
Pakistan Myasthenic Welfare Organization	102	-
Saylani Welfare Trust	300	-
Sindh Institute of Urology and Transplantation	500	-
The Citizen Foundation	450	389
The Indus Hospital	1,300	500
Security Guard Tando Allahyar Br. Meezan Bank Limited	-	500

18.4.2 Charity in profit and loss savings account is Rs.100.063 million (2008: Rs.69.349 million).

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



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



19. SHARE CAPITAL

19.1 Authorized, issued, subscribed and paid-up capital

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

Authorized capital

As at January 1, 2009
Increase during the year
As at December 31, 2009

Ordinary shares of Rs. 10 each	
Number	Amount in Rupees in '000
800,000,000	8,000,000
300,000,000	3,000,000
1,100,000,000	11,000,000

As at January 1, 2008
Issue of bonus shares of Rs. 10 each
As at December 31, 2008
Issue of right shares of Rs. 10 each
As at December 31, 2009

Ordinary shares of Rs. 10 each	
Number	Amount in Rupees in '000
377,989,686	3,779,896
114,606,472	1,146,065
492,596,158	4,925,961
172,408,655	1,724,087
665,004,813	6,650,048

20. RESERVES

Statutory reserve
General reserve

Note	2009	2008
	Rupees in '000	
20.1	983,326	778,256
	66,766	66,766
	1,050,092	845,022

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

21. SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS

Quoted shares
Other securities - certificates

Add: Deferred tax (liability) / asset

Note	2009	2008
	Rupees in '000	
	45,808	(419,394)
	81,073	17,440
	126,881	(401,954)
	(32,957)	35,835
	93,924	(366,119)

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Guarantees favouring
- Government

390,415	311,574
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Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
22.2 Transaction related contingent liabilities			
Guarantees favouring			
- Government		2,465,304	2,077,032
- Banks		66,516	69,427
- Others		2,397,480	2,833,741
		<u>4,929,300</u>	<u>4,980,200</u>
22.3 Trade related contingent liabilities			
Import letters of credit		8,906,958	5,398,265
Acceptances		2,507,973	2,834,379
		<u>11,414,931</u>	<u>8,232,644</u>
22.4 Commitments in respect of forward exchange contracts			
Purchases		13,095,711	8,084,571
Sales		14,967,063	9,315,366
22.5 Commitments for the acquisition of operating fixed assets		29,485	27,684
22.6 Commitments in respect of financings		25,982,480	22,733,968
22.7 Commitments in respect of securities with deferred purchase commitments		-	174,110
22.8 Other commitments			
Bills for collection (inland)		97,687	96,983
Bills for collection (foreign)		2,127,779	2,453,995
		<u>2,225,466</u>	<u>2,550,978</u>

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

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

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

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

The Bank has filed appeals for tax years 2004 to 2008 with CIT (A) including that mentioned above. CIT (A) in his order for tax year 2003 confirmed the assessment in respect of the principle of allocation of expenses; however, directions have been given for necessary rectification on certain facts and basis underlying that assessment. The appeal effect order for tax year 2003 has been received resulting in additional tax liability of Rs. 14.162 million in respect of allocation of expenses. This order is subject to rectification in respect of error apparent from facts of the case. The Bank has already made a provision of Rs. 221 million on that issue against the demand for the above mentioned years being the maximum exposure of the matter if decided as directed by ITAT. The management is confident that the ultimate outcome of the appeal would be in favor of the Bank inter alia on the basis of the advice of the tax consultants and the relevant law and the facts of the case.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



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

On financings to:
- Customers
On investments in:
- Available for sale securities
- Held to maturity securities
On deposits / placements with financial institutions

Note	2009	2008
	Rupees in '000	
	5,090,510	4,689,554
	1,793,337	767,483
	177,194	156,204
	3,041,019	1,189,972
	<u>10,102,060</u>	<u>6,803,213</u>
	4,576,820	2,897,056
24.1	393,096	191,278
	<u>4,969,916</u>	<u>3,088,334</u>

24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED

Deposits and other accounts
Other short term borrowings

24.1 This includes Rs. 221.427 million (2008: Rs. 143.325 million) paid / payable to SBP under Islamic Export Refinance Scheme.

25. CAPITAL GAIN ON SALE OF INVESTMENTS

Shares - listed
Government Sukuk / certificates
Term finance certificates

	2009	2008
	Rupees in '000	
	69,706	46,173
	6,454	353
	-	475
	<u>76,160</u>	<u>47,001</u>

26. OTHER INCOME

Gain on termination of Ijarah financings
Gain on termination of diminishing Musharakah financings
Gain on sale of property, equipment and others
Gain on securities with deferred purchase commitments
Others

	17,273	8,830
	14,095	16,119
	13,123	12,744
	-	23,014
	5,016	5,963
	<u>49,507</u>	<u>66,670</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



27. ADMINISTRATIVE EXPENSES	Note	2009	2008
		Rupees in '000	
Salaries, allowances, etc.	27.1 & 35	1,468,178	1,105,027
Charge for defined benefit plan	33.4	40,347	29,803
Contribution to defined contribution plan	34	46,661	33,009
Non- executive directors' fees	35	18,465	11,839
Rent, electricity, taxes, insurance, etc.		530,084	386,114
Takaful and tracker expenses on Ijarah		186,571	197,738
Communication		129,835	103,391
Stationery and printing		86,178	68,716
Entertainment		11,501	8,551
Office supplies		35,480	22,816
Local transportation and car running		58,499	50,802
Fees, subscription and clearing charges		61,680	52,015
Security charges including cash transportation charges		121,692	68,416
Repairs and maintenance		87,009	56,261
Hardware and software maintenance		36,099	29,692
Advertisement and publicity		46,146	43,462
Depreciation	12.2	307,438	210,095
Amortization	12.4	31,853	21,909
Travelling		27,334	24,885
Service charges	27.2	3,317	1,088
Brokerage, commission and bank charges		44,133	41,569
Legal and professional charges	27.3	32,339	15,961
Auditors' remuneration	27.4	6,853	6,600
Workers Welfare Fund	27.5	86,302	21,468
Others		26,167	15,379
		3,530,161	2,626,606

27.1 This includes remuneration to Shariah Advisor amounting to Rs. 3.5 million (2008: Rs. 3.9 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. 1.153 million (2008: Rs. 1 million).

27.4 Auditors' remuneration	2009	2008
	Rupees in '000	
Audit fee	1,800	1,400
Fee for interim review	500	400
Special certifications and sundry advisory services	4,040	4,425
Out of pocket expenses	513	375
	6,853	6,600

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 CHARGES

	2009	2008
	Rupees in '000	
Penalties imposed by the State Bank of Pakistan	1,747	287



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



	Note	2009	2008
		Rupees in '000	
29. TAXATION			
Current			
- for the year		1,440,374	314,790
- for prior years		-	-
		<u>1,440,374</u>	<u>314,790</u>
Deferred		(726,002)	56,334
		<u>714,372</u>	<u>371,124</u>
29.1 Relationship between tax expense and accounting profit			
Profit before taxation and WWF		<u>1,826,025</u>	<u>1,013,779</u>
Effects of:			
-Tax calculated at the applicable rate of 35%		639,109	354,823
-Tax effect of income that are not taxable in determining taxable profit		1,011	416
- Income chargeable to tax at reduced rate		(40,001)	10,865
- Permanent differences		114,253	5,020
Tax charge for the year		<u>714,372</u>	<u>371,124</u>
30. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>1,025,351</u>	<u>621,187</u>
		(Number)	(Restated)
Weighted average number of ordinary shares		<u>599,185,729</u>	<u>509,004,974</u>
		(Rupees)	(Restated)
Basic earnings per share	30.1	<u>1.71</u>	<u>1.22</u>
30.1	There were no convertible dilutive potential ordinary shares outstanding on December 31, 2009 and 2008.		
30.2	The number of ordinary shares as at December 31, 2008, have been adjusted for element of bonus shares in issue of right shares.		
31. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	8,387,432	5,763,710
Balances with other banks	8	5,260,467	1,344,974
		<u>13,647,899</u>	<u>7,108,684</u>
32. STAFF STRENGTH			
		2009	2008
		(Number of Staff)	
Permanent		2,246	1,834
Contractual basis		958	967
Bank's own staff strength at the end of the year		<u>3,204</u>	<u>2,801</u>
Outsourced		465	369
Total Staff Strength		<u>3,669</u>	<u>3,170</u>
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:			



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



		2009	2008
		Principal actuarial assumptions	
33.1	Discount rate	13% p.a	15% p.a
	Expected rate of increase in salaries	13% p.a	15% p.a
	Expected rate of return on investments	13% p.a	15% p.a
	Normal retirement age	60 years	60 years
<p>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, 2009.</p>			
		2009	2008
		Rupees in '000	
33.2	Reconciliation of amount payable to defined benefit plan		
	Present value of defined benefit obligations	122,631	80,277
	Fair value of plan assets	(69,791)	(32,507)
	Net actuarial losses not recognised	(12,493)	(17,967)
		<u>40,347</u>	<u>29,803</u>
33.3	Movement in payable to defined benefit plan		
	Opening balance	29,803	17,934
	Charge for the year	40,347	29,803
	Contribution made during the year	(29,803)	(17,934)
	Closing balance	<u>40,347</u>	<u>29,803</u>
33.4	Charge for defined benefit plan		
	Current service cost	31,939	26,192
	Interest cost	12,042	4,893
	Expected return on plan assets	(4,876)	(1,981)
	Actuarial gains and losses	1,242	699
		<u>40,347</u>	<u>29,803</u>
33.5	Actual return on plan asset	10,585	(520)
33.6	It includes a balance of Rs. 0.853 million (2008: Rs. 1.368 million) kept in a savings account and Rs.67,682 million (2008: Rs. 15.050 million) placed in a Meezan Aamdan Certificate with the Bank.		
		2009	2008
		Rupees in '000	
33.7	Reconciliation of present value of obligation		
	Present value of obligation as at January 1	80,277	48,929
	Current service cost	31,939	26,192
	Interest cost	12,042	4,893
	Benefits paid	(3,104)	(4,715)
	Actuarial loss on obligation	1,477	4,978
	Present value of obligation as at December 31	<u>122,631</u>	<u>80,277</u>
33.8	Changes in the fair value of plan assets are as follows:		
	Opening fair value of plan assets	32,507	19,808
	Expected return	4,876	1,981
	Contributions by the Bank	29,803	17,934
	Benefits paid	(3,104)	(4,715)
	Actuarial gain / (loss)	5,709	(2,501)
		<u>69,791</u>	<u>32,507</u>



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



	2009		2008			
	Rupees in '000	%	Rupees in '000	%		
33.9 The plan assets comprise as follows:						
Meezan Aamdin Certificates	67,682	96.98	15,050	46.30		
Meezan Islamic Income Fund	1,257	1.80	1,089	3.35		
Savings account with Meezan Bank	852	1.22	16,368	50.35		
	<u>69,791</u>	<u>100.00</u>	<u>32,507</u>	<u>100.00</u>		
33.10 Actuarial loss to be recognized	Note	2009	2008			
			Rupees in '000			
Corridor Limit						
The limits of the corridor as at January 1						
10% of obligations		8,028		4,893		
10% of plan assets		3,251		1,981		
Which works out to		8,028		4,893		
Unrecognized actuarial (losses) / gain as at January 1		(17,967)		(11,187)		
Excess		<u>(9,939)</u>		<u>(6,294)</u>		
Average expected remaining working lives in years		8		9		
Actuarial loss to be recognized		<u>(1,242)</u>		<u>(699)</u>		
33.11 Unrecognized actuarial losses						
Unrecognized actuarial losses at January 1		(17,967)		(11,187)		
Actuarial loss on obligations	33.7	(1,477)		(4,978)		
Actuarial gain / (loss) on assets	33.8	5,709		(2,501)		
		<u>(13,735)</u>		<u>(18,666)</u>		
Actuarial loss recognised	33.10	1,242		699		
Unrecognised actuarial (losses) as at December 31		<u>(12,493)</u>		<u>(17,967)</u>		
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:						
		2009	2008	2007	2006	2005
		Rupees in '000				
Present value of defined benefit obligation		122,631	80,277	48,929	29,117	17,640
Fair value of plan assets		(69,791)	(32,507)	(19,808)	(11,531)	(6,841)
Deficit		<u>52,840</u>	<u>47,770</u>	<u>29,121</u>	<u>17,586</u>	<u>10,799</u>
Actuarial loss on obligation		(1,477)	(4,978)	(3,174)	(4,770)	(2,246)
Actuarial gain / (loss) on assets		5,709	(2,501)	969	(25)	(556)

33.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2010, works out to Rs. 43.748 million.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



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.

	2009	2008
	Rupees in '000	
Contribution from the Bank	46,661	33,009
Contribution from the employees	46,661	33,009
	93,322	66,018

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Director		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees in '000					
Fees*	-	-	18,465	11,839	-	-
Managerial remuneration	44,753	17,092	31,530	11,281	257,224	131,450
Charge for defined benefit plan	1,139	1,140	881	803	12,643	8,738
Contribution to defined contribution plan	1,367	1,367	1,057	963	12,350	8,995
House rent	6,153	6,153	4,756	4,119	68,273	47,047
Utilities	1,367	1,367	1,057	963	15,172	10,486
Medical	3,815	1,520	1,112	1,090	17,782	12,821
Conveyance	1,158	1,551	564	642	-	-
Others	99	105	22	16	-	-
	59,851	30,295	59,444	31,716	383,444	219,537
Number of persons	1	1	10	9	167	116

* This includes amounts charged in these financial statements as fees to nine (2008: eight) non-executive directors.

35.1 Certain executives are provided with free use of the Bank's 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 10.7 and 10.9.

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 6.4.3. 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.



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



37. SEGMENT ANALYSIS

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

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Agency services	Assets management	Retail brokerage	Others
Rupees in '000									
2009									
Total income	1,350,881	5,157,170	2,529,381	2,628,314	25,991	8,127	-	-	-
Total expenses	(666,209)	(4,566,098)	(1,577,532)	(3,862,542)	(1,624)	(508)	-	-	-
Net income (loss)	684,672	591,072	951,850	(1,234,228)	24,367	7,619	-	-	-
Segment Assets (Gross)	9,059,061	73,481,197	13,241,037	28,400,439	-	-	-	-	-
Segment Non Performing Loans	250,000	-	551,045	3,098,118	-	-	-	-	-
Segment Provision Required	58,668	-	316,298	2,212,246	-	-	-	-	-
Segment Liabilities	-	2,702,824	101,819,354	10,475,097	-	-	-	-	-
Segment Return on Assets (ROA) (%)	7.56%	0.80%	7.19%	- 4.35%	-	-	-	-	-
Segment Cost of funds (%)	5.66%	5.66%	5.66%	5.66%	-	-	-	-	-
2008									
Total income	1,089,434	1,712,388	1,118,905	3,546,230	22,231	21,933	-	-	-
Total expenses	(733,087)	(2,385,990)	(777,128)	(2,990,480)	(2,176)	(1,073)	-	-	-
Net income (loss)	356,347	(673,602)	341,777	555,750	20,055	20,860	-	-	-
Segment Assets (Gross)	8,719,025	39,921,589	6,696,364	29,939,092	-	-	-	-	-
Segment Non Performing Loans	-	200,089	242,105	1,818,003	-	-	-	-	-
Segment Provision Required	-	92,211	138,166	960,023	-	-	-	-	-
Segment Liabilities	-	490,550	70,233,875	8,576,666	-	-	-	-	-
Segment Return on Assets (ROA) (%)	4.09%	- 1.69%	5.10%	1.86%	-	-	-	-	-
Segment Cost of funds (%)	5.05%	5.05%	5.05%	5.05%	-	-	-	-	-

38. RELATED PARTY TRANSACTIONS

38.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors and key management personnel.

38.2 A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.

38.3 Subsidiary company

- Al-Meezan Investment Management Limited

38.4 Key management personnel

- President and Chief Executive Officer
- Chief Operating Officer



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

	Total		Subsidiary		Associates		Key Management Personnel		Other Related Parties	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Rupees in '000										
Financing										
At January 1,	369,257	346,545	-	669	368,827	345,314	430	562	-	-
Disbursed during the year	58,127	347,671	-	-	58,127	347,671	-	-	-	-
Repaid during the year	(283,252)	(324,959)	-	(669)	(283,120)	(324,158)	(132)	(132)	-	-
At December 31	144,132	369,257	-	-	143,834	368,827	298	430	-	-
Deposits										
At December 31	209,349	329,908	1,603	1,925	104,395	173,514	44,972	106,360	58,379	48,109
Borrowing	607,032	453,720	-	-	607,032	453,720	-	-	-	-
Balances										
Profit receivable on financing	1,392	3,970	-	-	1,392	3,970	-	-	-	-
Transfer agency fee receivable	1,150	900	1,150	900	-	-	-	-	-	-
Payable to defined benefit plan	40,347	29,803	-	-	-	-	-	-	40,347	29,803
Service charges payable by the Bank	1,388	651	1,388	651	-	-	-	-	-	-
Profit payable on borrowing	36,436	29,921	-	-	36,436	29,921	-	-	-	-
Letters of credit (unfunded)	180,780	35,106	-	-	180,780	35,106	-	-	-	-
Prepaid Takaful	110,689	110,738	-	-	110,689	110,738	-	-	-	-
Transactions, income and expenses										
Profit earned on financing	19,935	13,394	-	34	19,935	13,360	-	-	-	-
Return on deposits expensed	101,048	164,143	73	161	68,228	150,094	3,561	1,603	29,186	12,285
Takaful insurance on consumer financings	196,054	195,063	-	-	196,054	195,063	-	-	-	-
Electricity charges	-	30,575	-	-	-	30,575	-	-	-	-
Dividend income earned	115,725	146,002	-	-	115,725	146,002	-	-	-	-
Capital gain	-	1,367	-	-	-	1,367	-	-	-	-
Charge for defined benefit plan	40,347	29,803	-	-	-	-	-	-	40,347	29,803
Charge for defined contribution plan	46,661	33,009	-	-	-	-	-	-	46,661	33,009
Service charges incurred	3,752	2,032	2,867	1,088	366	944	-	-	519	-
Fees earned	7,332	17,016	4,689	4,923	2,643	12,093	-	-	-	-
Commission earned on letters of credit and acceptances	-	1,901	-	-	-	1,901	-	-	-	-

38.6 ASSOCIATES - KEY INFORMATION

Particulars	2009		
	Mutual Funds	Others	Total
	Rupees in '000		
Assets	15,251,095	1,085,536	16,336,631
Liabilities	251,293	765,556	1,016,849
Operating revenue	5,169,870	20,614	5,190,484
Profit after tax	5,099,441	11,918	5,111,359



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39. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

39.1 Scope of applications

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

39.2 Capital structure

Banks regulatory capital is divided into three tiers as follows:

Tier I Capital

Tier I capital includes fully paid up capital, reserve for bonus issue, general reserves as per the financial statements, net unappropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 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).

Tier III Capital

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

The required capital is achieved by the Bank through:

- Adequate level of Paid up Capital;
- Adequate risk profile of asset mix;
- Ensuring better recovery management; and
- Maintain acceptable profit margins.

The Bank was well capitalised and met all capital requirements to which it was subject throughout the year

	2009 Basel II	2008 Basel II (Restated)
	Rupees in '000	
Tier I Capital		
Fully Paid-up capital	6,650,048	4,925,961
General Reserves as disclosed on the Balance Sheet	1,050,092	845,022
Unappropriated profits (Net of Losses)	1,390,395	570,114
Less: Deficit on account of revaluation of investments held in AFS category	(6,278)	(401,954)
Book value of goodwill and intangibles	(143,667)	(94,884)
Other deductions*	(31,525)	(31,525)
Total eligible Tier I capital	8,909,065	5,812,734
Tier II Capital		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *	85,262	103,440
Revaluation Reserves up to 45% under Basel II	-	-
Less: Other deductions**	(31,525)	(31,525)
Total eligible Tier II capital	53,737	71,915
Tier III Capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital)	53,737	71,915
Total Regulatory Capital Base	8,962,802	5,884,649

* 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.

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



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39.3 Capital Adequacy

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

The Bank's Board and the management is committed to provide sound balance between depositors liability and shareholders funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor about safety and security of their funds and at same time provide impetus to the management to invest their depositors' funds into profitable venture. 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.

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

The State Bank of Pakistan (SBP) sets and monitors capital requirements for the banks. The paid up capital of the Bank has increased to Rs. 6.6 billion after taking into account the proceeds of the right issue of Rs. 1.7 billion approved by the Board of Directors during the year. Accordingly, the minimum capital requirement of Rs. 6 billion required to be met by December 31, 2009 as stipulated by the SBP has been met. In implementing current capital requirements SBP requires banks to maintain a prescribed Capital Adequacy Ratio (CAR) of 10% as of December 31, 2009 of total capital to total risk-weighted assets. As such Bank's CAR stood at 12.77% at the year ended December 31, 2009.

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

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

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

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

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

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



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	Capital requirements		Risk weighted assets	
	2009	2008 (Restated)	2009	2008 (Restated)
	Rupees in '000			
Credit Risk				
Portfolios subject to standardised approach				
Portfolios subject to on-balance sheet exposure (Simple approach)				
Banks	810,709	338,670	8,107,093	3,762,995
Corporate	2,809,336	2,614,516	28,093,357	29,050,173
Retail	256,488	139,833	2,564,880	1,553,695
Residential mortgage	114,789	120,388	1,147,885	1,337,649
Past due loans	141,455	100,996	1,414,553	1,122,177
Investments	212,733	191,460	2,127,335	2,127,335
Fixed assets	227,271	160,707	2,272,706	1,785,631
All other assets	697,555	422,940	6,975,553	4,699,338
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	7,652	6,056	76,522	67,288
Corporate	597,249	489,063	5,972,491	5,434,028
Retail	2,041	-	20,413	-
Others	590	-	5,897	-
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	5,457	5,452	54,567	60,573
Customers	3,046	8,168	30,458	90,749
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	542,660	440,379	3,426,597	4,893,100
Equity position risk	212,364	153,506	2,123,644	1,705,625
Foreign exchange risk	5,250	5,104	52,499	56,719
Operational Risk				
Capital Requirement for operational risk	570,378	333,665	5,703,778	3,707,387
	7,017,023	5,530,903	70,170,228	61,454,462
			2009	2008 (Restated)
			Rupees in '000	
Capital Adequacy Ratio				
Total eligible regulatory capital held	(a)		8,962,802	5,884,649
Total Risk Weighted Assets	(b)		70,170,228	61,454,462
Capital Adequacy Ratio (a) / (b)			12.77%	9.58%



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40. RISK MANAGEMENT

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

Risk management principles

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

Risk management organisation

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

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

Name of the committee	Chaired by
Credit Committee	President & CEO
Asset and Liability Management Committee (ALCO)	President & CEO
Internal Controls and Operational Risk Management Committee	COO

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

The ALCO is responsible for monitoring, measuring and managing market risk and liquidity risk and ensuring compliance with internal and regulatory requirement.

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

The Board has constituted a full functional audit committee. The audit committee works to ensure that the best practices of the Code of Corporate Governance are being complied by the Bank and that the policies and procedures are being complied with.

The Bank's risk management, compliance, internal audit and legal departments support the risk management function. The role of the risk management department is to quantify the risk and ensure the quality and integrity of the Bank's risk-related data. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

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. Bank take 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. 58,863.71 million whereas in the absence of benefit of CRM this amount would have been Rs. 61,883.49 million.

Thus, use of CRM resulted in improved capital adequacy ratio of the Bank from 12.25% (without CRM) to 12.77% (with CRM).



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For the year ended December 31, 2009



40.1.1 Segmental information

40.1.1.1 Segment by class of business

	2009					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	219,435	0.47	629,975	0.63	122,043	0.17
Textile	14,113,194	30.21	1,922,702	1.92	11,861,660	16.24
Automobile and transportation equipment	800,105	1.71	111,601	0.11	1,159,927	1.59
Financial institutions	-	-	2,432,321	2.42	29,264,904	40.07
Insurance	-	-	64,367	0.06	972	0.00
Electronics and electrical appliances	659,457	1.41	140,940	0.14	829,710	1.14
Construction	947,195	2.03	341,410	0.34	1,104,719	1.51
Power (electricity), gas and water	1,239,766	2.65	29,402	0.03	2,273,572	3.11
Exports / imports	1,455,605	3.12	857,852	0.85	2,644,391	3.62
Transport, storage and communication	84,961	0.18	521,820	0.52	403,021	0.55
Chemical and pharmaceuticals	3,679,009	7.88	530,783	0.53	4,134,708	5.66
Sugar	1,415,467	3.03	47,603	0.05	787,243	1.08
Footwear and leather garments	799,852	1.71	176,655	0.18	1,421,006	1.95
Wholesale and retail trade	2,871,304	6.15	5,924,459	5.90	1,995,295	2.73
Cement	1,883,411	4.03	75,122	0.07	1,110,087	1.52
Services	747,782	1.60	3,240,725	3.23	768,136	1.05
Individuals	6,623,507	14.18	70,808,684	70.58	3,780,544	5.18
Others	9,176,560	19.64	12,476,650	12.44	9,372,913	12.83
	46,716,610	100.00	100,333,051	100.00	73,034,851	100.00

40.1.1.2 Segment by sector

	2009					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	-	-	-	-	-	-
Private	46,716,610	100	100,333,051	100	73,034,851	100
	46,716,610	100	100,333,051	100	73,034,851	100



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

	2009		2008	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
Rupees in '000				
Agriculture, forestry, hunting and fishing	24,666	15,121	13,576	11,076
Textile	1,608,406	1,130,331	736,817	384,411
Chemical and pharmaceuticals	2,984	566	-	-
Cement	44,191	36,191	50,825	15,348
Sugar	324,456	232,233	150,000	37,500
Footwear and leather garments	2,000	344	-	-
Automobile and transportation equipment	591,214	591,000	463,611	245,791
Electronics and electrical appliances	-	-	-	-
Construction	-	-	24,000	6,103
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	228,435	100,945	181,639	79,277
Others	822,811	336,551	439,640	215,243
	<u>3,649,163</u>	<u>2,443,282</u>	<u>2,060,108</u>	<u>994,749</u>

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

	2009		2008	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
Rupees in '000				
Public / Government	-	-	-	-
Private	3,649,163	2,443,282	2,060,108	994,749
	<u>3,649,163</u>	<u>2,443,282</u>	<u>2,060,108</u>	<u>994,749</u>

40.1.1.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitment
Rupees in '000				
Pakistan	1,739,723	124,181,734	9,184,459	73,034,851
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,739,723</u>	<u>124,181,734</u>	<u>9,184,459</u>	<u>73,034,851</u>



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40.1.2 Credit Risk - General Disclosures Basel II Specific

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

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

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

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

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

Types of Exposure and ECAI's used

2009			
Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	□	□	-
Banks	□	□	S & P, FITCH and MOODY'S

Credit Exposure subject to standardized approach

Rupees in '000				
2009				
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-
	20%	3,455,187	-	3,455,187
	50%	2,474,957	-	2,474,957
	100%	1,012,792	-	1,012,792
	150%	232,023	-	232,023
	Unrated	25,703,909	899,894	24,804,015
Retails	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	4,768,416	1,348,576	3,419,840
Total		37,647,284	2,248,470	35,398,814

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

The 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 standardised approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardised approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits, cash margins, Certificate of Islamic Investment, Monthly Mudarabah Certificate and saving accounts.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP.



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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. 32,878.868 million is subject to the CRM of Rs. 899.894 million whereas a claim on retail portfolio of Rs. 4,768.416 million is subject to CRM of Rs. 1,348.576 million. The total benefit of Rs. 3,206.245 million was availed through CRM against total on-balance sheet exposure of Rs. 103,996.692 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs. 16,262.318 million is subject to the CRM of Rs. 1,076.564 million whereas a claim on retail portfolio of Rs. 166.241 million is subject to CRM of Rs. 42.586 million. Total benefit of Rs. 1,119.150 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs. 16,764.131 million.

In year 2009, total amount of cash collateral used for CRM purposes was Rs. 4,325.395 million as against amount of Rs. 3,118.992 million in year 2008. 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

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

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

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

Policies, valuation and accounting of equity investments

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

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

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

Composition of equity investments

	Held for trading	Available for Sale	Subsidiary and Associates
	Rupees in '000		
Equity investments - quoted	-	1,061,981	2,020,161
Equity investments - unquoted	-	897	337,330
Total value	-	1,062,878	2,357,491



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During the year realised gain of Rs. 4.171 million (2008: Rs. 46.173 million) and unrealised loss of Rs. Nil (2008: Rs. 385.765 million) has been charged to profit & loss account on held for trading investments.

Further a provision for impairment in value of investments amounting to Rs. 88.64 million (2008:Rs. 288.884 million) has been charged to profit and loss account.

40.3 Market risk

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

The 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 instrument will fluctuate due to the changes in foreign exchange rates.

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

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupees	118,507,449	111,189,173	1,871,352	9,189,628
United States dollars	5,527,036	3,459,870	(2,059,492)	7,674
Great Britain pounds	48,835	223,203	160,261	(14,107)
Japanese yen	3,462	-	(41,854)	(38,392)
Euro	28,761	125,029	99,021	2,753
Singapore dollars	6,105	-	-	6,105
Australian dollars	22,065	-	(17,033)	5,032
Canadian dollars	15,665	-	-	15,665
United Arab Emirates Dirham	6,012	-	-	6,012
Swiss francs	16,344	-	(12,255)	4,089
	124,181,734	114,997,275	-	9,184,459

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.

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

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

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

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



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40.3.4 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	2009									Non-yield bearing financial instruments	
		Exposed to yield risk										
		Over 1 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	8,587,432	-	-	-	-	-	-	-	-	-	8,587,432	
Balances with other banks	0.71	5,260,467	16,224	-	-	-	-	-	-	-	5,244,243	
Due from financial institutions	12.33	34,499,500	1,935,000	23,567,000	8,991,000	6,500	-	-	-	-	-	
Investments	12.84	23,290,309	5,000	176,333	10,570,950	307,916	833,711	2,510,025	3,310,674	2,251,203	121,729	3,202,768
Financings	13.20	44,188,066	9,588,685	6,814,563	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,106	3,207,330	91,813
Other assets	-	3,039,256	-	-	-	-	-	-	-	-	-	3,039,256
		118,665,030	11,544,909	30,557,896	29,135,156	2,019,455	4,150,122	5,020,651	9,758,961	3,183,309	3,329,059	19,965,512
Liabilities												
Bills payable	-	1,249,210	-	-	-	-	-	-	-	-	-	1,249,210
Due to financial institutions	7.66	8,468,425	3,511,161	2,018,502	2,747,382	49,152	-	-	-	-	-	142,228
Deposits and other accounts	5.66	100,333,051	18,179,640	14,978,861	8,027,176	10,229,375	3,862,447	4,459,642	5,215,674	6,177,025	-	29,203,211
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,827,304	-	-	-	-	-	-	-	-	-	2,827,304
		112,877,990	21,690,801	16,997,363	10,774,558	10,278,527	3,862,447	4,459,642	5,215,674	6,177,025	-	33,421,953
On-balance sheet gap		5,787,040	(10,145,892)	13,560,533	18,360,598	(8,259,072)	287,675	561,009	4,543,287	(2,993,716)	3,329,059	(13,456,441)
NON FINANCIAL ASSETS												
- Operating fixed assets		2,416,375										
- Deferred taxation		204,172										
- Other assets		2,896,157										
		5,516,704										
NON FINANCIAL LIABILITIES												
- Deferred taxation		-										
- Other liabilities		2,119,285										
		2,119,285										
TOTAL NET ASSETS		9,184,459										
Off-balance sheet financial instruments												
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap		(10,145,892)	13,560,533	18,360,598	(8,259,072)	287,675	561,009	4,543,287	(2,993,716)	3,329,059	(13,456,441)	
Cumulative Yield Risk Sensitivity Gap		(10,145,892)	3,414,641	21,775,239	13,516,167	13,803,842	14,364,851	18,908,138	15,914,422	19,243,481	5,787,040	



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Effective yield rate %	2008											
	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	-	5,763,710	-	-	-	-	-	-	-	-	-	5,763,710
Balances with other banks	2.09	1,344,974	853,098	-	-	-	-	-	-	-	-	491,876
Due from financial institutions	12.11	18,108,000	8,240,000	9,650,000	218,000	-	-	-	-	-	-	-
Investments	11.52	14,526,699	-	-	-	-	395,493	7,475,829	3,485,500	-	-	3,169,877
Financings	12.22	39,528,731	5,316,157	9,367,859	6,051,114	764,601	3,607,798	3,621,177	5,370,721	2,206,986	3,357,180	(134,862)
Other assets	-	2,045,281	-	-	-	-	-	-	-	-	-	2,045,281
		81,317,395	14,409,255	19,017,859	6,269,114	764,601	3,607,798	4,016,670	12,846,550	5,692,486	3,357,180	11,335,882
Liabilities												
Bills payable	-	1,057,017	-	-	-	-	-	-	-	-	-	1,057,017
Due to financial institutions	7.03	4,008,496	676,819	2,148,051	1,169,739	-	-	-	-	-	-	13,887
Deposits and other accounts	5.05	70,253,875	11,021,128	11,115,264	5,811,058	6,817,551	3,002,492	2,849,236	3,199,845	5,169,682	-	21,249,619
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	1,084,764	-	-	-	-	-	-	-	-	-	1,084,764
		76,384,152	11,697,947	13,261,315	6,980,797	6,817,551	3,002,492	2,849,236	3,199,845	5,169,682	-	23,405,287
On-balance sheet gap		4,933,243	2,711,308	5,756,544	(711,685)	(6,052,950)	605,306	1,167,434	9,646,705	522,804	3,357,180	(12,069,405)
NON FINANCIAL ASSETS												
- Operating fixed assets		1,880,515										
- Other assets		2,078,160										
		3,958,675										
NON FINANCIAL LIABILITIES												
- Deferred taxation		(453,038)										
- Other liabilities		(2,463,902)										
		(2,916,940)										
TOTAL NET ASSETS		5,674,978										
Off-balance sheet financial instruments												
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap			2,711,308	5,756,544	(711,685)	(6,052,950)	605,306	1,167,434	9,646,705	522,804	3,357,180	(12,069,405)
Cumulative Yield Risk Sensitivity Gap			2,711,308	8,467,852	7,756,169	1,703,219	2,308,525	3,475,959	13,122,664	13,645,468	17,002,648	4,933,243

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

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

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

40.4 Liquidity risk

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

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



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40.4.1 Maturities of Assets and Liabilities

	2009									
	Total	Upto 1 Month	Over 1 to 5 Months	Over 5 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 to 10 Years	Over 10 to 20 Years	Above 20 Years
	Rupees in 000									
Assets										
Cash and balances with treasury banks	8,387,432	8,387,432	-	-	-	-	-	-	-	-
Balances with other banks	5,260,467	5,260,467	-	-	-	-	-	-	-	-
Due from financial institutions	34,499,500	1,835,000	17,541,000	15,113,000	10,500	-	-	-	-	-
Investments	23,290,309	14,375	166,958	1,337,535	10,676,602	852,211	2,491,325	3,418,299	2,251,203	2,081,601
Financings	44,188,066	9,588,682	6,814,563	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,106	3,299,146
Other assets	5,935,413	5,935,413	-	-	-	-	-	-	-	-
Deferred tax asset	204,172	-	-	-	-	-	-	204,172	-	-
Operating fixed assets	2,416,375	-	-	-	-	-	-	2,416,375	-	-
	124,181,734	31,021,369	24,522,521	26,023,741	12,392,141	4,168,622	5,002,151	12,487,133	3,183,309	5,380,747
Liabilities										
Bills payable	1,249,210	1,249,210	-	-	-	-	-	-	-	-
Due to financial institutions	8,468,425	3,653,388	1,918,502	2,723,686	172,849	-	-	-	-	-
Deposits and other accounts	100,333,051	24,368,459	20,302,221	13,336,298	15,541,085	7,397,547	7,994,742	5,215,674	6,177,025	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,946,589	2,926,519	10,795	23,275	112,312	327,148	150,223	1,261,131	24,139	111,047
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	114,997,275	32,197,576	22,231,518	16,083,259	15,826,246	7,724,695	8,144,965	6,476,805	6,201,164	111,047
Net assets	9,184,459	(1,176,207)	2,291,003	9,940,482	(3,434,105)	(3,556,073)	(3,142,814)	6,010,328	(3,017,855)	5,269,700
Share capital	6,650,048									
Reserves	1,050,092									
Unappropriated profit	1,390,395									
Surplus / (deficit) on revaluation of investments	93,924									
	9,184,459									

	2008									
	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 5 Years	Over 5 to 10 Years	Over 10 to 20 Years	Above 20 Years
	Rupees in 000									
Assets										
Cash and balances with treasury banks	5,763,710	5,763,710	-	-	-	-	-	-	-	-
Balances with other banks	1,344,974	1,344,974	-	-	-	-	-	-	-	-
Due from financial institutions	18,108,000	8,240,000	9,650,000	218,000	-	-	-	-	-	-
Investments	14,526,699	35,766	9,250	1,290,005	207,452	758,097	4,802,215	2,443,958	2,815,000	1,925,206
Financings	39,528,731	5,469,316	9,214,701	6,051,114	764,601	3,607,798	3,621,177	5,370,721	2,206,985	3,462,068
Other assets	4,123,441	309,657	2,545,397	352,677	901,102	-	-	14,608	-	-
Operating fixed assets	1,880,515	-	70,229	-	-	-	-	680,856	1,129,450	-
	85,276,070	21,163,423	21,489,577	7,911,796	1,873,155	4,365,895	8,423,392	8,510,143	6,151,415	5,387,274
Liabilities										
Bills payable	1,057,017	1,057,017	-	-	-	-	-	-	-	-
Due to financial institutions	4,008,496	613,629	1,943,812	1,440,555	10,500	-	-	-	-	-
Deposits and other accounts	70,233,875	15,685,378	14,955,187	9,636,225	10,645,764	5,547,525	5,394,269	3,199,845	5,169,682	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,548,666	1,216,020	624,431	95,945	198,624	453,135	482,356	478,155	-	-
Deferred tax liabilities	453,038	-	-	-	-	-	-	453,038	-	-
	79,301,092	18,572,044	17,523,430	11,172,725	10,854,888	6,000,660	5,876,625	4,131,038	5,169,682	-
Net assets	5,974,978	2,591,379	3,966,147	(3,260,929)	(8,981,733)	(1,634,765)	2,546,767	4,379,105	981,733	5,387,274
Share capital	4,925,961									
Reserves	845,022									
Unappropriated profit	570,114									
(Deficit) / surplus on revaluation of investments	(366,119)									
	5,974,978									



Notes to and forming part of the Financial Statements

For the year ended December 31, 2009



40.5 Operational risk

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

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

41. GENERAL AND NON-ADJUSTING EVENT

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

Reclassification from		Reclassification to		Reason for reclassification	Rupees in '000
Note	Component	Note	Component		
11	Financing	10	Investment	For better presentation	239,750

41.2 The Board of Directors in their meeting held on February 5, 2010 has announced issue of bonus shares @ 5%. These financial statements for the year ended on December 31, 2009, do not include the effect of this appropriation which will be accounted for subsequent to the year-end.

42. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 05, 2010 by the Board of Directors of the Bank.

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

Irfan Siddiqui
President and
Chief Executive

**Naser Abdul
Mohsen Al-Marri**
Director

**Mazhar
Sharif**
Director



Consolidated Financial Statements

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Meezan Bank Limited ('the Bank') its subsidiary company and subsidiary's controlled fund (here-in-after referred to as 'the Group') as at 31 December 2009 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 15 branches, which have been audited by us. The financial statements of the subsidiary's controlled fund were reviewed by another auditor in accordance with the International Standard on Review Engagements 2410 and our opinion in so far as it relates to the amounts included for the subsidiary's controlled fund, is based solely on the other auditors' review report.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of Meezan Bank Limited, its subsidiary company and the subsidiary's controlled fund as at 31 December 2009 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: 05 FEB 2010
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Najmul Hussain



Consolidated Balance Sheet

As at December 31, 2009



	Note	2009	2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	8,387,522	5,763,788
Balances with other banks	8	5,262,341	1,365,777
Due from financial institutions	9	34,499,500	18,108,000
Investments	10	24,370,190	14,809,668
Financings	11	44,188,066	39,528,731
Operating fixed assets	12	2,437,228	1,898,530
Deferred tax assets	13	134,314	-
Other assets	14	6,235,255	4,330,436
		125,514,416	85,804,930
LIABILITIES			
Bills payable	15	1,249,210	1,057,017
Due to financial institutions	16	8,593,425	4,133,496
Deposits and other accounts	17	100,331,448	70,231,950
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities	13	-	409,340
Other liabilities	18	5,129,010	3,622,176
		115,303,093	79,453,979
NET ASSETS			
		10,211,323	6,350,951
REPRESENTED BY			
Share capital	19	6,650,048	4,925,961
Reserves	20	1,074,408	869,338
Unappropriated profit		2,089,956	717,684
		9,814,412	6,512,983
NON CONTROLLING INTEREST			
	21	302,987	204,087
		10,117,399	6,717,070
Surplus / (deficit) on revaluation of investments	22	93,924	(366,119)
		10,211,323	6,350,951
CONTINGENCIES AND COMMITMENTS			
	23		

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

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mazhar
Sharif
Director



Consolidated Profit and Loss Account

For the year ended December 31, 2009



	Note	2009	2008
Rupees in '000			
Profit / return earned on financings, investments and placements	24	10,105,518	6,807,441
Return on deposits and other dues expensed	25	4,969,843	3,088,173
Net spread earned		5,135,675	3,719,268
Provision against non-performing financings (net)	11.7	1,430,536	428,436
Provision for diminution in value of investments and impairment	10.9 & 10.12	88,890	288,884
Bad debts written off directly		-	-
		1,519,426	717,320
Net spread after provisions		3,616,249	3,001,948
OTHER INCOME			
Fee, commission and brokerage income		747,943	706,326
Dividend income		88,101	125,048
Income from dealing in foreign currencies		752,904	304,692
Capital gain on sale of investments	26	66,585	37,903
Unrealized loss on held for trading investments	10.10	(1,315)	(22,981)
Impairment on reclassification of securities from held for trading to available for sale securities		-	(362,751)
Other income	27	53,274	109,361
Total other income		1,707,492	897,598
		5,323,741	3,899,546
OTHER EXPENSES			
Administrative expenses	28	3,681,088	2,742,267
Other provisions / write offs / (reversals)	14.2 & 18.2	(60,859)	86,263
Other charges	29	19,093	20,034
Total other expenses		3,639,322	2,848,564
		1,684,419	1,050,982
Share of results of associates before taxation	10.12	842,986	(527,679)
		2,527,405	523,303
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		2,527,405	523,303
Taxation - Current	30	1,464,053	377,422
- Prior years		(445)	-
- Deferred		(612,445)	(10,119)
		851,163	367,303
PROFIT AFTER TAXATION		1,676,242	156,000
Share of (profit) / loss attributable to non-controlling interest		(98,900)	56,997
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,577,342	212,997
Unappropriated profit brought forward		717,684	1,774,988
Profit before appropriations		2,295,026	1,987,985
Rupees			
Basic and diluted earnings per share	31	2.63	0.42

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

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mazhar
Sharif
Director



Consolidated Statement of Comprehensive Income

For the year ended December 31, 2009



	2009	2008
	Rupees in '000	
Profit for the period	1,676,242	156,000
Other comprehensive income	-	-
Comprehensive income transferred to equity	1,676,242	156,000
Components of comprehensive income not transferred to equity		
Surplus / (deficit) on revaluation of investments	528,835	(386,538)
Deferred tax on revaluation of investments	(68,792)	33,673
Total comprehensive income	2,136,285	(196,865)

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

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

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Mazhar
Sharif
Director



Consolidated Cash Flow Statement

For the year ended December 31, 2009



	Note	2009	2008
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,527,405	523,303
Less: Dividend income		(88,101)	(125,048)
		2,439,304	398,255
Adjustments for non-cash charges			
Depreciation		314,437	216,327
Amortization		32,560	22,499
Provision against non-performing financings (net)		1,430,536	428,436
Provision for diminution in the value of investments			
- on associates - listed		-	287,046
- on associates - unlisted		-	1,838
- on others		88,890	-
Loss on reclassification of securities from held for trading to available for sale securities		-	362,751
Gain on sale of fixed assets		(13,705)	(14,616)
Gain on securities with deferred purchase commitments		-	(17,795)
Income on SEBIS		-	(20,381)
Deferred bonus		-	5,881
Financial charges		-	18,043
Unrealized loss on held for trading investments		1,315	22,981
Share in results of associates		(842,986)	527,679
		1,011,047	1,840,689
		3,450,351	2,238,944
(Increase) / decrease in operating assets			
Due from financial institutions		(16,391,500)	(9,258,000)
Held for trading securities		153,611	(164,275)
Financings		(6,089,871)	(5,619,919)
Other assets		(1,900,163)	(1,284,192)
		(24,227,923)	(16,326,386)
Increase / (decrease) in operating liabilities			
Bills payable		192,193	(135,143)
Due to financial institutions		4,459,929	1,567,890
Deposits and other accounts		30,099,498	15,651,498
Other liabilities		373,199	373,955
		35,124,819	17,458,200
Financial charges paid		14,347,247	3,370,758
Income tax paid		-	(17,018)
Net cash flow from operating activities		(329,973)	(68,491)
		14,017,274	3,285,249
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		568,481	(114,129)
- available for sale securities		(9,042,992)	(4,196,312)
- listed associated undertakings		44,269	(451,367)
- unlisted associated undertakings		(2,276)	-
Dividend received		83,445	271,748
Investments in operating fixed assets		(903,499)	(1,105,791)
Sale proceeds of property and equipment disposed off		31,509	32,426
Net cash flow from investing activities		(9,221,063)	(5,563,425)
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received against issue of right shares		1,724,087	-
Dividend paid		-	(4)
Net cash flow from financing activities		1,724,087	(4)
Net increase / (decrease) in cash and cash equivalents		6,520,298	(2,278,180)
Cash and cash equivalents as at January 1	32	7,129,565	9,407,745
Cash and cash equivalents as at December 31	32	13,649,863	7,129,565

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

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

Irfan Siddiqui
President and
Chief Executive

**Naser Abdul
Mohsen Al-Marri**
Director

**Mazhar
Sharif**
Director



Consolidated Statement of Changes in Equity

For the year ended December 31, 2009



	Share capital	Capital reserves		Revenue reserves	Unappropriated profit	Non Controlling Interest	Total
		Statutory reserve	Reserve for issue of bonus shares	General reserve			
Rupees in '000							
Balance as at January 01, 2008	3,779,897	654,019	-	91,082	1,774,988	261,084	6,561,070
Profit after taxation for the year	-	-	-	-	156,000	-	156,000
Share of loss attributable to non-controlling interest	-	-	-	-	56,997	(56,997)	-
Transfer to reserve for issue of bonus shares	-	-	1,146,064	-	(1,146,064)	-	-
Issue of bonus shares	1,146,064	-	(1,146,064)	-	-	-	-
Transfer to statutory reserve	-	124,237	-	-	(124,237)	-	-
Balance as at December 31, 2008	4,925,961	778,256	-	91,082	717,684	204,087	6,717,070
Profit after taxation for the year	-	-	-	-	1,676,242	-	1,676,242
Share of profit attributable to non-controlling interest	-	-	-	-	(98,900)	98,900	-
Issue of right shares	1,724,087	-	-	-	-	-	1,724,087
Transfer to statutory reserve	-	205,070	-	-	(205,070)	-	-
Balance as at December 31, 2009	6,650,048	983,326	-	91,082	2,089,956	302,987	10,117,399

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

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

Irfan Siddiqui
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Naser Abdul
Mohsen Al-Marri
Director

Mazhar
Sharif
Director



Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2009



1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding Company

- Meezan Bank Limited

Subsidiary Company

- Al Meezan Investment Management Limited

Subsidiary's controlled fund

- Meezan Tahaffuz Pension Fund

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

MBL was granted a 'Scheduled Islamic Commercial Bank' license on January 31, 2002 and formally commenced operations as a scheduled Islamic commercial bank with effect from March 20, 2002 on receiving notification in this regard from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, MBL is engaged in corporate, commercial, consumer, investment and retail banking activities.

MBL was operating through two hundred and one branches (including thirty five sub-branches) as at December 31, 2009 (2008: one hundred sixty six branches). Its registered office is situated at 3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, 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.

Meezan Tahaffuz Pension Fund (MTPF) ("the Subsidiary's controlled fund") was established under a trust deed executed between Al Meezan Investment Management Limited (AMIML) as Pension Fund manager and Central Depository Company of Pakistan Limited (CDC) as a Trustee. MTPF has three sub funds 'equity', 'debt' and 'money market'. AMIML holds 58.89%, 83.11% and 96.44% in the sub-funds respectively.

The Group's associates are as follows:

Entity / fund	Country of incorporation / domicile	Nature of business	Direct holding %	Indirect holding %	Effective holding %
Meezan Islamic Fund (MIF)	Pakistan	Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the trustee.	N/A	N/A	N/A
Meezan Islamic Income Fund (MIIF)	Pakistan	Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the trustee.	N/A	N/A	N/A
Meezan Balanced Fund (MBF)	Pakistan	Closed end scheme established under a trust deed executed between AMIML as the management company and CDC as the trustee.	13.45	2.07	15.52
Al Meezan Mutual Fund Limited (AMMFL)	Pakistan	Formed under the Investment Companies and Investment Advisor Rules, 1971. A closed end mutual fund.	4.04	10.97	15.01
Meezan Capital Protected Fund (MCPF)	Pakistan	Open end fund established under a trust deed executed between AMIML as the management company and CDC as the trustee.	N/A	NA	NA
Meezan Cash Fund (MCF)	Pakistan	Open end fund established under a trust deed executed between AMIML as the management company and CDC as the trustee.	N/A	NA	NA



Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2009



Entity / fund	Country of incorporation / domicile	Nature of business	Direct holding %	Indirect holding %	Effective holding %
Blue Water (Private) Limited (BWL)	Pakistan	Business of purchase and sale of land.	30.00	13.00	43.00
Falcon Greenwood (Private) Limited (FGL)	Pakistan	Business of purchase and sale of land.	25.00	-	25.00
Faysal Management Services (Private) Limited (FMSL)	Pakistan	Floatation and management of modarabas under the Modarabas Companies and Modarabas (Floatation and Control) Ordinance, 1980.	30.00	-	30.00
Plexus (Private) Limited	Pakistan	Business of development and export of IT enabled services and internet solutions.	50.00	-	50.00

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, 2009 and the condensed interim financial statements of AMIML for the six months period ended December 31, 2009 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, 2009 the results for the period January 1 to June 30, 2009 have been calculated from the audited financial statements of AMIML for the year ended June 30, 2009 after eliminating the results for the six months period ended December 31, 2008. Certain disclosures relating to AMIML as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2009.

For consolidation of MTPF, condensed interim financial statements of MTPF for the period ended December 31, 2009 which have only been subjected to a review by its statutory auditors, were used. The entire results of these financial statements have been incorporated in these consolidated financial statements after eliminating any intra-group transactions.

The accounting policies used by AMIML, MTPF 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, 2009 and 2008, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2009.
Meezan Islamic Income Fund (MIIF)	Financial statements for the half year ended December 31, 2009 and 2008, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2009.
Meezan Balanced Fund (MBF)	Financial statements for the half year ended December 31, 2009 and 2008, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2009.
Al-Meezan Mutual Fund Limited (AMMFL)	Financial statements for the half year ended December 31, 2009 and 2008, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2009.



Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2009



Meezan Capital Protected Fund (MCPF)	Financial statements for the half year ended December 31, 2009 and 2008, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2009.
Meezan Cash Fund (MCF)	Financial statements for the half year ended December 31, 2009, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2009.
Blue Water (Private) Limited (BWL)	Unaudited financial statements for the half year ended December 31, 2009 and 2008, and audited financial statements for the year ended June 30, 2009.
Falcon Greenwood (Private) Limited (FGL)	Unaudited financial statements for the half year ended December 31, 2009 and 2008, and audited financial statements for the year ended June 30, 2009.
Faysal Management Services (Private) Limited (FMSL)	Audited financial statements for the year ended December 31, 2009
Plexus (Private) Limited	Unaudited financial statements for the half year ended December 31, 2009 and 2008, and audited financial statements for the year ended June 30, 2009

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2010:

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 1, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Group's financial statements.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have any material effect on the Group's financial statements.
- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.



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- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009) states that when a Bank distributes non-cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Group does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements. These amendments are unlikely to have a material impact on the Group's financial statements.

- Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Group's financial statements.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Group's financial statements.
- IAS 24 - Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 1, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Group's financial statements.
- Improvements to IFRSs 2008 – Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 1, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Group's financial statements.

2.2 Basis of consolidation

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

Associates are entities over which MBL has a significant influence but not control over the financial and operating policies. The Group's share in an associate is the aggregate of the holding in that associate by the Holding company and by the Subsidiary.



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Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost, thereafter for the post acquisition change in the Group's share of net assets of the associates. The consolidated financial statements include Group's share of income and expenses of associates from the date that significant influence commences until the date that such influence ceases.

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 AND 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 6.5.1 and 6.5.2).
- (b) Provision for non-performing financings (notes 3.2 and 11.6).
- (c) Determination of forced sale value of underlying securities of non-performing financings (note 3.2.1).
- (d) Impairment of investments in equity instruments (note 6.5.8).
- (e) Staff retirement benefits (notes 6.10, 6.11, 33 and 34).
- (f) Depreciation and amortization methods of operating fixed assets (notes 6.6.3 and 12).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.1.1, 6.9, 13, 23.10 and 30).
- (h) Measurement of share based payments (notes 6.20, 18.4 & 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.

3.1.1 The Finance Act, 2009, has made significant amendments in the Seventh Schedule to the Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as OAEM (in agriculture) and Substandard under Prudential Regulation issued by the State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognised deferred tax asset on such provision amounting to Rs. 313.9 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2008 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F.No. 4(1)ITP/2008-49 dated December 23, 2009, has informed ICAP that it has decided to insert a new Rule 8(a) to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. MBL based on advice of its tax consultant has treated the FBR commitment as effective. Accordingly, the tax charge for the current and prior period and deferred tax has been recognized on the basis of amendments agreed by FBR vide its above referred letter.



Notes to and forming part of the Consolidated Financial Statements

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3.2 Effect of change in accounting estimate

3.2.1 During the year, MBL, in line with the requirements of Circular No. 10 dated 20 October 2009, issued by the State Bank of Pakistan, has applied the enhanced limit of 40% of forced sale value of pledged stocks and mortgaged commercial and residential properties held as collateral in determining the provision as against the limit of 30% applicable till December 31, 2008. Had there been no change, the provision against non performing financing would have been higher by Rs. 63.58 million and financing would have been lower by same amount. The State Bank of Pakistan has restricted the payment of dividend from additional profits arising out of benefit of forced sales value of securities.

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.

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 Change in accounting policy

Starting January 1, 2009, the Group has changed its accounting policy in respect of 'Presentation of financial statements'.

The Group has applied Revised IAS 1 Presentation of Financial Statements (2007) which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on December 31, 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning per share.

The State Bank of Pakistan has notified for adoption of "Islamic Financial Accounting Standard - 2 Ijarah" (IFAS - 2), which is applicable for accounting period beginning on or after January 01, 2009. Consequent to the adoption of IFAS - 2, all Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment, if any, and are shown under 'Financings' (see not 6.4.2).

6.2 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.



Notes to and forming part of the Consolidated Financial Statements

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6.3 Revenue recognition

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

6.4 Financings

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

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

- 6.4.2** The rentals received / receivable on Ijarah booked under IFAS - 2 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.

MBL charges depreciation from the date of recognition of Ijarah of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

- 6.4.3 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.



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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.

6.5 Investments

6.5.1 MBL classifies its investments as follows:

- Held for trading

These are investments acquired principally for the purpose of generating profit from short-term fluctuations in price.

- Held to maturity

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

- Available for sale

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

6.5.2 AMIML classifies its 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 as '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.

6.5.3 Investments are valued as follows:

- Quoted securities, excluding investments categorised as 'held to maturity' securities are stated at revalued amounts.

- Unquoted securities are stated at cost less impairment, if any.

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

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

6.5.5 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.

6.5.6 Cost of investment is determined on moving average basis.



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- 6.5.7** Premium or discount on acquisition of investments is amortised through the Consolidated Profit and Loss account over the remaining period till maturity.
- 6.5.8** 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.
- 6.5.9** 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.

6.6 Operating fixed assets

6.6.1 Tangible assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment. Items of fixed assets costing Rs. 10,000 or less are not capitalised by MBL and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in income currently.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

6.6.2 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).

6.6.3 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.

6.6.4 Capital work-in-progress

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

6.6.5 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.

6.6.6 Maintenance and normal repairs

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

6.6.7 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.

6.7 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.



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- Depreciation

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

- Ijarah Rentals

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

- Impairment

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

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

6.8 Inventories

Inventories are valued at the lower of cost and net realisable value.

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

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

6.9 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. In case of MBL, the scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2009. The Projected Unit Credit method was used for actuarial valuation.

AMIML operates a funded gratuity scheme for all its permanent employees. Employees are entitled to benefits under the scheme on the completion of a minimum eligibility period of service under the rules of the fund. The 'Projected Unit Credit Method' was used for actuarial valuation.

Actuarial gains or losses are recognised over the expected average remaining working lives of employees by the Group.

Defined contribution plan

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



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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, 2009 for MBL, and as at June 30, 2009 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 MBL expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

6.15 Offsetting

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

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

6.16 Segment reporting

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

6.16.1 Business segment

Corporate Financing

Corporate finance includes investment banking, syndications, IPO related activities, secondary private placements, underwriting and securitization.

Trading and Sales

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

Retail Banking

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



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Commercial Banking

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

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

6.18 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Group are not treated as assets of the Group and accordingly are not included in these Consolidated Financial Statements.

6.19 Transactions involving financial instruments sold on deferred settlement basis

The Group enters into certain transactions involving purchase of a security in the ready market and sale of the same security on deferred settlement basis. Securities purchased in the ready market are carried on the balance sheet, till their eventual disposal and sale of those securities in the futures market is accounted for separately as a 'derivative'.

6.20 Share-based compensation

The fair value of the amount payable to the employees of AMIML in respect of senior executive bonus incentive scheme (which are settled in cash), is recognised as an expense, with a corresponding increase in liability, over the period that the employees become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in income statement.



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	Note	2009	2008
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		2,654,869	2,249,499
- foreign currencies		461,880	486,137
With the State Bank of Pakistan in			
- local currency current accounts	7.1	3,969,496	2,078,381
- foreign currency current accounts	7.1	641,169	444,936
With National Bank of Pakistan in			
- local currency current accounts		660,108	504,835
		<u>8,387,522</u>	<u>5,763,788</u>

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

	Note	2009	2008
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		667,458	216,704
Outside Pakistan			
- on current accounts		4,578,659	295,976
- on deposit accounts	8.1	16,224	853,097
		<u>5,262,341</u>	<u>1,365,777</u>

8.1 The return on these balances ranges from 0.1% to 1.4% (2008: 1.70% to 5.10%) per annum.

	Note	2009	2008
Rupees in '000			
9. DUE FROM FINANCIAL INSTITUTIONS			
Commodity Murabaha	9.1	<u>34,499,500</u>	<u>18,108,000</u>

9.1 The average return on these Commodity Murabahas is 12.33% (2008: 15.64%) per annum.

		2009	2008
Rupees in '000			
9.2 Particulars of due from financial institutions			
In local currency		34,499,500	18,108,000
In foreign currencies		-	-
		<u>34,499,500</u>	<u>18,108,000</u>



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10. INVESTMENTS

	Note	2009			2008		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
Rupees in '000							
10.1 Investments by types							
Held for trading securities	10.4	6,118	-	6,118	182,710	-	182,710
Available for sale securities	10.5	20,026,241	-	20,026,241	10,983,249	-	10,983,249
Held to maturity securities	10.6	1,166,848	-	1,166,848	1,735,329	-	1,735,329
		21,199,207	-	21,199,207	12,901,288	-	12,901,288
In related parties							
Associates (listed)	10.7	2,859,693	-	2,859,693	2,066,930	-	2,066,930
Associates (unlisted)	10.8	277,039	-	277,039	268,810	-	268,810
Investment at cost / carrying value		24,335,939	-	24,335,939	15,237,028	-	15,237,028
Less: Provision for diminution in value of investments	10.9	(91,315)	-	(91,315)	(2,425)	-	(2,425)
Investments (net of provision)		24,244,624	-	24,244,624	15,234,603	-	15,234,603
Deficit on revaluation of held for trading securities	10.10	(1,315)	-	(1,315)	(22,981)	-	(22,981)
Surplus / (deficit) on revaluation of available for sale securities	22	126,881	-	126,881	(401,954)	-	(401,954)
Total investments at market value		24,370,190	-	24,370,190	14,809,668	-	14,809,668

	Note	2009	2008
		Rupees in '000	
10.2 Investments by segments			
Fully paid up ordinary shares			
- Listed companies		943,419	1,119,533
- Unlisted companies		130,759	124,367
Preference shares		146,280	144,443
Global Sukuk Bonds		438,056	980,822
WAPDA First Sukuk Certificates	10.2.1	1,257,625	1,150,000
WAPDA Second Sukuk Certificates		1,750,000	1,750,000
GOP Ijarah Sukuk		10,368,686	3,640,000
PIA Sukuks		1,500,000	-
Sukuk Certificates		4,837,958	4,084,350
Units of open end funds		2,463,936	2,106,517
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)		897	897
Certificates of a closed-end fund		498,323	136,099
Total investment at cost / carrying value		24,335,939	15,237,028
Less: Provision for diminution in value of investments	10.9	91,315	2,425
Investments (net of provision)		24,244,624	15,234,603
Deficit on revaluation of held for trading securities	10.10	(1,315)	(22,981)
Surplus / (deficit) on revaluation of available for sale securities	22	126,881	(401,954)
Total investments at market value		24,370,190	14,809,668



Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2009



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

The legal counsel of MBL contends that because the Sukuk Certificates were transferred through CDC account of the seller, MBL is the legitimate and bonafide holder of the Sukuk Certificates from the date of acquisition.

- 10.3** Investments in associates form part of strategic investment of the Group and cannot be sold for five years from the last date of purchase of such securities, unless stated otherwise.

10.4 Held for trading securities

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

Name of the investee company	2009	2008	2009	2008
	Number of Shares		Cost / carrying amount Rupees in '000	
Oil and gas marketing				
Pakistan State Oil Company Limited	-	285,700	-	46,364
Oil and gas exploration				
Pakistan Oilfields Limited	-	777,000	-	93,018
Oil and Gas Development Company Limited		500,000	-	5,537
Fertilizer				
Fauji Fertilizer Bin Qasim Limited	-	400,000	-	29,191
Unquoted Sukuk Bonds				
Sitara Chemical Industries Limited	480	780	2,368	3,600
Arzoo Textile Mills Limited	1,000	1,000	3,750	5,000
Total			6,118	182,710



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For the year ended December 31, 2009



10.5 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	2009		2008		2009		2008	
		Number of shares/ units/certificates		Cost/Carrying Value		Market value	Entity rating long term/ short term	Market value	Entity rating long term/ short term
		Rupees in '000						Rupees in '000	
Ordinary shares									
Automobile parts and accessories									
Agriauto Industries Limited	10.5.1	324,000	324,000	20,352	20,352	19,521	-	10,002	-
Cement									
Attock Cement Pakistan Limited		150,737	175,000	5,535	7,688	7,838	-	6,594	-
D.G. Khan Cement Company Limited		-	855,000	-	33,584	-	-	18,186	-
Fauji Cement Company Limited		-	286,000	-	1,973	-	-	1,544	-
Lucky Cement Company Limited		30,000	-	2,025	-	1,987	-	-	-
Automobile assembler									
Indus Motor Company Limited		35,738	35,738	5,121	5,121	7,023	-	4,391	-
Pak Suzuki Motor Company Limited		90,200	45,200	7,804	3,787	8,024	-	3,598	-
Power generation and distribution									
The Hub Power Company Limited		3,843,000	3,543,000	114,141	89,761	119,440	-	49,921	-
Oil and gas marketing									
Pakistan State Oil Company Limited		298,608	133,580	86,189	36,885	88,818	AAA / A1+	19,285	AAA / A1+
Shell Pakistan Limited		281	1,031	49	180	70	-	320	-
Sui Northern Gas Pipeline Limited		-	227,600	-	6,352	-	AA / A1+	4,884	AA / A1+
Oil and gas exploration									
Pakistan Oilfields Limited		465,460	264,660	103,018	50,174	107,414	-	27,125	-
Oil and Gas Development Company Limited		526,700	684,600	52,199	64,647	58,258	AAA / A1+	34,223	AAA / A1+
Pakistan Petroleum Limited		744,742	510,785	135,375	98,914	141,196	-	51,395	-
Fertilizer									
Engro Chemicals Pakistan Limited		-	545,400	-	98,412	-	AA / A1+	52,609	AA / A1+
Fauji Fertilizer Bin Qasim Limited		3,052,500	2,102,500	67,407	47,895	79,762	-	27,122	-
Fauji Fertilizer Company Limited		1,395,543	683,859	146,291	75,045	143,643	-	40,163	-
Paper and board									
Packages Limited		263,229	170,229	49,516	34,472	37,905	AA / A1+	13,821	AA / A1+
Chemicals									
ICI Pakistan Limited		325,814	278,800	45,094	35,405	54,896	-	19,156	-
Textile composite									
Nishat Mills Limited		346,095	152,330	17,059	6,735	24,192	A+ / A1	3,443	A+ / A1
Technology and communication									
Pakistan Telecommunication Company Ltd. (A)		2,476,100	1,566,300	62,064	49,338	43,703	-	26,455	-
TRG Pakistan Limited		-	2,160,000	-	8,251	-	-	3,845	-
Refinery									
Pakistan Refinery Limited		10,000	101,900	1,202	10,554	1,207	-	10,027	-
Jute									
Thal Limited		42,000	35,000	3,172	3,172	3,565	-	2,863	-
Miscellaneous									
Tri-Pack Films Limited		174,416	-	19,806	-	17,965	-	-	-
Sukuk Certificates									
WAPDA First Sukuk Certificates	10.5.2 & 10.5.6	22,000	-	107,625	-	113,889	-	-	-
WAPDA Second Sukuk Certificates	10.5.5 & 10.5.6	350,000	350,000	1,750,000	1,750,000	1,760,850	-	1,767,500	-
Pakistan International Airlines Corporation	10.5.4 & 10.5.6	300,000	-	1,500,000	-	1,500,000	-	-	-
Dawood Hercules Chemicals Limited	10.5.5 & 10.5.7	20,000	20,000	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Century Paper and Board Mills Limited	10.5.6 & 10.5.8	125,000	125,000	625,000	625,000	625,000	-	625,000	-
Sui Southern Gas Company Limited	10.5.6 & 10.5.9	200,000	200,000	833,334	1,000,000	833,334	-	1,000,000	-
Engro Chemicals Pakistan Limited	10.5.10 & 10.5.12	150,000	150,000	750,000	750,000	750,000	-	750,000	-
Sitara Chemical Industries Limited	10.5.11 & 10.5.12	29,600	29,600	74,000	111,000	74,000	-	111,000	-
Quetta Textile Mills	10.5.6 & 10.5.13	30,000	30,000	150,000	150,000	150,000	-	150,000	-
Arzoo Textile Mills Limited	10.5.6 & 10.5.14	10,000	10,000	50,000	50,000	50,000	-	50,000	-
Sitara Peroxide Limited	10.5.6 & 10.5.15	30,000	30,000	150,000	150,000	150,000	-	150,000	-
Liberty Power Tech Ltd	10.5.16	6,775,060	-	677,506	-	677,506	-	-	-
Eden Builders Limited	10.5.6 & 10.5.17	14,400	7,950	72,000	39,750	72,000	-	39,750	-
Maple Leaf Cement Factory Limited	10.5.6 & 10.5.18	40,000	40,000	200,000	200,000	200,000	-	200,000	-
Amreli Steel (Pvt) Ltd	10.5.6 & 10.5.19	50,000	-	250,000	-	250,000	-	-	-
GOP Sukuk									
Ijarah Sukuk First	10.5.20 & 10.5.24	16,295	16,400	1,629,500	1,640,000	1,645,681	-	1,640,000	-
Ijarah Sukuk Second	10.5.21 & 10.5.24	20,000	20,000	2,000,000	2,000,000	2,025,000	-	2,000,000	-
Ijarah Sukuk Third	10.5.22 & 10.5.24	31,250	-	3,136,950	-	3,188,533	-	-	-
Ijarah Sukuk Fourth	10.5.23 & 10.5.24	35,950	-	3,602,236	-	3,595,336	-	-	-
Units of open-end funds									
United Composite Islamic Fund		-	232,558	-	25,000	-	-	14,661	-
United Islamic Income Fund		-	1,995,243	-	204,847	-	-	186,017	-
Atlas Islamic Fund		195,662	189,034	102,566	102,566	95,554	-	70,266	-
Sukuk Bonds									
Abu Dhabi Sukuk Bonds	10.5.25	5,000,000	5,000,000	421,208	395,492	399,095	-	395,432	-
Others									
S.W.I.F.T. SCRL		5	5	897	897	897	-	897	-
				20,026,241	10,983,249	20,123,153		10,581,295	



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- 10.5.1 The nominal value of these shares is Rs. 5 each.
- 10.5.2 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 sovereign guarantee.
- 10.5.3 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 certificates will mature in 2017.
- 10.5.4 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 sovereign guarantee.
- 10.5.5 The paid up value of these sukuks is Rs. 50,000 per certificate.
- 10.5.6 The paid up value of these sukuks is Rs. 5,000 per certificate.
- 10.5.7 The tenure of these certificates is 5 years, with principal receivable in 2011-2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 120 basis points.
- 10.5.8 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.
- 10.5.9 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.
- 10.5.10 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.
- 10.5.11 The tenure of these certificates is 5 years, with principal receivable in 2008-2011. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 170 basis points.
- 10.5.12 The paid up value of these sukuks is Rs. 3,750 per certificate.
- 10.5.13 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.
- 10.5.14 The tenure of these certificates is 6 years, with principal receivable in 2009 - 2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to year 2 and plus 175 basis points from year 3 to year 6.
- 10.5.15 The tenure of these certificates is 5 years, with principal receivable in 2009 - 2013. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 110 basis points.
- 10.5.16 The paidup value of these certificates is Rs. 100 per certificate. The tenure of these certificates is 12 years, with principal receivable in 2011 - 2020. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.5.17 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.
- 10.5.18 The tenure of these certificates is 6 years, with principal receivable in 2010 - 2013. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 170 basis points.
- 10.5.19 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.
- 10.5.20 These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of six months weighted average yield of six months market T-Bills plus 45 basis points. These certificates will mature in 2011. These are carried at cost because of non availability of independent market value.
- 10.5.21 These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus 75 basis points. These certificates will mature in 2011. These are carried at cost because of non availability of independent market value.
- 10.5.22 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. These are carried at cost because of non availability of independent market value.
- 10.5.23 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. These are carried at cost because of non availability of independent market value.
- 10.5.24 The paid up value of these sukuks is Rs. 100,000 per certificate.
- 10.5.25 The paid up value of these bonds is US\$ 1. These bonds will mature in 2011. The profit is calculated on the basis of London inter-bank offer rate plus 40 basis points.



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10.6 Held to maturity securities

Name of the investee entity	Note	2009		2008	
		Number of Bonds / Certificates	2009	2008	Carrying amount Rupees in '000
Sukuk Bonds / Certificates					
Qatar Global Sukuk Bonds (Sukuk - Qatar)	10.6.1	200,000	1,000,000	16,848	31,639
Dubai Sukuk Bonds (Sukuk - Dubai)		-	7,000,000	-	553,690
WAPDA First Sukuk Certificates (Sukuk - WAPDA)	10.6.2	230,000	230,000	1,150,000	1,150,000
				<u>1,166,848</u>	<u>1,735,329</u>

10.6.1 The paid up value of Sukuk – Qatar is US \$0.2 (2008:US \$0.4) per bond. The return on Sukuk – Qatar is on the basis of London inter-bank offer rate plus a fixed credit spread of 40 basis points. These bonds will mature in 2010.

10.6.2 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.

10.7 Associates (listed)

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

Name of the investee entity	2009		2008	
	Number of shares / certificates / units	Percentage of effective holding %	2009	2008
Ordinary Shares				
Closed end mutual fund				
Al-Meezan Mutual Fund Limited	28,767,300	15.01	292,028	156,727
Certificate of closed end fund				
Meezan Balanced Fund	19,956,292	15.52	206,295	136,099
Units of open end funds				
Meezan Islamic Fund - note 10.7.1	12,651,628	N/A	584,885	329,989
Meezan Islamic Income Fund - note 10.7.4	26,014,466	N/A	1,322,315	1,210,824
Meezan Capital Protected Fund - note 10.7.5	5,230,123	N/A	284,309	233,291
Meezan Cash Fund - note 10.7.5	3,236,679	N/A	169,861	-
			<u>2,859,693</u>	<u>2,066,930</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. 2,643 million (2008: Rs. 2,114 million).

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

10.7.5 These funds form part of strategic investment of the Group.



Notes to and forming part of the Consolidated Financial Statements

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10.8 Associates (unlisted)

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

Particulars	2009	2008	2009	2008	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
	Number of shares / Certificates		Rupees in '000		%	Rupees		
Plexus (Private) Limited	1,499,980	1,499,980	4,571	3,364	50	3.42	June 30, 2009	Mr. Abdul Rehman
Faysal Management Services (Private) Limited - note 10.8.1	540,000	540,000	61,807	55,279	30	101.82	December 31, 2009	Mr. Nauman Ansari
Blue Water (Private) Limited- note 10.8.2	150,000	150,000	15,549	15,221	43	102.40	June 30, 2009	Mr. Shuja-ul-Mulk
Falcon Greenwood (Private) Limited							June 30, 2009	Mr. Abbas Khan
Ordinary shares - note 10.8.2	250,000	250,000	23,832	23,666	25	95.37		
Preference shares - note 10.8.3	1,432,800	1,432,800	143,280	143,280	N/A	N/A		
Advance against issue of preference share	-	-	3,000	3,000	N/A	N/A		
Pak Kuwait Takaful Co. Ltd	2,500,000	2,500,000	25,000	25,000	10	9.10	December 31, 2008	Mr. Imtiaz Ahmed Bhatti
Total			277,039	268,810				

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

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

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

10.9 Provision for diminution in value of investments and impairment

	2009			2008		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	2,425	-	2,425	2,425	-	2,425
Charge for the year						
- on associates (listed)	-	-	-	-	-	-
- on associates (unlisted)	-	-	-	-	-	-
- on available for sale investments	-	88,640	88,640	-	-	-
- on held for trading investments	-	250	250	-	-	-
	-	88,890	88,890	-	-	-
Closing balance	2,425	88,890	91,315	2,425	-	2,425



Notes to and forming part of the Consolidated Financial Statements

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10.9.1 Provision in respect of type and segment

Associates - unlisted
Fully paid up-ordinary shares

Other - Held for trading investments
Sukuks

Other - Available for sale investments
Fully paid up-ordinary shares

2009 2008
Rupees in '000

2,425	2,425
250	-
88,640	-
<u>91,315</u>	<u>2,425</u>

10.10 Deficit on revaluation of held for trading securities

Deficit on listed shares / sukuks

1,315	22,981
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10.11 Investments in associates except Meezan Islamic Income Fund, form part of strategic investment of MBL and cannot be sold for five years from the last date of purchase of such securities.

10.12 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 Limited	Meezan Islamic Fund	Meezan Balanced Fund	Meezan Capital Protected Fund	Meezan Islamic Income Fund	Meezan Cash Fund	Total
	Rupees in '000										
Opening - January 1, 2008	9,807	56,500	15,727	23,949	420,415	526,398	243,966	-	1,227,875	-	2,524,637
Investment / (Redemption) during the year	-	-	-	-	9,822	246,817	-	256,689	90,948	-	604,276
Share of profit in associates	(4,801)	5,433	(537)	(67)	(251,302)	(224,134)	(40,428)	(23,398)	11,555	-	(527,679)
Taxation	(20)	(1,901)	31	-	-	-	-	-	-	-	(1,890)
Dividend received	-	(4,753)	-	-	(5,562)	-	(16,131)	-	(119,554)	-	(146,000)
Provision for diminution in value of investments	(1,622)	-	-	(216)	(16,646)	(219,092)	(51,308)	-	-	-	(288,884)
Closing - December 31, 2008	3,364	55,279	15,221	23,666	156,727	329,989	136,099	233,291	1,210,824	-	2,164,460
Investment / (redemption) during the year	-	-	-	-	(197,248)	(179,069)	(14,408)	3,014	25,246	164,310	(198,155)
Share of profit in associates	1,207	4,469	328	(50)	321,465	214,873	49,430	48,004	197,709	5,551	842,986
Reversal of provision for diminution in value of investments	-	-	-	216	16,646	219,092	51,308	-	-	-	287,262
Taxation	-	(2,202)	-	-	-	-	-	-	-	-	(2,202)
Dividend received	-	4,261	-	-	(5,562)	-	(16,134)	-	(111,464)	-	(128,899)
Closing - December 31, 2009	4,571	61,807	15,549	23,832	292,028	584,885	206,295	284,309	1,322,315	169,861	2,965,452



Notes to and forming part of the Consolidated Financial Statements

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11. FINANCINGS

	Note	2009	2008
		Rupees in '000	
In Pakistan			
- Murabaha financings	11.1	16,645,275	14,590,314
- Net investment in Ijarah	11.2	6,527,339	9,553,207
- Net book value of assets/investment in Ijarah under IFAS-2		1,498,191	-
- Export Refinance under Islamic scheme	11.3	4,944,295	3,687,948
- Diminishing Musharakah financings - housing		3,003,063	3,613,476
- Diminishing Musharakah financings - others		7,541,277	5,689,107
- Musharakah financings		80,531	80,531
- Istisna financings		3,729,059	1,605,460
- Tijarah financings		665,260	6,313
- Labbaik financing		3,959	-
- Financings against bills - Salam		601,802	486,449
- Financings against bills - Murabaha		434,864	850,763
- Loans and running finances	11.4	1,041,695	463,352
Total financing		46,716,610	40,626,920
Less: Provision against non-performing financings	11.7	(2,528,544)	(1,098,189)
Financings net of provision	11.5 & 11.9	44,188,066	39,528,731
11.1 Murabaha receivable - gross	11.1.2	17,453,157	15,350,282
Less: Deferred murabaha income		(340,948)	(317,937)
Profit receivable shown in other assets		(466,934)	(442,031)
Murabaha financings		16,645,275	14,590,314
11.1.1 Murabaha Sale Price		17,564,481	15,164,924
Murabaha Purchase Price		(16,645,275)	(14,590,314)
		919,206	574,610

11.1.2 This includes advance for Murabaha aggregating to Rs. 2,116 million (2008: Rs. 1,411 million).

11.1.3 Net book value of assets / investments in Ijarah under IFAS-2 is net of depreciation of Rs.158.243 million (2008: Nil)

11.2 Net investment in Ijarah

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	2,453,678	4,344,128	241,268	7,039,074	2,318,449	7,776,671	559,288	10,654,408
Residual value	642,547	895,116	22,973	1,560,636	572,972	1,396,879	30,254	2,000,105
Minimum ijarah payments	3,096,225	5,239,244	264,241	8,599,710	2,891,421	9,173,550	589,542	12,654,513
Less: Profits for future periods	(626,377)	(1,423,120)	(22,874)	(2,072,371)	(734,983)	(2,275,663)	(90,660)	(3,101,306)
Present value of minimum Ijarah payments	2,469,848	3,816,124	241,367	6,527,339	2,156,438	6,897,887	498,882	9,553,207



Notes to and forming part of the Consolidated Financial Statements

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	Note	2009	2008
Rupees in '000			
11.3 Receivable under Islamic Export Refinance Scheme- gross	11.3.1	5,063,176	3,783,641
Less: Deferred income		(56,657)	(52,733)
Profit receivable shown in other assets		(62,224)	(42,960)
Receivable under Islamic Export Refinance		<u>4,944,295</u>	<u>3,687,948</u>

11.3.1 This includes advance for Murabaha under Islamic Export Refinance Scheme aggregating to Rs. 1,431 million (2008: Rs. 433 million).

11.4 This includes Rs. 91.816 million (2008 : Rs. 104.888 million) representing mark up free loans to staff advanced under MBL human resource policies.

11.5 Particulars of financing - net

	2009	2008
Rupees in '000		
11.5.1 In		
- local currency	42,888,312	37,549,706
- foreign currencies	1,299,754	1,979,025
	<u>44,188,066</u>	<u>39,528,731</u>
11.5.2 Short-term (for upto one year)	27,681,490	21,499,732
Long-term (for over one year)	16,506,576	18,028,999
	<u>44,188,066</u>	<u>39,528,731</u>

11.6 Financings include Rs. 3,649.163 million (2008: Rs. 2,060.108 million) which have been placed under non-performing status as detailed below:

Category of classification	2009				
	Domestic	Overseas	Total	Provision required	Provision held
Rupees in '000					
Substandard	548,010	-	548,010	86,268	86,268
Doubtful	917,677	-	917,677	364,108	364,108
Loss	2,183,476	-	2,183,476	1,992,906	1,992,906
	<u>3,649,163</u>	<u>-</u>	<u>3,649,163</u>	<u>2,443,282</u>	<u>2,443,282</u>
Category of classification	2008				
	Domestic	Overseas	Total	Provision required	Provision held
Rupees in '000					
Substandard	645,567	-	645,567	119,588	119,588
Doubtful	717,595	-	717,595	353,627	353,627
Loss	696,946	-	696,946	521,534	521,534
	<u>2,060,108</u>	<u>-</u>	<u>2,060,108</u>	<u>994,749</u>	<u>994,749</u>



Notes to and forming part of the Consolidated Financial Statements

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11.7 Particulars of provision against non-performing financings:

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	994,749	103,440	1,098,189	379,497	293,776	673,273
Charge for the year	1,577,295	-	1,577,295	775,040	9,664	784,704
Less: Reversals	(128,581)	(18,178)	(146,759)	(156,268)	(200,000)	(356,268)
	1,448,714	(18,178)	1,430,536	618,772	(190,336)	428,436
Amount written off - note 11.8	(181)	-	(181)	(3,520)	-	(3,520)
Closing balance	2,443,282	85,262	2,528,544	994,749	103,440	1,098,189

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

11.7.2 Particulars of provision against non-performing financings:

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	2,421,695	85,262	2,506,957	973,519	103,440	1,076,959
In foreign currencies	21,587	-	21,587	21,230	-	21,230
	2,443,282	85,262	2,528,544	994,749	103,440	1,098,189

11.8 Particulars of write offs

11.8.1 Against provision -note 11.7
Directly charged to profit and loss account

11.8.2 Write offs Rs. 500,000 and above
Write offs below Rs. 500,000

	2009	2008
	Rupees in '000	
11.8.1	181	3,520
	-	-
	181	3,520
11.8.2	-	3,520
	181	-
	181	3,520



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

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

	Note	2009	2008
Rupees in '000			
Balance at the beginning of the year		342,320	262,542
Financing granted during the year		182,970	173,419
Repayments		(64,950)	(93,641)
Balance at the end of the year	11.9.1	460,340	342,320

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	2009	2008
Rupees in '000			
Balance at the beginning of the year		368,827	345,314
Financing granted during the year		58,127	347,671
Repayments		(283,120)	(324,158)
Balance at the end of the year	11.9.2	143,834	368,827

11.9.1 The maximum total amount of financings including temporary financings granted by MBL during the year were Rs. 460.290 million (2008: Rs. 342.320 million). The maximum amount has been calculated by reference to the month end balance.

11.9.2 This represents a Musharakah facility outstanding from Blue Water (Private) Limited (an associated company) amounting to Rs. 70.531 million (2008: Rs. 70.531 million), Ijarah facilities outstanding from The General Tyre and Rubber Company Limited (an associated company) (GTR) amounting to Rs. 73.30 million (2008: Rs. 297.620 million) and Ijarah facility outstanding from Pak-Kuwait Takaful Company Limited (an associated company) amounting to Rs. Nil (2008: Rs. 0.674 million). The Musharakah facility is secured against equitable mortgage over property whereas the Ijarah facilities are secured against hypothecation charge over present and future stocks, book debts and the rented assets of GTR and Pak-Kuwait Takaful Company Limited respectively. The maximum total amount of financings, including temporary financings granted during the year were Rs. 427.383 million (2008:Rs. 572.685 million). The maximum amount has been calculated by reference to the month end balance.

11.9.3 Loans and financings to executives and a director of MBL

	Executives		Director	
	2009	2008	2009	2008
Rupees in '000				
Opening balance	167,773	125,254	430	562
Loans disbursed during the year	97,880	60,776	-	-
Loans repaid during the year	(13,813)	(18,257)	(132)	(132)
Closing balance	251,840	167,773	298	430

	Note	2009	2008
Rupees in '000			
12. OPERATING FIXED ASSETS			
Tangible assets			
Capital work-in-progress	12.1	304,045	70,228
Property and equipment	12.2	2,036,480	1,731,555
		2,340,525	1,801,783
Intangible assets	12.4	96,703	96,747
		2,437,228	1,898,530



Notes to and forming part of the Consolidated Financial Statements

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	2009	2008
	Rupees in '000	
12.1 Capital work-in-progress		
- Advances to suppliers and contractors for building renovation	208,588	12,847
- Advances for computer hardware	14,771	19,959
- Advances for purchase of vehicles	6,354	9,881
- Advances for computer software	48,450	8,514
- Advances for other office machines	25,836	19,027
- Advances for furniture and fixtures	46	-
	304,045	70,228

12.2 Property and equipment

	2009							
	COST			DEPRECIATION			Net book value as at December 31, 2009	Rate of depreciation %
	As at January 1, 2009	Additions / (disposals)	As at December 31, 2009	As at January 1, 2009	Charge / (on disposal)	As at December 31, 2009		
	Rupees in '000							
Land and buildings - note 12.3.1	510,092	173,473	683,565	18,796	7,854	26,650	656,915	5
Leasehold improvements	666,401	201,070 (6,135)	861,336	121,879	73,712 (2,041)	193,550	667,786	10
Furniture and fixtures	129,394	24,765 (629)	153,530	34,604	14,882 (349)	49,137	104,393	10
Electrical, office and computer equipments	704,962	160,218 (2,461)	862,719	291,214	161,858 (2,216)	450,856	411,863	20 and 33
Vehicles	277,818	77,640 (39,759)	315,699	90,619	56,131 (26,574)	120,176	195,523	20
	2,288,667	637,166 (48,984)	2,876,849	557,112	314,437 (31,180)	840,369	2,036,480	

	2008							
	COST			DEPRECIATION			Net book value as at December 31, 2008	Rate of depreciation %
	As at January 1, 2008	Additions / (disposals)	As at December 31, 2008	As at January 1, 2008	Charge / (on disposal)	As at December 31, 2008		
	Rupees in '000							
Land and buildings - note 12.3.1	254,128	255,964	510,092	13,329	5,467	18,796	491,296	5
Leasehold improvements	381,809	287,829 (3,237)	666,401	71,357	50,680 (158)	121,879	544,522	10
Furniture and fixtures	88,517	41,020 (143)	129,394	22,421	12,200 (17)	34,604	94,790	10
Electrical, office and computer equipments	382,143	326,618 (3,799)	704,962	190,077	102,861 (1,724)	291,214	413,748	20 and 33
Vehicles	183,140	134,644 (39,966)	277,818	72,936	45,119 (27,436)	90,619	187,199	20
	1,289,737	1,046,075 (47,145)	2,288,667	370,120	216,327 (29,335)	557,112	1,731,555	



Notes to and forming part of the Consolidated Financial Statements

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

	Land and buildings	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
	Rupees in '000					
At January 1, 2008						
Cost	254,128	381,809	88,517	382,143	183,140	1,289,737
Accumulated depreciation	(13,329)	(71,357)	(22,421)	(190,077)	(72,936)	(370,120)
Net book value	240,799	310,452	66,096	192,066	110,204	919,617
Year ended						
December 31, 2008						
Additions	255,964	287,829	41,020	326,618	134,644	1,046,075
Net book value of disposals	-	(3,079)	(126)	(2,075)	(12,530)	(17,810)
Depreciation charge	(5,467)	(50,680)	(12,200)	(102,861)	(45,119)	(216,327)
Net book value as at December 31, 2008	491,296	544,522	94,790	413,748	187,199	1,731,555
Year ended						
December 31, 2009						
Additions	173,473	201,070	24,765	160,218	77,640	637,166
Net book value of disposals	-	(4,094)	(280)	(245)	(13,185)	(17,804)
Depreciation charge	(7,854)	(73,712)	(14,882)	(161,858)	(56,131)	(314,437)
Net book value as at December 31, 2009	656,915	667,786	104,393	411,863	195,523	2,036,480

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

12.3.2 Included in cost of property and equipment are fully depreciated items still in use aggregating to Rs. 243.149 million (2008: Rs. 144.117 million).



Notes to and forming part of the Consolidated Financial Statements

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Vehicles						
Honda City	835	807	28	28	Ex-Gratia	M. Shafi (Late Ex-Employee)
Honda City	896	448	448	725	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Honda City	835	668	167	650	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Honda City	845	845	-	180	MBL Policy	Kazi Amir (Employee)
Honda City	835	668	167	397	MBL Policy	Mustafa Rabbani (Employee)
Honda City	933	575	358	816	Negotiation	Asif Butt
Honda City	477	143	334	507	Negotiation	Khurram Imtiaz
Honda City	458	206	252	511	Negotiation	Mukhtar A Chanda
Honda City	886	665	221	680	Negotiation	Umer
Honda City	83	32	51	1	AMIML Policy	Owais Wasti (Employee)
Honda Civic	1,042	834	208	592	MBL Policy	Muhammed Abdullah (Employee)
Honda Civic	1,246	1,246	-	975	Negotiation	M.Rashid
Honda Civic	1,526	356	1,170	1,500	Negotiation	Qadir Ali Baig (Ex-Employee)
Honda Civic	1,323	419	904	698	Negotiation	Syed Ahmed Ali
Honda Accord	2,500	2,499	1	208	AMIML Policy	M. Shoaib (Employee)
Santro Club	519	519	-	156	MBL Policy	Irshad Ali (Employee)
Santro Club	579	357	222	418	Negotiation	Adnan Rafiq
Santro Club	499	499	-	333	Negotiation	Khurram Imtiaz
Santro Club	499	499	-	333	Negotiation	Khurram Imtiaz
Santro Club	519	519	-	282	Negotiation	Muhammad Kashif Islam
Santro Club	519	519	-	343	Negotiation	Zahid Qadir
Suzuki Alto	470	39	431	490	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Suzuki Alto	469	344	125	261	MBL Policy	Jamil Chaudhery (Employee)
Suzuki Alto	469	469	-	141	MBL Policy	Zulfiqar Kiani (Employee)
Suzuki Alto	496	471	25	163	MBL Policy	Farkanda (Ex-Employee)
Suzuki Alto	469	281	188	467	Negotiation	Akbar Ali
Suzuki Alto	469	281	188	426	Negotiation	Akbar Ali
Suzuki Alto	479	184	295	468	Negotiation	Akbar Ali
Suzuki Alto	469	281	188	437	Negotiation	Jamal Nasir
Suzuki Alto	484	202	282	433	Negotiation	Asif
Suzuki Alto	469	360	109	486	Negotiation	Khurram Imtiaz
Suzuki Alto	469	438	31	375	Negotiation	Tariq Ghuman
Suzuki Alto	475	150	325	495	Negotiation	Rahat Amir
Suzuki Alto	477	199	278	476	Negotiation	M.Zafar
Suzuki Alto	458	183	275	478	Negotiation	M.Zafar
Suzuki Bolan	427	427	-	256	Negotiation	Abid
Suzuki Cultus	603	603	-	357	Negotiation	M Jawwad Ali
Suzuki Cultus	567	274	293	646	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	560	345	215	527	Negotiation	Khurram Imtiaz
Suzuki Cultus	560	224	336	580	Negotiation	Mohammad Siddique
Suzuki Cultus	560	336	224	523	Negotiation	Mohammad Tariq
Suzuki Cultus	560	392	168	585	Negotiation	Mohammad Nasir
Suzuki Cultus	567	274	293	609	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	568	189	379	631	Negotiation	Syed Riaz Ahmed
Suzuki Cultus	586	205	381	670	Negotiation	Amir
Suzuki Cultus	560	280	280	612	Negotiation	Amir
Suzuki Cultus	560	429	131	575	Negotiation	Bilal Akram
Suzuki Cultus	569	313	256	594	Negotiation	Bilal Akram
Suzuki Cultus	560	429	131	516	Negotiation	Farooq Nawaz
Suzuki Cultus	560	308	252	566	Negotiation	Khurram Imtiaz
Suzuki Cultus	560	308	252	517	Negotiation	Khurram Imtiaz
Suzuki Cultus	590	226	364	618	Negotiation	Khurram Imtiaz
Suzuki Cultus	573	210	363	615	Negotiation	Khurram Imtiaz
Suzuki Cultus	579	232	347	615	Negotiation	Rooman Rehmatullah
Suzuki Cultus	594	158	436	719	Negotiation	Zulfiqar Ahmed Khan
Suzuki Cultus	579	154	425	718	Negotiation	Zulfiqar Ahmed Khan
Suzuki Cultus	606	606	-	403	Negotiation	Rana Saif Ur Rehman
Suzuki Cultus	606	606	-	416	Negotiation	Shafqat Ali



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Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees in '000						
Toyota Corolla	914	589	325	700	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Toyota Corolla	755	755	-	565	Negotiation	Khurram Imtiaz
Leasehold Improvements						
Civil Works	6,135	2,041	4,094	533	Negotiation	Muhammad Shabbir
Furniture and fixtures						
Blinds, Cabinets, Tables and Chairs	629	349	280	55	Negotiation	Muhammad Shabbir
Electrical, office and computer equipments						
Attendance Control System	362	278	84	48	Negotiation	Innovative (Pvt) Limited
Computer System	62	55	7	25	Insurance	Pak Kuwait Takaful Co. Ltd.
Computer System	246	246	-	21	Negotiation	Muhammad Shabbir
Fax Machine	16	16	-	2	Negotiation	Mansha Brothers
Mobile Phone	16	3	13	12	MBL Policy	Qadir Ali Baig (Ex-Employee)
Note Book	62	46	16	16	MBL Policy	Faisal Kasbati (Ex-Employee)
Note Book	62	56	6	27	Insurance	Pak Kuwait Takaful Co. Ltd.
PABX System	117	111	6	17	Negotiation	Panasonic Media Solutions
Split Air Conditioners	196	196	-	70	Negotiation	Qasim Furniture
Split Air Conditioners	275	240	35	40	Negotiation	Wind World
Split Air Conditioners	812	753	59	71	Negotiation	Muhammad Shabbir
Transformers	235	218	17	20	Negotiation	Muhammad Shabbir
	48,984	31,180	17,804	31,509		

12.4 Intangible assets

	COST			AMORTISATION			Net book value as at December 31, 2009	Rate of amortisation %
	As at January 1, 2009	Additions during the year	As at December 31, 2009	As at January 1, 2009	Amortisation charge for the year	As at December 31, 2009		
Rupees in '000								
Computer software	145,428	32,516	177,944	48,681	32,560	81,241	96,703	20
2008	96,287	49,141	145,428	26,182	22,499	48,681	96,747	



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12.5 Intangible assets - Movement of net book value

	Year ended December 31, 2008				Year ended December 31, 2009		
	Net book value as at January 1, 2008	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2008	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2009
	Rupees in '000						
Computer software	70,105	49,141	22,499	96,747	32,516	32,560	96,703

13. DEFERRED TAX ASSET / (LIABILITY)

Credit / (debit) balances arising on account of:

	Note	2009	2008
		Rupees in '000	
Excess of accounting book values over tax written down values of owned assets		(181,977)	(169,180)
Excess of Ijarah financings over tax written down values of Ijarah assets		(395,181)	(771,983)
Excess of tax written down values over accounting net book values of investments		(45,311)	47,711
Other staff benefits		92,277	45,185
Provision against non-performing financings		655,500	341,554
(Surplus) / deficit on revaluation of available for sale investments		(32,957)	35,835
Provision for diminution in value of investments and impairment		31,702	28,705
Others		10,261	32,833
		134,314	(409,340)

14. OTHER ASSETS

Profit / return accrued in local currency		2,255,721	1,421,269
Profit / return accrued in foreign currency		3,903	13,210
Advances, deposits, advance rent and other prepayments		456,922	571,933
Receivables on account of sale of securities		-	200,089
Dividend receivable		8,578	3,922
Stamps		4,992	6,293
Inventories	14.1	2,523,969	1,535,744
Advances against future Ijarah		272,885	312,208
Advances against Diminishing Musharakah		-	144,820
Security deposits		14,126	14,608
Unrealized gain on forward foreign exchange contracts		30,561	20,554
Unrealized gain on securities with deferred purchase commitments		-	23,014
Non-Banking assets in satisfaction of claims		330,432	-
Advance against Pre-IPO IGI Islamic Income Fund		100,000	-
Prepaid exchange risk fee		111	142
Assets classified as held for sale		222,654	152,999
Other		41,753	1,842
		6,266,607	4,422,647
Provision against other assets	14.2	(31,352)	(92,211)
		6,235,255	4,330,436



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14.1 This represents goods purchased by MBL for Murabaha and Tijarah which remained unsold at the balance sheet date.

	Note	2009	2008
Rupees in '000			
14.2 Provision against other assets			
Opening balance		92,211	-
Charge for the year		21,352	92,211
Reversals		(82,211)	-
		(60,859)	92,211
Amount written off		-	-
Closing balance		31,352	92,211

15. BILLS PAYABLE

In Pakistan		1,249,210	1,057,017
Outside Pakistan		-	-
		1,249,210	1,057,017

16. DUE TO FINANCIAL INSTITUTIONS

In Pakistan		8,451,198	4,119,609
Outside Pakistan		142,227	13,887
		8,593,425	4,133,496

16.1 Particulars of due to financial institutions with respect to currencies

In local currency		8,451,198	4,096,667
In foreign currencies		142,227	36,829
		8,593,425	4,133,496

16.2 Details of due to financial institutions secured / unsecured

Secured

Borrowing from the State Bank of Pakistan under Islamic Export Refinance Scheme Murabaha financing	16.2.1	4,819,166	3,517,946
		125,000	125,000
		4,944,166	3,642,946

Unsecured

Overdrawn nostro accounts		142,227	13,887
Others		3,507,032	476,663
		8,593,425	4,133,496

16.2.1 These borrowings are on a profit and loss sharing basis maturing between January 02, 2010, to June 29, 2010, and are secured against demand promissory notes executed in favour of SBP. A limit of Rs. 5,000 million (2008: 3,800 million) has been allocated to MBL by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2010.

		2009	2008
Rupees in '000			
16.3 Particulars of due to financial institutions			
Short - term		8,468,425	4,008,496
Long - term		125,000	125,000
		8,593,425	4,133,496



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	Note	2009	2008
		Rupees in '000	
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Fixed deposits		32,351,628	23,455,160
- Savings deposits		36,107,257	24,562,979
- Current accounts - non-remunerative		28,666,058	20,613,316
- Current accounts - remunerative		250,512	165,787
- Margin		525,275	615,994
		<u>97,900,730</u>	<u>69,413,236</u>
Financial institutions			
- Remunerative deposits		2,419,546	800,330
- Non-remunerative deposits		11,172	18,384
		<u>2,430,718</u>	<u>818,714</u>
		<u>100,331,448</u>	<u>70,231,950</u>
17.1 Particulars of deposits			
In			
- local currency		94,890,700	66,487,627
- foreign currencies		5,440,748	3,744,323
		<u>100,331,448</u>	<u>70,231,950</u>
18. OTHER LIABILITIES			
Return on deposits and other dues			
- payable in local currency	18.1	740,869	534,164
- payable in foreign currency		5,529	10,852
Unearned commission		15,608	19,202
Accrued expenses		216,516	103,214
Advance payments		-	-
Current taxation (provision less payments)		1,484,667	351,032
Unclaimed dividends		851	851
Unrealized gain (net) on forward foreign exchange contracts		12,638	135,634
Payable to defined benefit plan	33.3	41,246	32,444
Provision against off-balance sheet obligations	18.2	1,600	1,600
Security deposits against Ijarah		2,050,209	2,104,357
Other staff benefits		309,425	157,227
Charity payable	18.4	18,170	8,820
Liabilities directly associated with assets classified as held for sale		-	741
Amount due to investor in funds consolidated by Group		49,329	15,521
Others		182,353	146,517
		<u>5,129,010</u>	<u>3,622,176</u>
18.1	This includes Rs. 60.315 million (2008: Rs. 40.374 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.		
18.2	Provision against off-balance sheet obligations		
	Note	2009	2008
		Rupees in '000	
Opening balance		1,600	7,548
Charge for the year		-	-
Reversals		-	(5,948)
Amount written off		-	-
Closing balance	18.2.1	<u>1,600</u>	<u>1,600</u>



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

	Note	2009	2008
Rupees in '000			
18.3 Reconciliation of charity payable			
Balance as at January 1		8,820	12,419
Additions during the year		51,170	36,288
Less: Transferred to charity savings account (included in deposits and other accounts)	18.3.2	(41,820)	(39,887)
Balance as at December 31		<u>18,170</u>	<u>8,820</u>

18.3.1 Charity paid through saving account during the year is Rs. 14.605 million (2008: Rs. 2.13 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organizations:

	Note	2009	2008
Rupees in '000			
Afzal Memorial Thalassemia Foundation		235	-
Alamgir Welfare Trust International		1,738	-
Children Cancer Foundation Pakistan Trust		300	-
Chipa Welfare Association		200	-
CPLC - IDP Fund		1,000	-
Dar-us-Shifa Dialysis Centre		200	-
Health Oriented Preventive Education		-	125
IBA-National Talent Hunt Program		759	-
Idara Al Khair Welfare Society		434	300
Islamic Relief		5,000	-
Marie Adelaide Leprosy Centre		250	-
Murshid Hospital & Health Care Centre		250	-
Muslim Aid Trust Pakistan		1,000	-
Pakistan Myasthenic Welfare Organization		102	-
Saylani Welfare Trust		300	-
Sindh Institute of Urology and Transplantation (SIUT)		500	-
The Citizen Foundation (TCF)		450	389
The Indus Hospital		1,300	500
Security Guard Tando Allahyar Branch Meezan Bank Limited		-	500

18.3.2 Charity in profit and loss saving account is Rs. 100.063 million (2008: Rs. 69.349 million).

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



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18.4 Share Based Payments

Senior Executive Bonus Incentive Scheme (SEBIS)

On July 01, 2007, AMIML introduced a senior executive bonus incentive scheme (SEBIS) for all the confirmed employees who are designated as Assistant Vice President and above. The policy is premised on the concept of phantom (notional) shares; these notional shares are termed as BIS Units. In the first year the accumulated deferred bonus of eligible employees is utilized in allocating the initial BIS units. To the extent that any eligible employee does not have sufficient funds in his / her deferred bonus account to meet the notional acquisition cost of his / her initial allotment of BIS units, his / her SEBIS account is debited with the notional funding (classified in prepayments and other receivables) for the shortfall. The cost of funding and any excess is determined at the prevailing SBP discount rate plus 125 basis points.

Deferred bonus will be utilized to adjust the shortfall in SEBIS account if any and any excess will be utilized to issue additional BIS units. The employee can redeem 25%, 60% and 100% in cash of the total BIS units after the first, second and third year of the grant date respectively. Furthermore, these BIS units will incorporate the impact of bonus and right issue of the shares of AMIML. Units outstanding at each reporting date are revalued at the prevailing break up value of the shares of AMIML and any difference in the fair value is recognized in the income statement of AMIML.

19. SHARE CAPITAL

19.1 Authorized, issued, subscribed and paid-up capital

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

	Ordinary shares of Rs. 10 each	
	Number	Amount in Rupees in '000
Authorized capital		
As at January 1, 2009	800,000,000	8,000,000
Increase during the year	300,000,000	3,000,000
As at December 31, 2009	<u>1,100,000,000</u>	<u>11,000,000</u>
Issued, subscribed and paid-up capital		
As at January 1, 2008	377,989,686	3,779,896
Issue of bonus shares of Rs. 10 each	114,606,472	1,146,065
As at December 31, 2008	492,596,158	4,925,961
Issue of Right shares of Rs. 10 each	172,408,655	1,724,087
As at December 31, 2009	<u>665,004,813</u>	<u>6,650,048</u>



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	Note	2009	2008
Rupees in '000			
20. RESERVES			
Statutory reserve	20.1	983,326	778,256
General reserve		91,082	91,082
		<u>1,074,408</u>	<u>869,338</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		2009	2008
Rupees in '000			
Opening balance		204,087	261,084
Share of profit / (loss) for the year		98,900	(56,997)
Closing balance		<u>302,987</u>	<u>204,087</u>
22. SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS			
Quoted shares		45,808	(419,394)
Other securities - certificates		81,073	17,440
		126,881	(401,954)
Add: Deferred tax (liability) / asset		(32,957)	35,835
		<u>93,924</u>	<u>(366,119)</u>
23. CONTINGENCIES AND COMMITMENTS			
23.1 Direct credit substitutes			
Guarantees favoring			
- Government		390,415	311,574
23.2 Transaction related contingent liabilities			
Guarantees favoring			
- Government		2,465,304	2,077,032
- Banks		66,516	69,427
- Others		2,397,480	2,833,741
		<u>4,929,300</u>	<u>4,980,200</u>
23.3 Trade related contingent liabilities			
Import letters of credit		8,906,958	5,398,265
Acceptances		2,507,973	2,834,379
		<u>11,414,931</u>	<u>8,232,644</u>
23.4 Commitments in respect of forward exchange contracts			
Purchases		13,095,711	8,084,571
Sales		14,967,063	9,315,366
23.5 Commitments for the acquisition of operating fixed assets		29,485	27,684
23.6 Commitments in respect of financings		25,782,480	22,733,968
23.7 Commitments in respect of securities with deferred purchase commitments		-	174,110



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	2009	2008
	Rupees in '000	
23.8 Other commitments		
Bills for collection (inland)	97,687	96,983
Bills for collection (foreign)	2,127,779	2,453,995
	2,225,466	2,550,978
23.9 Senior Executive Bonus Incentive Scheme (SEBIS)		
Notional Funding under SEBIS:		
Opening balance	25,158	-
Additions during the year	-	24,561
Repayments / adjustments during the year	3,296	597
Closing balance	28,454	25,158
Liability under SEBIS:		
Opening balance	25,413	-
Additions / (reductions) during the year	19,640	25,413
Repayments / adjustments during the year	3,296	-
Closing balance	48,349	25,413

23.10 Taxation - MBL

The assessing officer had subjected to tax, the gain on foreign currency deposits claimed as exempt in the returns of income of assessment year 2001-2002 and tax year 2003. During 2006, the Income Tax Appellate Tribunal (ITAT) had decided the matter in favour of MBL in respect of assessment year 2001-2002. During the current period the department has appealed against the decision of ITAT in the High Court, hearing on which is still pending. The Appeal for the tax year 2003 is pending before the ITAT.

The amount of tax levied by the assessing officer on such gain aggregated Rs. 151.798 million, where as the net tax liability for the aforesaid assessment years and the other relevant assessment years after considering relief for the related expenditure amounts to approximately Rs. 41 million. The management is confident that even at the superior judicial forum MBL's position will be sustained.

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

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

MBL has filed appeals for tax years 2004 to 2008 with CIT (A) including that mentioned above. The CIT (A) in his order for tax year 2003 confirmed the assessment in respect of the principle of allocation of expenses; however, directions have been given for necessary rectification on certain facts and basis underlying that assessment. The appeal effect order for tax year 2003 has been received resulting in addition of Rs 14.162 million in respect of allocation of expenses. This order is subject to rectification in respect of error apparent from facts of the case. MBL has already made a provision of Rs 221 million on that issue against the demand for the above mentioned years being the maximum exposure of the matter if decided as directed by the ITAT. The management is confident that the ultimate outcome of the appeal would be in favor of MBL inter alia on the basis of the advice of the tax consultants and the relevant law and the facts of the case.



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23.11 Associates

23.11.1 WAPDA Sukuk - MIIF

In April 2009 the MIIF's management company (Al Meezan) and CDC had received notices from WAPDA that further transfers of the WAPDA First Sukuk Company Limited's (WFSCL) sukuk being held by the Fund may be stopped until further instructions are given by WAPDA. The Fund, however, in its response stated that it is in the business of purchase and sale of securities and that the Fund is the bonafide holder of these sukuk, which were purchased after taking all necessary steps and measures to ascertain the genuineness of these sukuk including their verification from the issuer (i.e. WFSCL) therefore, the Fund cannot comply with the instructions of WAPDA.

The Fund disposed off its investment in the aforementioned sukuk having a face value of Rs. 180 million by June 30, 2009, i.e. before book closure for rentals due on October 22, 2009.

In September 2009 the Fund received a demand from WAPDA claiming return of Rs. 13.6 million being rentals received by it (the Fund) in April 2009 on its holding of WFSCL's sukuk. WAPDA contends that Fund is not a bonafide owner of those sukuk. The management company of the Fund has rejected WAPDA's claim and stated that the said sukuk were purchased after their genuineness had been duly verified from WAPDA at more than one stage and that these sukuk were transferred in its CDS account, hence, the Fund was the bonafide holder of these sukuk.

Al Meezan, the management company of the Fund, and CDC, as trustee of the Fund, have filed a suit against WFSCL and some other defendants in October 2009 in the High Court of Sindh (the High Court) for declaration, injunction and damages against the defendants claim for return of the aforementioned rental payments.

The defendants (i.e. WAPDA and WFSCL) have also filed in interpleader suit in December 2009 against Al Meezan, CDC in its capacity as the trustee of the Fund and some other parties in the senior civil court of Lahore (the Court) seeking a decision from the Court as to who is the lawful owner and to whom the rental payment due on October 22, 2009 and subsequent rentals should be made.

Based on the aforementioned facts and the advice of its legal consultant, the management is confident that the Fund was a legitimate and bonafide owner of those sukuk from the date it acquired them till such time that those sukuk were sold in the normal course of business and accordingly it is not liable to return the amount of rental (Rs. 13.6 million) received by it.

23.11.2 Workers Welfare Fund - MIIF, MBE, MIF, MCF, AMMF and MCPF

The Finance Act, 2008, has amended the Workers' Welfare Fund Ordinance, 1971, (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969, applies. As a result of this amendment all Collective Investment Scheme (CIS) whose income exceeds Rs. 0.5 million in a tax year have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay two percent of their total income to the WWF. During the period ended December 31, 2009, the Mutual Fund Association of Pakistan (MUFAP), of which AMIML, the management company of the associated funds, is a member, has filed a constitutional petition in the High Court of Sindh (SHC) requesting it to declare that CIS are not liable to pay contribution to the WWF on the ground that CIS do not have any workers or employees.

AMIML is confident of a favorable outcome based on the advice of the MUFAP's legal counsel accordingly no provision in this financial report has been made.

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

	2009	2008
	Rupees in '000	
On financings to		
- Customers	5,090,510	4,689,554
On investments in		
- Held for trading	1,490	1,140
- Available for sale securities	1,793,337	767,483
- Held to maturity securities	177,194	156,204
On deposits / placements with financial institutions	3,042,987	1,193,060
	<u>10,105,518</u>	<u>6,807,441</u>



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	Note	2009	2008
Rupees in '000			
25. RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
Deposits and other accounts		4,576,747	2,896,861
Other short term borrowings	25.1	393,096	191,312
		<u>4,969,843</u>	<u>3,088,173</u>
25.1 This includes Rs. 221.427 million (2008: Rs. 143.325 million) paid / payable to SBP by MBL under Islamic Export Refinance Scheme.			
26. CAPITAL GAIN ON SALE OF INVESTMENTS	Note	2009	2008
Rupees in '000			
Shares - listed		60,131	37,042
Government sukuk / certificates		6,454	386
Term finance certificates		-	475
		<u>66,585</u>	<u>37,903</u>
27. OTHER INCOME			
Gain on termination of Ijarah financings		17,273	8,830
Gain on termination of Diminishing Musharakah financings		14,095	16,119
Gain on sale of property, equipment and others		13,705	14,616
Gain on securities with deferred purchase commitments		-	23,014
Reversal of charge under SEBIS		-	27,878
Advisory services		-	5,924
Sales load		3,725	12,096
Others		4,476	884
		<u>53,274</u>	<u>109,361</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	28.1 & 35	1,558,879	1,164,417
Charge for defined benefit plan	33	41,753	31,214
Contribution to defined contribution plan	34	49,092	35,214
Non- executive directors fees		18,465	11,839
Rent, electricity, taxes, insurance, etc.		539,564	403,239
Takaful and tracker expenses on Ijarah		186,571	198,249
Communication		135,673	106,517
Stationery and printing		87,576	70,622
Entertainment		11,678	8,826
Office supplies		36,197	23,526
Local transportation and car running		60,387	52,896
Fees, subscription and clearing charges		52,587	64,806
Security charges including cash transportation charges		121,705	68,487
Repairs and maintenance		87,898	56,505
Hardware and software maintenance		36,099	29,692
Advertisement and publicity		50,113	43,462
Depreciation		314,437	216,327
Amortization		32,560	22,499
Travelling		28,199	25,476
Service charges		3,317	1,999
Brokerage, commission and bank charges		45,899	41,580
Legal and professional charges	28.2	46,497	16,941
Auditors' remuneration	28.3	7,176	6,860
Workers Welfare Fund		90,100	23,206
Others		38,666	17,868
		<u>3,681,088</u>	<u>2,742,267</u>
28.1 This includes remuneration to the Shariah Advisor amounting to Rs. 3.5 million (2008: Rs. 3.9 million).			
28.2 It includes remuneration to Shariah Board of MBL amounting to Rs. 1.153 million (2008: Rs. 1.00 million).			



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	Note	2009	2008
		Rupees in '000	
28.3 Auditors' remuneration			
Audit fee		2,115	1,535
Fee for interim review		500	460
Special certifications and sundry advisory services		4,040	4,475
Out of pocket expenses		521	390
		<u>7,176</u>	<u>6,860</u>
29. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		1,747	287
Others		17,346	19,747
		<u>19,093</u>	<u>20,034</u>
30. TAXATION			
Current			
- for the year		1,464,053	377,422
- for prior years		(445)	-
		<u>1,463,608</u>	<u>377,422</u>
Deferred		(612,445)	(10,119)
		<u>851,163</u>	<u>367,303</u>
30.1 Relationship between tax expense and accounting profit			
Profit before taxation and WWF		2,617,505	546,509
Effects of			
- Tax calculated at the applicable rate of 35%		916,127	191,278
- Tax effect of income that are not taxable in determining taxable profit		111,455	102,261
- Income chargeable to tax at reduced rate		(313,126)	(30,785)
- Tax effect of income that are not deductible in determining taxable profit		481	-
- Tax effect of exempt income		34,013	99,427
- Prior year		(445)	-
- Permanent differences		114,132	4,855
- Others		(11,474)	267
Tax charge for the year		<u>851,163</u>	<u>367,303</u>
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>1,577,342</u>	<u>212,997</u>
			Restated
			<u>212,997</u>
Weighted average number of ordinary shares		<u>599,185,729</u>	<u>509,004,974</u>
			Number
			<u>599,185,729</u>
			<u>509,004,974</u>
			Rupees
Basic earnings per share	31.1	<u>2.63</u>	<u>0.42</u>
31.1		There were no convertible dilutive potential ordinary shares outstanding on December 31, 2009 and 2008.	
31.2		The number of ordinary shares as at December 31, 2008, have been adjusted for element of bonus shares in issue of right shares.	
32. CASH AND CASH EQUIVALENTS			
	Note	2009	2008
		Rupees in '000	
Cash and balances with treasury banks	7	8,387,522	5,763,788
Balances with other banks	8	5,262,341	1,365,777
		<u>13,649,863</u>	<u>7,129,565</u>



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		2009	2008
		Rupees in '000	
33. 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:			
		2009	2008
		Principal actuarial assumptions	
33.1	Discount rate	13% p.a	15% p.a
	Expected rate of increase in salaries	13% p.a	15% p.a
	Expected rate of return on investments	13% p.a	15% 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 MBL as of December 31, 2009.			
		2009	2008
33.2	Reconciliation of amount payable to defined benefit plan	Rupees in '000	
	Present value of defined benefit obligations	122,631	80,277
	Fair value of plan assets	(69,791)	(32,507)
	Net actuarial losses not recognised	(12,493)	(17,967)
		<u>40,347</u>	<u>29,803</u>
33.3	Movement in payable to defined benefit plan		
	Opening balance	29,803	17,934
	Charge for the year	40,347	29,803
	Contribution made during the year	(29,803)	(17,934)
	Closing balance	40,347	29,803
33.4	Charge for defined benefit plan		
	Current service cost	31,939	26,192
	Interest cost	12,042	4,893
	Expected return on plan assets	(4,876)	(1,981)
	Actuarial gains and losses	1,242	699
		<u>40,347</u>	<u>29,803</u>
33.5	Actual return on plan asset	10,585	(520)
33.6	It includes a balance of Rs. 0.853 million (2008: Rs. 1.368 million) kept in a savings account and Rs.67.682 million (2008: Rs. 15.050 million) placed in a Meezan Aamdan Certificate with MBL.		
		2009	2008
33.7	Reconciliation of present value of obligation	Rupees in '000	
	Present value of obligation as at January 1	80,277	48,929
	Current service cost	31,939	26,192
	Interest cost	12,042	4,893
	Benefits paid	(3,104)	(4,715)
	Actuarial loss on obligation	1,477	4,978
	Present value of obligation as at December 31	<u>122,631</u>	<u>80,277</u>



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33.8 Changes in the fair value of plan assets are as follows:	Rupees in '000	
	2009	2008
Opening fair value of plan assets	32,507	19,808
Expected return	4,876	1,981
Contributions by MBL	29,803	17,934
Benefits paid	(3,104)	(4,715)
Actuarial gain / (loss)	5,709	(2,501)
	<u>69,791</u>	<u>32,507</u>

33.9 The plan assets comprise as follows:	2009		2008	
	Rupees in '000	%	Rupees in '000	%
Meezan Aamdan Certificates	67,682	96.98	15,050	46.30
Meezan Islamic Income Fund	1,257	1.80	1,089	3.35
Savings account with Meezan Bank	852	1.22	16,368	50.35
	<u>69,791</u>	<u>100.00</u>	<u>32,507</u>	<u>100.00</u>

33.10 Actuarial loss to be recognized	Note	Rupees in '000	
		2009	2008
Corridor Limit			
The limits of the corridor as at January 1			
10% of obligations		8,028	4,893
10% of plan assets		3,251	1,981
Which works out to		8,028	4,893
Unrecognised actuarial (losses) / gain as at January 1		(17,967)	(11,187)
Excess		<u>9,939</u>	<u>6,294</u>
Average expected remaining working lives in years		8	9
Actuarial loss to be recognized		<u>(1,242)</u>	<u>(699)</u>
33.11 Unrecognized actuarial losses			
Unrecognized actuarial losses at January 1		(17,967)	(11,187)
Actuarial loss on obligations	33.7	(1,477)	(4,978)
Actuarial gain / (loss) on assets	33.8	5,709	(2,501)
		<u>(13,735)</u>	<u>(18,666)</u>
Actuarial loss recognised	33.10	1,242	699
Unrecognised actuarial (losses) as at December 31		<u>(12,493)</u>	<u>(17,967)</u>

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:

	2009	2008	2007	2006	2005
	Rupees in '000				
Present value of defined benefit obligation	122,631	80,277	48,929	29,117	17,640
Fair value of plan assets	(69,791)	(32,507)	(19,808)	(11,531)	(6,841)
Deficit	<u>52,840</u>	<u>47,770</u>	<u>29,121</u>	<u>17,586</u>	<u>10,799</u>
Actuarial loss on obligation	(1,477)	(4,978)	(3,174)	(4,770)	(2,246)
Actuarial gain / (loss) on assets	<u>5,709</u>	<u>(2,501)</u>	<u>969</u>	<u>(25)</u>	<u>(556)</u>



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33.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2010, works out to Rs. 43.748 million.

34. 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.

	2009	2008
	Rupees in '000	
Contribution from the Group	49,092	35,214
Contribution from the employees	49,092	35,214
	98,184	70,428

35. STAFF STRENGTH

	Number of staff	
Permanent	2,299	1,887
Contractual basis	971	995
Group's own staff strength at the end of the year	3,270	2,882
Outsourced	475	377
Total Staff Strength	3,745	3,259

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees in '000					
Fees *	-	-	18,465 *	11,839	-	-
Managerial remuneration	44,753	17,092	31,530	11,281	270,764	145,938
Charge for defined benefit plan	1,139	1,140	881	803	13,798	10,657
Contribution to defined contribution plan	1,367	1,367	1,057	963	13,669	11,069
House rent	6,153	6,153	4,756	4,119	74,366	56,604
Utilities	1,367	1,367	1,057	963	16,526	12,610
Medical	3,815	1,520	1,112	1,090	19,953	12,821
Conveyance	1,158	1,551	564	642	-	-
Others	99	105	22	16	-	3,421
	59,851	30,295	59,444	31,716	409,076	253,120
Number of persons	1	1	10	9	176	124

* This includes amounts charged in these financial statements as fees to nine (2008: eight) non-executive directors.

36.1 Certain executives are provided with free use of the Bank's cars.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments in listed securities, except investments categorized as 'held to maturity' and investments in associates is based on quoted market prices. The value of unquoted equity investments is reduced, if required, on the basis of break-up value of those investments based on the latest available audited financial statements as disclosed in notes 10.8 and 10.9.



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The fair value of financings, other assets, other liabilities and deposits and other accounts cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of financings has been calculated in accordance with the Group's accounting policy as stated in note 6.4.3. 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
Rupees in '000									
2009									
Total income	1,350,881	5,157,170	2,529,381	2,628,314	25,991	8,128	956,131	-	-
Total expenses	(666,209)	(4,566,098)	(1,577,532)	(3,862,546)	(1,624)	(508)	(305,237)	-	-
Net income	684,672	591,072	951,849	(1,234,232)	24,367	7,620	650,894	-	-
Segment Assets (Gross)	9,059,061	73,481,197	13,241,037	28,400,438	-	-	1,332,683	-	-
Segment Non Performing Loans	250,000	-	551,045	3,098,118	-	-	-	-	-
Segment Provision Required	58,668	-	316,298	2,212,246	-	-	-	-	-
Segment Liabilities	-	2,702,824	101,819,353	10,475,098	-	-	305,818	-	-
Segment Return on Assets (ROA) (%)	7.56%	0.80%	7.19%	-4.35%	-	-	48.84%	-	-
Segment Cost of funds (%)	5.66%	5.66%	5.66%	5.66%	-	-	5.66%	-	-
2008									
Total income	1,093,662	1,057,107	1,118,905	3,546,230	22,231	21,933	317,292	-	-
Total expenses	(730,427)	(2,381,575)	(774,360)	(2,981,707)	(2,121)	(1,019)	(150,151)	-	-
Net income / (loss)	363,235	(1,324,468)	344,545	564,523	20,110	20,914	167,141	-	-
Segment Assets	8,719,025	40,450,449	6,696,364	29,939,092	-	-	-	-	-
Segment Non Performing Loans	-	200,089	242,105	1,818,003	-	-	-	-	-
Segment Provision Required	-	92,211	138,166	960,022	-	-	-	-	-
Segment Liabilities	-	615,550	70,231,950	8,606,477	-	-	-	-	-
Segment Return on Assets (ROA) (%)	4.17%	-3.27%	5.15%	1.89%	-	-	-	-	-
Segment Cost of funds (%)	5.05%	5.05%	5.05%	5.05%	-	-	-	-	-

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 include associated companies with or without common directors, retirement benefit funds, directors and key management personnel.

39.2 A number of transactions were entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.

39.3 Key management personnel

- President and Chief Executive Officer
- Chief Operating Officer



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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		Other Related Parties	
	2009	2008	2009	2008	2009	2008	2009	2008
Rupees in '000								
Financings								
At January 1,	369,257	345,876	368,827	345,314	430	562	-	-
Disbursed during the year	58,127	347,671	58,127	347,671	-	-	-	-
Repaid during the year	(283,252)	(324,290)	(283,120)	(324,158)	(132)	(132)	-	-
At December 31	144,132	369,257	143,834	368,827	298	430	-	-
Deposits	207,746	327,983	104,395	173,514	44,972	106,360	58,379	48,109
Borrowing	607,032	453,720	607,032	453,720	-	-	-	-
Balances								
Profit receivable on financing	1,392	3,970	1,392	3,970	-	-	-	-
Payable to defined benefit plan	40,347	32,444	-	-	-	-	40,347	32,444
Profit payable on borrowing	36,436	29,921	36,436	29,921	-	-	-	-
Letters of credit (unfunded)	180,780	35,106	180,780	35,106	-	-	-	-
Prepaid Takaful	110,689	110,738	110,689	110,738	-	-	-	-
Transactions, income and expenses								
Profit earned on financing	19,935	13,360	19,935	13,360	-	-	-	-
Return on deposits expensed	100,975	163,982	68,228	150,094	3,561	1,603	29,186	12,285
Takaful on consumer financings	196,054	195,063	196,054	195,063	-	-	-	-
Electricity charges	-	30,575	-	30,575	-	-	-	-
Dividend income earned	115,725	146,002	115,725	146,002	-	-	-	-
Capital gain	-	1,367	-	1,367	-	-	-	-
Charge for defined benefit plan	40,347	31,214	-	-	-	-	40,347	31,214
Contribution to defined contribution plan	46,661	35,214	-	-	-	-	46,661	35,214
Service charges incurred	885	944	366	944	-	-	519	-
Fees earned	2,643	12,093	2,643	12,093	-	-	-	-
Commission earned on letters of credit and acceptances	-	1,901	-	1,901	-	-	-	-

39.5 ASSOCIATES - KEY INFORMATION

Particulars

Assets
Liabilities
Operating revenue
Profit after tax

	2009		
	Mutual Funds	Others	Total
	Rupees in '000		
Assets	15,251,095	1,085,536	16,336,631
Liabilities	251,293	765,556	1,016,849
Operating revenue	5,169,870	20,614	5,190,484
Profit after tax	5,099,441	11,918	5,111,359



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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. 302.987 million has been taken into account under Tier I capital for consolidation purposes. Non controlling interest is that part of the net results of operations and of net assets of the subsidiary attributable to interest which is not owned by the Group.

40.2 Capital structure

The Group's regulatory capital is divided into three tiers as follows:

Tier I Capital

Tier I capital includes fully paid up capital, reserve for bonus issue, general reserves as per the financial statements, net un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 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).

Tier III Capital

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

The required capital is achieved by the Group through:

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

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

	2009 Basel II	2008 Basel II (Restated)
	Rupees in '000	
Tier I Capital		
Fully Paid-up capital/Capital deposited with SBP	6,650,048	4,925,961
General Reserves as disclosed on the Consolidated Balance Sheet	1,074,408	869,338
Unappropriated / unremitted profits (Net of Losses)	2,089,956	717,684
Non Controlling interest	302,987	204,087
Less		
Deficit on account of revaluation of investments held in AFS category	6,278	401,954
Book value of goodwill and intangibles	145,153	96,747
Other deductions	-	-
Total eligible Tier I capital	9,965,968	6,218,369
Tier II Capital		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *	85,262	103,440
Revaluation Reserves up to 45% under Basel II	-	-
Less: Other deductions	-	-
Total eligible Tier II capital	85,262	103,440
Eligible Tier III capital		
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital)	85,262	103,440
Total Regulatory Capital Base	10,051,230	6,321,809

* 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 balance sheet of the Group to support the growth in business, provide protection to depositors, and enhances shareholders' 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. The capital requirement of the Group has been determined based on the projected growth plan to achieve in next 3 to 5 years in all areas of business operation. Further, it also takes into account road map for capital enhancement as directed by the State Bank of Pakistan vide its various circulars issued from time to time.

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

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

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

SBP sets and monitors capital requirements for Banks. The paid up capital of Meezan Bank Limited has increased to Rs. 6.6 billion after taking into account the proceeds of the right issue of Rs. 1.7 billion approved by the Board of Directors during the year. Accordingly, the minimum capital requirement of Rs. 6 billion required to be met by December 31, 2009 as stipulated by the SBP has been met. In implementing current capital requirements SBP also requires Banks to maintain a prescribed Capital Adequacy Ratio (CAR) of 10% as of December 31, 2009 of total capital to total risk-weighted assets. As such the Group's CAR stood at 13.98% at the year ended December 31, 2009.

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

Major credit risk in respect of on and off-balance sheet exposures are mainly claims on banks, corporates, retail customers, residential mortgages, quoted and unquoted associated undertakings and Sukuk (Held to Maturity). Market risk exposures are in Sukuks (Available for Sale), 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 principle commitment to meet the increased capital requirement of the Bank over next five years.

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



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	Capital requirements		Risk weighted assets	
	2009	2008 (Restated)	2009	2008 (Restated)
Credit Risk				
Portfolios subject to standardized approach				
Portfolios subject to on-balance sheet exposure (Simple approach)				
Banks	810,747	339,606	8,107,468	3,773,396
Corporate	2,809,336	2,614,516	28,093,357	29,050,173
Retail	256,488	139,833	2,564,880	1,553,696
Residential mortgage	114,789	120,388	1,147,885	1,337,649
Past due loans	141,455	100,996	1,414,553	1,122,177
Investments	327,161	221,986	3,271,614	2,466,508
Fixed assets	229,208	162,160	2,292,075	1,801,783
All other assets	720,554	441,570	7,205,537	4,906,333
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	7,652	6,056	76,522	67,289
Corporate	597,249	489,063	5,972,491	5,434,028
Retail	2,041	-	20,413	-
Others	590	-	5,897	-
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	5,457	5,452	54,567	60,574
Customers	3,046	8,168	30,458	90,750
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	342,929	441,174	3,429,287	4,901,938
Equity position risk	212,364	153,506	2,123,644	1,705,625
Foreign exchange risk	5,250	5,104	52,499	56,713
Operational Risk				
Capital Requirement for operational risk	605,067	360,757	6,050,668	4,008,413
Total	7,191,383	5,610,335	71,913,815	62,337,045
Capital Adequacy Ratio				
Total eligible regulatory capital held	(a)	10,051,230	6,321,809	
Total Risk Weighted Assets	(b)	71,913,815	62,337,045	
Capital Adequacy Ratio (a) / (b)		13.98%	10.14%	



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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 change in response to credit, market, product and other developments. The Group manages the risk through a framework of risk management, policies and principles, organisational structures and risk measurement and monitoring processes 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 monitors the Group's risk profile.
- The Group has set up objectives and policies to manage the risks that arise in connection with the Group's activities. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group.
- The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organisational structure of the Group.
- The risk management function is independent of the Group's operation.

Risk management organisation

The risk management committee comprises of two non-executive directors and one executive director. One of the non-executive directors of the Group chairs the risk management committee, which is responsible for planning, management and control of the aforementioned 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 all financing transactions and also the overall quality of the financing portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Group's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, the Banking Companies Ordinance, 1962, and any other regulatory requirement.

The ALCO is responsible for monitoring, measuring and managing market risk and liquidity risk and ensuring compliance with internal and regulatory requirement.

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

The Board has constituted a full functional audit committee. The audit committee works to ensure that the best practices of the Code of Corporate Governance are being complied by the Group and that the policies and procedures are being complied with.

The Group's risk management, compliance, internal audit and legal departments support the risk management function. The role of the risk management department is to quantify the risk and ensure the quality and integrity of the Group's risk-related data. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

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. 60,257.716 million where as in the absence of benefit of CRM this amount would have been Rs. 63,277.496 million.

Thus, use of CRM resulted in improved capital adequacy ratio of the Group from 13.41% (without CRM) to 13.98% (with CRM).



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41.1.1 Segmental information

41.1.1.1 Segment by class of business

	2009					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	219,435	0.47%	629,975	0.63%	122,043	0.17%
Textile	14,113,194	30.21%	1,922,702	1.93%	11,861,660	16.29%
Automobile and transportation equipment	800,105	1.71%	111,601	0.11%	1,159,927	1.59%
Financial institutions	-	-	2,430,721	2.42%	29,064,904	39.91%
Insurance	-	-	64,367	0.06%	972	0.00%
Electronics and electrical appliances	659,457	1.41%	140,940	0.14%	829,710	1.14%
Construction	947,195	2.03%	341,410	0.34%	1,104,719	1.52%
Power (electricity), gas and water	1,239,766	2.65%	29,402	0.03%	2,273,572	3.12%
Exports / imports	1,455,605	3.12%	857,832	0.85%	2,644,391	3.63%
Transport, storage and communication	84,961	0.18%	521,820	0.52%	403,021	0.55%
Chemical and pharmaceuticals	3,679,009	7.88%	530,783	0.53%	4,134,708	5.68%
Sugar	1,415,467	3.03%	47,603	0.05%	787,243	1.08%
Footwear and leather garments	799,852	1.71%	176,655	0.18%	1,421,006	1.95%
Wholesale and retail trade	2,871,304	6.15%	5,924,459	5.90%	1,995,295	2.74%
Cement	1,883,411	4.03%	75,122	0.07%	1,110,087	1.52%
Services	747,782	1.60%	3,240,725	3.23%	768,136	1.05%
Individuals	6,623,507	14.18%	70,808,684	70.57%	3,780,544	5.19%
Others	9,176,560	19.64%	12,476,647	12.44%	9,372,913	12.87%
	<u>46,716,610</u>	<u>100.00%</u>	<u>100,331,448</u>	<u>100.00%</u>	<u>72,834,851</u>	<u>100.00%</u>

41.1.1.2 Segment by sector

	2009					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	-	-	-	-	-	-
Private	46,716,610	100%	100,331,448	100%	72,834,851	100%
	<u>46,716,610</u>	<u>100%</u>	<u>100,331,448</u>	<u>100%</u>	<u>72,834,851</u>	<u>100%</u>



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

	2009		2008	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	24,666	15,121	13,576	11,076
Textile	1,608,406	1,130,331	736,817	384,411
Chemical and pharmaceuticals	2,984	566	-	-
Cement	44,191	36,191	50,825	15,348
Sugar	324,456	232,233	150,000	37,500
Footwear and leather garments	2,000	344	-	-
Automobile and transportation equipment	591,214	591,000	463,611	245,791
Electronics and electrical appliances	-	-	-	-
Construction	-	-	24,000	6,103
Power (electricity), gas, water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	228,435	100,945	181,639	79,277
Others	822,811	336,551	439,640	215,243
	<u>3,649,163</u>	<u>2,443,282</u>	<u>2,060,108</u>	<u>994,749</u>

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

	2009		2008	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	3,649,163	2,443,282	2,060,108	994,749
	<u>3,649,163</u>	<u>2,443,282</u>	<u>2,060,108</u>	<u>994,749</u>

41.1.1.5 Geographical segment analysis

	2009		2008	
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	2,527,405	125,514,416	10,211,323	72,834,851
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>2,527,405</u>	<u>125,514,416</u>	<u>10,211,323</u>	<u>72,834,851</u>



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41.1.2 Credit Risk - General Disclosures Basel II Specific

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

The Group is committed to further strengthen its risk management framework that shall enable the Group to move ahead for adopting Foundation IRB Approach of Basel II; meanwhile none of our assets class is subject to the Foundation IRB or Advanced IRB Approaches.

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

The Group used ratings assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAIs) for the purpose of risk weighing its exposures against corporate and banks. Use of both JCR-VIS and PACRA as the rating agencies is due to the fact that corporate and banks are rated by either of these two agencies. In case of foreign currency exposures against the bank, ratings assigned by S&P, Fitch and Moody's have been applied. In case of exposure against banks, some banks have multiple ratings but those ratings do not result in mapping with different risk weights. The alignment of the alphanumerical scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel II requirements.

Types of Exposure and ECAIs used

2009			
Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	□	□	-
Banks	□	□	S & P, FITCH and MOODY'S

Credit Exposure subject to standardized approach

2009				
Rupees in '000				
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-
	20%	3,455,187	-	3,455,187
	50%	2,474,957	-	2,474,957
	100%	1,012,792	-	1,012,792
	150%	232,023	-	232,023
	Unrated	25,703,909	899,894	24,804,015
Retails	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	4,768,416	1,348,576	3,419,840
Total		37,647,284	2,248,470	35,398,814

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

The Group obtains capital relief for its both on-balance and off-balance sheet non-market related exposures by using Simple Approach for credit risk mitigation (CRM). Off-balance sheet items under the Simplified Standardised Approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the Standardised Approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits, cash margins, Certificate of Islamic Investment, Monthly Mudarabah Certificate and saving accounts.



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

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

The Group takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 32,878.868 million is subject to the CRM of Rs. 899.894 million whereas a claim on retail portfolio of Rs. 4,768.416 million is subject to CRM of Rs. 1,348.576 million. The total benefit of Rs. 3,206.245 million was availed through CRM against total on-balance sheet exposure of Rs.105,386.386 million.

Under off-balance sheet, non-market related exposures, the corporate portfolio of Rs. 16,262.318 million is subject to the CRM of Rs. 1,076.564 million whereas a claim on retail portfolio of Rs. 166.241 million is subject to CRM of Rs. 42.586 million. Total benefit of Rs. 1,119.150 million was availed by the Group through CRM against total off-balance sheet non-market related exposure of Rs. 16,764.131 million.

In year 2009, total amount of cash collateral used for CRM purposes was Rs. 4,325.395 million as against amount of Rs. 3,881.992 million in year 2008. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

41.2 Equity position risk in the Banking book-Basel II Specific

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

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

Classification of equity investments

The Group classifies its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Fair value through profit and loss including those held for trading
- Investments - Available for sale
- Investments in associates

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

Policies, valuation and accounting of equity investments

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

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

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

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

Composition of equity investments

	Held for trading	Available for Sale	Investment in Associates
	Rupees in '000		
Equity investments - quoted	-	1,061,982	2,859,693
Equity investments - unquoted	6,118	897	277,039
Total value	6,118	1,062,879	3,136,732



Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2009



During the year realised gain of Rs. 4.171 million (2008: Rs. 46.173 million) and unrealised loss of Rs. Nil (2008: Rs. 385.765 million) has been charged to profit & loss account on held for trading investments.

A provision for impairment in value of investments amounting to Rs. 88.64 million (2008: Rs. 288.884) has been charged to profit and loss account.

41.3 Market risk

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

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

41.3.1 Foreign exchange risk

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

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

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupees	119,840,131	111,494,991	1,871,352	10,216,492
United States dollars	5,527,036	3,459,870	(2,059,492)	7,674
Great Britain pounds	48,835	223,203	160,261	(14,107)
Japanese yen	3,462	-	(41,854)	(38,392)
Euro	28,761	125,029	99,021	2,753
Singapore dollars	6,105	-	-	6,105
Australian dollars	22,065	-	(17,033)	5,032
Canadian dollars	15,665	-	-	15,665
United Arab Emirates Dirham	6,012	-	-	6,012
Swiss francs	16,344	-	(12,255)	4,089
	125,514,416	115,303,093	-	10,211,323

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. Regarding behaviour of non-maturity deposits, the Group assumes that 75% of those deposits shall fall in upto one year time frame and remaining 25% of those deposits shall fall in the range of one to three years time buckets.

The Group estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks. These IRRBB measurements are done on monthly basis.



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41.3.4 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	2009									Non-yield bearing financial Instruments	
		Exposed to yield risk										
		Upto 1 Month	Over 1 to 5 Months	Over 5 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 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	8,387,522	-	-	-	-	-	-	-	-	-	8,387,522	
Balances with other banks	0.71	5,262,541	5,262,541	-	-	-	-	-	-	-	-	
Due from financial institutions	12.33	34,499,500	1,935,000	23,567,000	8,991,000	6,500	-	-	-	-	-	
Investments	12.84	24,370,190	5,000	176,333	10,570,950	307,916	866,419	2,510,025	3,310,674	2,251,203	1,068,900	3,302,770
Financings	13.20	44,188,066	9,588,685	6,814,563	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,104	3,207,330	91,815
Other assets	-	5,640,305	-	-	-	-	-	-	-	-	-	5,640,305
		122,347,924	16,791,026	30,557,896	29,135,156	2,019,455	4,182,830	5,020,651	9,758,961	3,185,307	4,276,230	17,422,412
Liabilities												
Bills payable	-	1,249,210	-	-	-	-	-	-	-	-	-	1,249,210
Due to financial institutions	7.66	8,595,425	3,511,161	2,018,502	2,747,382	174,152	-	-	-	-	-	142,228
Deposits and other accounts	5.66	100,331,448	18,179,641	14,977,257	8,027,176	10,229,375	3,862,447	4,459,642	5,215,674	6,177,025	-	29,203,211
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	3,050,850	-	-	-	-	-	-	-	-	-	3,050,850
		113,224,933	21,690,802	16,995,759	10,774,558	10,403,527	3,862,447	4,459,642	5,215,674	6,177,025	-	33,645,499
On-balance sheet gap		9,122,991	(4,899,776)	13,562,137	18,360,598	(8,384,072)	320,383	561,009	4,543,287	(2,993,718)	4,276,230	(16,223,087)
NON FINANCIAL ASSETS												
- Operating fixed assets		2,457,228										
- Deferred taxation		134,314										
- Other assets		594,950										
		3,166,492										
NON FINANCIAL LIABILITIES												
- Deferred taxation		-										
- Other liabilities		2,078,160										
		2,078,160										
TOTAL NET ASSETS		10,211,323										
OFF-balance sheet financial instruments												
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
OFF-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap		(4,899,776)	13,562,137	18,360,598	(8,384,072)	320,383	561,009	4,543,287	(2,993,718)	4,276,230	(16,223,087)	
Cumulative Yield Risk Sensitivity Gap		(4,899,776)	8,662,361	27,022,959	18,638,887	18,959,270	19,520,279	24,063,566	21,069,848	25,546,078	9,122,991	



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	Effective yield rate %	2008									
		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	
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks		5,763,788	-	-	-	-	-	-	-	-	5,763,788
Balances with other banks	2.09	1,365,777	873,901	-	-	-	-	-	-	-	491,876
Due from financial institutions	12.11	18,108,000	8,240,000	9,650,000	218,000	-	-	-	-	-	-
Investments	11.52	14,809,668	-	300	300	240,350	600	396,695	7,480,829	3,760,469	2,930,127
Financings	12.22	39,528,731	5,316,157	9,367,859	6,051,114	764,601	3,607,798	3,621,177	5,130,971	2,206,986	104,888
Other assets	-	2,085,880	-	-	-	-	-	-	-	-	2,085,880
		81,661,844	14,430,058	19,018,159	6,269,414	1,004,951	3,608,398	4,017,870	12,611,800	5,967,455	3,357,180
Liabilities											
Bills payable	-	1,057,017	-	-	-	-	-	-	-	-	1,057,017
Due to financial institutions	7.05	4,133,496	676,819	2,148,051	1,169,739	-	-	-	-	-	13,887
Deposits and other accounts	5.05	70,251,950	11,021,128	11,113,264	5,811,058	6,817,551	3,002,492	2,849,236	3,199,845	5,169,682	21,249,619
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	1,145,985	-	-	-	-	-	-	-	-	1,145,985
		76,568,448	11,697,947	13,261,315	6,980,797	6,817,551	3,002,492	2,849,236	3,199,845	5,169,682	23,466,508
On-balance sheet gap		5,093,396	2,732,111	5,756,844	(711,385)	(5,812,600)	605,906	1,168,634	9,411,955	797,773	3,357,180
NON FINANCIAL ASSETS											
- Operating fixed assets		1,898,530									
- Other assets		2,244,556									
		4,143,086									
NON FINANCIAL LIABILITIES											
- Deferred taxation		409,540									
- Other liabilities		2,476,191									
		2,885,531									
TOTAL NET ASSETS		6,350,951									
Off-balance sheet financial instruments											
Forward Lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total Yield Risk Sensitivity Gap			2,732,111	5,756,844	(711,385)	(5,812,600)	605,906	1,168,634	9,411,955	797,773	3,357,180
Cumulative Yield Risk Sensitivity Gap			2,732,111	8,488,955	7,777,572	1,964,972	2,570,878	3,739,512	13,151,467	13,949,240	17,306,420

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

	2009									
	Total	Upto 1 Month	Over 1 to 5 Months	Over 5 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 to 10 Years	Above 10 Years	
	Rupees in 000									
Assets										
Cash and balances with treasury banks	8,387,522	8,387,522	-	-	-	-	-	-	-	-
Balances with other banks	5,262,341	935,000	3,167,000	991,000	169,341	-	-	-	-	-
Due from financial institutions	34,499,500	1,935,000	23,567,000	8,991,000	6,500	-	-	-	-	-
Investments	24,370,190	5,000	176,333	10,570,950	3,610,686	866,419	2,510,025	3,310,674	2,251,203	1,068,900
Financings	44,188,066	9,588,682	6,814,563	9,573,206	1,705,039	3,316,411	2,510,626	6,448,287	932,106	3,299,146
Other assets	6,235,255	6,235,255	-	-	-	-	-	-	-	-
Deferred tax asset	134,314	-	-	-	-	-	-	134,314	-	-
Operating fixed assets	2,437,228	-	-	-	-	-	-	2,437,228	-	-
	125,514,416	27,086,459	33,724,896	30,126,156	5,491,566	4,182,830	5,020,651	12,330,503	3,183,309	4,568,046
Liabilities										
Bills payable	1,249,210	1,249,210	-	-	-	-	-	-	-	-
Due to financial institutions	8,595,425	3,653,388	2,018,502	2,747,382	174,153	-	-	-	-	-
Deposits and other accounts	100,331,448	24,368,460	20,300,617	13,336,298	15,541,085	7,397,547	7,994,742	5,215,674	6,177,025	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,129,010	5,129,010	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	115,305,093	34,400,068	22,319,119	16,083,680	15,715,238	7,397,547	7,994,742	5,215,674	6,177,025	-
Net assets	10,211,323	(7,313,609)	11,405,777	14,042,476	(10,223,672)	(3,214,717)	(2,974,091)	7,114,829	(2,993,716)	4,568,046
Share capital	6,650,048									
Reserves	1,074,408									
Unappropriated profit	2,089,956									
Non Controlling Interest	502,987									
Surplus / (deficit) on revaluation of investments	93,924									
	10,211,323									
2008										
	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 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in 000										
Assets										
Cash and balances with treasury banks	5,763,788	5,763,788	-	-	-	-	-	-	-	-
Balances with other banks	1,365,777	1,365,777	-	-	-	-	-	-	-	-
Due from financial institutions	18,108,000	8,240,000	9,650,000	218,000	-	-	-	-	-	-
Investments	14,809,668	35,766	9,550	1,290,005	208,052	759,297	4,803,415	2,448,958	2,815,000	2,439,625
Financings	39,528,731	5,469,316	9,214,701	6,051,114	764,601	3,607,798	3,621,177	5,370,721	2,206,985	3,222,518
Other assets	4,330,436	309,657	2,545,397	352,677	1,005,050	103,047	-	14,608	-	-
Operating fixed assets	1,898,530	-	70,229	-	-	-	-	697,694	1,130,607	-
	85,804,930	21,184,304	21,489,877	7,911,796	1,977,703	4,470,142	8,424,592	8,531,981	6,152,592	5,661,943
Liabilities										
Bills payable	1,057,017	1,057,017	-	-	-	-	-	-	-	-
Due to financial institutions	4,133,496	613,629	1,943,812	1,440,555	10,500	-	125,000	-	-	-
Deposits and other accounts	70,231,950	15,683,453	14,955,187	9,636,225	10,645,764	5,547,525	5,394,269	3,199,845	5,169,682	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,622,176	1,216,020	624,451	95,945	198,624	526,645	482,356	478,155	-	-
Deferred tax liabilities	409,340	-	-	-	-	-	-	409,340	-	-
	79,453,979	18,570,119	17,523,450	11,172,725	10,854,888	6,074,170	6,001,625	4,087,340	5,169,682	-
Net assets	6,350,951	2,614,185	3,966,447	(3,260,929)	(8,877,185)	(1,604,028)	2,422,967	4,444,641	982,910	5,661,943
Share capital	4,925,961									
Reserves	869,338									
Unappropriated profit	717,684									
Minority Interest	204,087									
Surplus / (deficit) on revaluation of investments	(366,119)									
	6,350,951									



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41.5 Operational risk

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

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

42. GENERAL AND NON-ADJUSTING EVENT

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

Reclassification from		Reclassification to		Reason for reclassification	Rupees in '000
Note	Component	Note	Component		
11	Financing	10	Investment	For better presentation	239,750

42.2 The Board of Directors in their meeting held on February 5, 2010 has announced issue of bonus shares @ 5%. These consolidated financial statements for the year ended on December 31, 2009, do not include in effect of this appropriation which will be accounted for subsequent to the year-end.

43. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on February 05, 2010 by the Board of Directors of the Group.

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

Irfan Siddiqui
President and
Chief Executive

Naser Abdul
Mohsen Al-Marri
Director

Mazhar
Sharif
Director



Pattern of Shareholding

as at December 31, 2009



No. of Shareholders	Having Shares		Shares held	Percentage
	From	To		
236	1	100	8,900	0.00%
464	101	500	138,640	0.02%
333	501	1,000	258,544	0.04%
706	1,001	5,000	1,717,600	0.26%
210	5,001	10,000	1,584,220	0.24%
85	10,001	15,000	1,062,039	0.16%
45	15,001	20,000	783,786	0.12%
38	20,001	25,000	868,024	0.13%
18	25,001	30,000	506,687	0.08%
13	30,001	35,000	423,424	0.06%
9	35,001	40,000	343,327	0.05%
7	40,001	45,000	300,583	0.05%
15	45,001	50,000	725,423	0.11%
14	50,001	55,000	740,689	0.11%
3	55,001	60,000	173,143	0.03%
7	60,001	65,000	438,764	0.07%
8	65,001	70,000	538,333	0.08%
6	70,001	75,000	438,217	0.07%
6	75,001	80,000	464,313	0.07%
1	80,001	85,000	82,872	0.01%
1	85,001	90,000	89,623	0.01%
2	90,001	95,000	181,000	0.03%
4	95,001	100,000	400,000	0.06%
1	100,001	105,000	100,500	0.02%
3	110,001	115,000	335,726	0.05%
2	115,001	120,000	236,610	0.04%
1	120,001	125,000	124,561	0.02%
2	125,001	130,000	253,155	0.04%
2	130,001	135,000	264,607	0.04%
2	140,001	145,000	287,533	0.04%
2	145,001	150,000	291,734	0.04%
3	150,001	155,000	461,268	0.07%
3	155,001	160,000	471,183	0.07%
3	160,001	165,000	489,705	0.07%
1	175,001	180,000	176,810	0.03%
2	180,001	185,000	364,118	0.05%
4	195,001	200,000	789,542	0.12%
1	220,001	225,000	220,075	0.03%
2	240,001	245,000	486,539	0.07%
1	250,001	255,000	254,530	0.04%
1	255,001	260,000	258,434	0.04%
1	260,001	265,000	262,351	0.04%
2	265,001	270,000	531,365	0.08%
2	300,001	305,000	603,874	0.09%
1	310,001	315,000	312,493	0.05%
1	315,001	320,000	318,087	0.05%
1	320,001	325,000	320,996	0.05%
1	335,001	340,000	335,186	0.05%
2	340,001	345,000	686,147	0.10%
1	345,001	350,000	350,000	0.05%
1	360,001	365,000	360,617	0.05%
1	385,001	390,000	385,125	0.06%
1	395,001	400,000	400,000	0.06%
2	410,001	415,000	823,335	0.12%
1	430,001	435,000	430,579	0.06%
1	465,001	470,000	465,347	0.07%
1	470,001	475,000	471,494	0.07%
1	480,001	485,000	484,691	0.07%
3	495,001	500,000	1,500,000	0.23%
1	500,001	505,000	504,358	0.08%
1	535,001	540,000	535,326	0.08%
1	550,001	555,000	551,402	0.08%
1	565,001	570,000	566,109	0.09%
1	585,001	590,000	586,568	0.09%
1	600,001	605,000	604,932	0.09%
2	625,001	630,000	1,253,528	0.19%
1	630,001	635,000	630,053	0.09%
1	670,001	675,000	673,698	0.10%
1	715,001	720,000	718,432	0.11%
1	745,001	750,000	750,000	0.11%
1	795,001	800,000	800,000	0.12%
1	880,001	885,000	880,648	0.13%
1	885,001	890,000	889,293	0.13%
1	995,001	1,000,000	999,617	0.15%
1	1,055,001	1,060,000	1,056,199	0.16%
1	1,330,001	1,335,000	1,333,931	0.20%
1	1,495,001	1,500,000	1,496,000	0.22%
1	1,605,001	1,610,000	1,610,000	0.24%
1	1,890,001	1,895,000	1,893,221	0.28%
1	1,915,001	1,920,000	1,916,744	0.29%
1	1,995,001	2,000,000	1,996,229	0.30%
1	3,130,001	3,135,000	3,131,500	0.47%
1	3,245,001	3,250,000	3,248,659	0.49%
2	4,445,001	4,450,000	8,894,670	1.34%
1	4,475,001	4,480,000	4,477,568	0.67%
1	7,710,001	7,715,000	7,713,323	1.16%
1	23,945,001	23,950,000	23,949,182	3.60%
1	62,000,001	62,005,000	62,004,638	9.32%
1	199,500,000	199,505,000	199,501,442	30.00%
1	302,660,000	302,665,000	302,661,075	45.51%
2,324			665,004,813	100.00%



Categories of Shareholders

as at December 31, 2009



Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive, their spouse and minor children	4	9,930,574	1.49%
Associated Companies, undertakings and related parties	7	574,205,186	86.34%
Banks, Development Financial Institutions and Non Banking Finance Companies	8	6,150,731	0.92%
Insurance Companies	5	1,640,852	0.25%
Modaraba and Mutual Funds	14	4,357,873	0.66%
General Public			
a. Local	2,135	34,261,421	5.15%
b. Foreign	51	1,503,068	0.23%
Others	100	32,955,108	4.96%
Total	2,324	665,004,813	100.00%

Additional Information as at December 31, 2009

Particulars	Number of Shareholders	Shares held	Percentage
Associated Companies and Shareholders with more than 10% shareholding			
Noor Financial Investment Co, Kuwait	1	302,661,075	45.51%
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	1	199,501,442	30.00%
Islamic Development Bank, Jeddah	1	62,004,638	9.32%
Al-Meezan Mutual Fund Ltd.	1	1,996,229	0.30%
CDC - Trustee Meezan Capital Protected Fund	1	144,381	0.02%
CDC - Trustee Meezan Islamic Fund	1	7,713,323	1.16%
CDC - Trustee Meezan Balanced Fund	1	184,098	0.03%
NIT & ICP			
National Bank of Pakistan, Trustee Department	1	6,627	0.00%
Directors, Chief Executive, their spouse and minor children			
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	1	4,447,335	0.67%
Mr. Naser Abdul Mohsen Al-Marri	1	4,447,335	0.67%
Mr. Rana Ahmed Humayun	1	889,293	0.13%
Mr. Irfan Siddiqui	1	146,611	0.02%
Executives	33	992,622	0.15%
Public Sector Companies, Corporations, Banks, DFIs, NBFCs, Insurance Companies, Modaraba, Mutual Funds and other Organizations	126	45,097,937	6.79%
General Public	2,153	34,771,867	5.23%
	2,324	665,004,813	100.00%



Correspondent Banking Network



Country	Bank	Country	Bank
Argentina	Banco Santander Rio S.A. BNP Paribas - Succursale de Beunos Aires Deutsche Bank AG HSBC Bank Argentina SA		Société Générale Standard Chartered Bank Yantai City Commercial Bank Bank of New York Citibank NA J.P.Morgan Chase Bank NA Commerzbank The Korea Development Bank Laiwu City Commercial Bank Co. Ltd. Mizuho Corporate Bank (China) Ltd. Wenzhou City Commercial Bank
Australia	Royal Bank of Scotland Bank of Western Australia BNP Paribas Australia Commonwealth Bank of Australia HSBC Bank J.P.Morgan Chase Bank NA National Australia Bank Bank of America, N.A.	Croatia	Deutsche Bank
Austria	Unicredit Bank Austria AG Deutsche Bank AG Vorarlberger Landes- und Hypothekenbank Oberbank AG RaiffeisenLandesbank Oberoesterreich AG	Cyprus	Bank of Cyprus Public Company Limited
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	Czech Republic	Unicredit Bank Czech Republic Commerzbank Komerční Banka A.S.
Bangladesh	Habib Bank Limited HSBC Bank Standard Chartered Bank	Denmark	Danske Bank A/S Nordea Bank Sweden AB (publ) Skjern Bank
Belgium	Bank of America, N.A. BNP Paribas S.A. Belgium - Belgium branch Commerzbank Deutsche Bank AG Fortis Banque S.A./N.V KBC Bank NV Habib Bank Limited Santander Benelux SA	Egypt	BNP Paribas Le Caire Egyptian Saudi Finance Bank HSBC Bank Egypt Mashreq Bank Limited Arab International Bank
Botswana	Firststrand Bank Ltd	Estonia	Nordea Bank Sweden AB (publ)
Brazil	Banco do Brasil S.A. Banco BNP Paribas Brasil S/A Deutsche Bank S.A. - Banco Alemão HSBC Bank Brazil S.A.	Ethiopia	Dashen Bank SC Commercial Bank of Ethiopia
Bulgaria	Unicredit Bulbank	Finland	Nordea Bank Sweden AB (publ) Pohjola Pankki Oyj (Pohjola Bank PLC) Markets/Clearing & Settlement Sampo Bank (part of Danske bank group)
Canada	Bank of America, N.A. HSBC Bank Royal Bank of Canada	France	BNP-Paribas SA Credit Industriel et Commercial Société Générale Bank of America, N.A. Commerzbank Deutsche Bank Habib Bank Limited HSBC France National Bank of Pakistan Sumitomo Mitsui Banking Corporation, The U.B.A.F.
Chile	Banco Itau	Germany	HSBC Trinkaus und Burkhardt AG Sumitomo Mitsui Banking Corporation, The Deutsche Bank AG Dresdner Bank National Bank of Pakistan Nordea Bank Sweden AB (publ) Standard Chartered Bank Bayerische Hypo-und Vereinsbank AG Commerzbank DWS Investment GmbH Dresdner Bank Landesbank Baden-Wuerttemberg National-Bank AG
China	ABN Amro Bank (now Royal Bank of Scotland) Agricultural Bank of China, The Bank of China China Citic Bank (formerly Citic Industrial Bank) Bank of Communications Deutsche Bank AG HSBC Bank J.P.Morgan Chase Bank NA		



Correspondent Banking Network



Country	Bank	Country	Bank
	Sparkasse Dortmund Volksbank Bocholt EG Sparkasse Westmunsterland	Italy	Banca Delle Marche SPA Unicredit Banca SPA Banca di Roma Banca Monte Dei Paschi di Siena SPA Banca Nazionale del Lavoro SPA Banca Nazionale del Lavoro SPA Banca Popolare Di Sondrio Banca Popolare di Vicenza SCPARL Banca UBAE Banco Popolare Bipop Carire SPA Cassa di Risparmio in Bologna SPA-Carisbo Spa Cassa di Risparmio del Veneto SPA Cassa di Risparmio di Venezia SPA Cassa di Risparmio di Pistoia e Pescia SPA Commerzbank Société Générale Unione di Banche Italiane Sepa Cassa Di Risparmio Di Parma e Piacenza SPA Banca Intesa Spa Deutsche Bank AG Bayerische Hypo und Vereinsbank (HVB) Milan Bank of America, N.A. HSBC Bank Mizuho Corporate Bank Ltd. Unicredito Italiano Banca di Credito Cooperativo di Fornacette Banca UBAE SPA Unicredit Private Banking SPA Banco Popolare di Verona e Novara SCRL Unicredit Banca D'Impresa SPA
Greece	Bank of America, N.A. Probank SA Intesa Sanpaolo Spa Egnatia Bank S.A. Geniki Bank (General Bank of Greece, SocGen group) Hellenic Bank Ltd		
Hong Kong	Royal Bank of Scotland Bank of America, N.A. BNP Paribas Citibank NA Commerzbank Commonwealth Bank of Australia DBS Bank Hong Kong Ltd Deutsche Bank AG Habib Bank Limited Hang Seng Bank Limited HBZ Finance Limited HSBC Bank J.P.Morgan Chase Bank NA KBC Bank NV Mashreq Bank Limited National Bank of Pakistan Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The U.B.A.F. Wachovia Bank, NA Woori bank	Japan	Credit Agricole Indosuez Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The U.B.A.F. Royal Bank of Scotland Bank of America, N.A. Bank of New York Citibank NA Commerzbank Commonwealth Bank of Australia Deutsche Bank AG HSBC Bank Mizuho Corporate Bank Ltd. National Bank of Pakistan Société Générale Wachovia Bank, NA
Hungary	CIB Bank Zrt (Central-European International Bank Ltd.) Commerzbank Deutsche Bank Unicredit Bank Hungary ZRT K AND H BANK NYRT.	Jersey, C.I.	AIB Bank (CI) Limited
India	Bank of America, N.A. Bank of Ceylon Punjab National Bank Standard Chartered Bank BNP Paribas India Citibank NA Deutsche Bank J.P.Morgan Chase Bank NA Mashreq Bank Limited State Bank of India	Jordan	Housing Bank for Trade & Finance Jordan Islamic Bank for Finance & Investment
Indonesia	Royal Bank of Scotland Bank Central Asia Bank of America, N.A. PT Bank Mandiri (Persero) Tbk PT Bank SBI Indonesia Bank Syariah Mandiri Deutsche Bank AG HSBC Bank J.P.Morgan Chase Bank NA Standard Chartered Bank	Kenya	Kenya Commercial Bank Limited Gulf African Bank Ltd. Habib Bank AG Zurich
Ireland	AIB Bank Bank of Ireland International Banking Citibank HSBC Bank Plc National Irish Bank San Paolo IMI SpA Bank of America, N.A.	Korea	Daegu Bank Ltd. J.P.Morgan Chase Bank NA Kookmin Bank Pusan Bank Kyongnam Bank Royal Bank of Scotland Bank of New York



Correspondent Banking Network



Country	Bank	Country	Bank
	Deutsche Bank AG HSBC Industrial Bank of Korea Korea Exchange Bank National Bank of Pakistan Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The U.B.A.F. Wachovia Bank, NA Woori bank		Habib Bank Limited Fortis Bank (Nederland) N.V. KBC Bank NV
		New Zealand	Bank of New Zealand HSBC New Zealand
		Nigeria	Standard Chartered Bank
		Norway	Nordea Bank Sweden AB (publ) DNB NOR Bank ASA
Kuwait	Burgan Bank, SAK Citibank NA Commercial Bank of Kuwait, SAK HSBC Bank Middle East Kuwait Finance House National Bank of Kuwait Noor Financial Investment Company	Oman	HSBC Bank Middle East BankMuscat SAOG Bank Sohar
Latvia	Nordea Bank Sweden AB (publ)	Pakistan	Al Baraka Islamic Bank BSC Allied Bank Limited Arif Habib Bank Atlas Bank Limited Askari Commercial Bank Ltd Bank Islami Pakistan Bank Al Habib Limited Bank AlFalah Limited Bank of Khyber Bank of Punjab Deutsche Bank AG Dawood Islamic Bank Dubai Islamic Bank Emirates Global Islamic Bank Habib Metropolitan Bank Habib Bank Limited HSBC Bank Middle East KASB Bank Limited MCB Bank Limited My Bank Limited National Bank of Pakistan NIB Bank Royal Bank of Scotland Soneri Bank Limited Silk Bank Limited Standard Chartered Bank Samba Bank Limited United Bank Limited
Lithuania	Nordea Bank Sweden AB (publ)		
Luxembourg	BNP Paribas Luxembourg Commerzbank		
Malaysia	Royal Bank of Scotland Ambank Berhad Bank of America, N.A. Citibank NA Deutsche Bank AG HSBC Bank J.P.Morgan Chase Bank Berhad RHB Bank Berhad Standard Chartered Bank Malayan Banking Berhad (Maybank)		
Malta	Credit Europe Bank NV Malta Branch		
Mauritius	Mauritius Post and Cooperative Bank Ltd		
Mexico	Banca del Bajio S.A. Bank of America, N.A.		
Macau	BNP Paribas SA HSBC	Papua New Guinea	Bank of South Pacific Ltd
Mongolia	Trade & Development Bank of Mongolia	Philippines	Banco de Oro Universal Bank Bank of America, N.A. Deutsche Bank AG HSBC
Morocco	Attijariwafa Bank Banque Marocaine du Commerce Extérieur Société Générale		
Nepal	Bank of Kathmandu Ltd Himalayan Bank Limited Nepal Arab Bank Ltd Nepal Industrial and Commercial Bank Ltd Standard Chartered Bank	Poland	Nordea Bank Sweden AB (publ) Bank BPH SA Deutsche Bank AG Société Générale Bank Polska Kasa Opieki SA
Netherlands	Bank of America, N.A. Commerzbank Deutsche Bank AG Credit Europe Bank N.V. Finansbank (Holland) N.V. ING Bank N.V. Royal Bank of Scotland Lanschot Bankiers NV F. van Rabobank Nederland	Portugal	Montepio Geral - Caixa Economica Caixa Geral De Depositos
		Qatar	Mashreq Bank Limited Qatar Islamic Investment Bank United Bank Limited
		Romania	Unicredit Tirioc Bank SA Romanian Bank for Development Groupe Societe Generale



Correspondent Banking Network



Country	Bank	Country	Bank
	Romexterra Bank		
Russian Federation	Bank of Moscow Commerzbank Deutsche Bank AG International Moscow Bank Bank for Foreign Trade Bank for Foreign Trade	Sri Lanka	Deutsche Bank AG Habib Bank Limited Hatton National Bank HSBC Bank MCB Bank Standard Chartered Bank Bank of Ceylon
Saudi Arabia	Islamic Development Bank Bank Al Jazira Gulf International Bank B.S.C. Al Rajhi Bank Riyad Bank The Saudi British Bank (SABB- HSBC group) National Commercial Bank Banque Saudi Fransi Saudi Hollandi Bank	Sweden	Nordea Bank Sweden AB (publ) Skandinaviska Enskilda Banken AB (Publ) Svenska Handelsbanken Danske Bank A/S
Singapore	Royal Bank of Scotland Bank of America, N.A. BNP Paribas - Singapore branch Citibank NA Commerzbank Commonwealth Bank of Australia DBS Bank Ltd. Deutsche Bank AG Fortis Bank Habib Bank Limited HSBC Bank JP Morgan Chase Bank KBC Bank NV Mizuho Corporate Bank Ltd National Bank of Kuwait Nordea Bank Sweden AB (publ) PT Bank Mandiri (Persero) Tbk Rabobank Asia Ltd Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The U.B.A.F. Woori bank	Switzerland	Banco Santander (Suisse) SA Banque de Commerce et de Placements BNP Paribas (Suisse) SA HSBC Private Bank (Suisse) S.A. Credit Agricole Indosuez Banque Cantonale Vaudoise Commerzbank, Frankfurt, Germany Commerzbank (Schweiz) AG Deutsche Bank AG Zurich Deutsche Bank AG, Frankfurt, Central Entry Point Europe Habib Bank AG Zurich Merrill Lynch Bank (Suisse) S.A. United Bank Limited AG Zurich Zuercher Kantonalbank
		Taiwan	Bank of America, N.A. Bank of New York Chinfon Commercial Bank Citibank NA Deutsche Bank AG J.P.Morgan Chase Bank NA International Commercial Bank of China Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The Tainan Business Bank Union Bank of Taiwan Taiwan Cooperative Bank
Slovakia	Commerzbank	Thailand	Bangkok Bank Public Company Limited Bank of America, N.A. Citibank NA Deutsche Bank AG HSBC Bank J.P.Morgan Chase Bank NA Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The
Slovenia	Unicredit Bank Slovenija SKB Banka dd	Tunisia	Citibank NA Arab Tunisian Bank Société Tunisienne de Banque
South Africa	Citibank NA Firstrand Bank Ltd Habib Overseas Bank Limited HBZ Bank Limited (Habib Bank AG Zurich) ABSA Bank Limited	Turkey	Al Baraka Turkish Finance House Citibank NA Denizbank A S Deutsche Bank AG Habib Bank Limited HSBC Bank Kuveyt Turk Evkaf Finans Kurumu A.S Société Générale Tekstilbank Türkiye Finans Katılım Bankasi AS Türkiye Garanti Bankasi AS
Spain	Deutsche Bank AG Bilbao Bizkaia Kutxa Banco Espanol de Credito Bank of America, N.A. HSBC Bank Banco de Sabadell SA BNP Paribas S.A. Sucursal En Espana Caja De Ahorros de Galicia (Caixa Galicia) Caja De Ahorros Del Mediterraneo Commerzbank		



Correspondent Banking Network



Country	Bank	Country	Bank
	Türkiye İş Bankası AS Türkland Bank (T-Bank) Türkiye Halk Bankası AS Türkiye Vakıflar Bankası T.A.O		Calyon (formerly Credit Lyonnais) Deutsche Bank Deutsche Bank Trust Company Americas Doha Bank Gulf International Bank B.S.C. Habib Bank Limited HSBC Bank JPMorgan Chase Bank Mashreq Bank Limited Mizuho Corporate Bank Ltd. National Bank of Pakistan Nordea Bank Sweden AB (publ) Santander Central Hispano Sumitomo Mitsui Banking Corporation, The Branch Banking & Trust Co Royal Bank of Scotland Bank of America, N.A. Capital One, NA Citibank NA Commerzbank First Tennessee Bank, N.A. Habib American Bank Malayan Banking Berhad Société Générale Standard Chartered Bank Suntrust Bank United Bank Limited AG Zurich U.S. Bank NA Wachovia Bank, NA Woori bank
UAE	Abu Dhabi Commercial Bank Abu Dhabi Islamic Bank Union National Bank United Arab Bank Royal Bank of Scotland Ajman Bank BNP Paribas SA Citibank NA Credit Europe Bank (Dubai) Ltd. Dubai Islamic Bank Emirates Bank International, PJSC First Gulf Bank Habib Bank Limited Habib Bank AG Zurich HSBC Bank Middle East Mashreq Bank Limited National Bank of Dubai Noor Islamic Bank Standard Chartered Bank United Bank Limited AG Zurich		
UK	AIB Bank Habibsons Bank Limited Bank Mandiri (Europe) Ltd. Citibank NA Commonwealth Bank of Australia Deutsche Bank AG European Islamic Investment Bank Gulf International Bank B.S.C. Habib Bank Limited JPMorgan Chase Bank KBC Bank NV Lloyds TSB Bank Plc Mashreq Bank Limited Merrill Lynch International Bank Limited Mizuho Corporate Bank Ltd., London National Westminster Bank plc Nordea Bank Sweden AB (publ) Sumitomo Mitsui Banking Corporation, The United National Bank Woori bank Royal Bank of Scotland Bank of America, N.A. Commerzbank Habib Bank AG Zurich HSBC Bank Standard Chartered Bank Northern Bank Limited	Vietnam	Deutsche Bank Vietnam Bank for Agriculture J.P.Morgan Chase Bank NA Woori bank
Ukraine	Prominvestbank		
Uruguay	Banco Itau		
USA	KeyBank National Association National City Bank InterBusiness Bank, N.A. Union Planters Banco do Brasil S.A. Bank of New York BNP Paribas USA - New York branch Commonwealth Bank of Australia		



Branch Network



Alhamdulillah, Meezan Bank has established 201 branches (including 35 sub-branches) in 54 cities across Pakistan. This is a milestone that is not only the success story of Meezan Bank but also the continuing success story of Islamic Banking in Pakistan. With this extensive network, our existing and potential customers are now closer than ever in attaining Islamic Banking at their doorstep. All branches provide real time online banking facilities to customers.

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

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

Southern Region

Hub (Lasbela)
Hyderabad
Karachi
Mirpurkhas
Nawabshah
Quetta
Sakrand
Sukkur
Tando Adam
Tando-Allah-Yar

Central Region

Arifwala
Bahawalpur
Burewala
Chiniot
Daska
Dera Ghazi Khan
Faisalabad
Gojra
Gujranwala
Gujrat
Hafizabad
Jhang
Kasur
Khanpur
Khushab
Lahore
Lalamusa
Mandi Bahauddin
Mian Channu
Multan
Okara
Rahim Yar Khan
Sadiqabad
Sahiwal
Sargodha
Sheikhupura
Sialkot

Northern Region

Abbottabad
Attock
Dera Ismail Khan
Dina
Gujar Khan
Haripur
Havelian
Islamabad
Jhelum
Kohat
Mansehra
Mardan
Muzaffarabad
Nowshera
Peshawar
Rawalpindi
Swat

For 2010 Meezan Bank has planned to open an additional 15 branches in Pakistan. Meezan Bank's mission is to provide its customers dedicated and pure Islamic Banking facilities with the greatest of convenience and personalized services. It remains the Bank's endeavour to establish solid foundations of Islamic Banking in Pakistan.



Branch Network



Southern Region

Hub (Lasbela)

Hub Chowki Branch
Hub City, District Lasbela, Balochistan.
Tel: (92-853) 310252-3

Hyderabad

Cloth Market Branch
C/916/18, Guru Nagar, Hyderabad.
Tel: (92-22) 2621341-2

Gari Khata Branch
City Survey No. F/1054,
Ward - F, Gari Khata, Hyderabad.
Tel: (92-22) 2725671-2

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

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

Market Road Sub - 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

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) 6365780

Alamgir Road Sub - branch
Z-484, Block 3, Bahaduryar Jang Cooperative
Housing Society,
Alamgir Road, Karachi.
Tel: (92-21) 4140968

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

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) 4145021, 4145017

Bait Ul Mukarram Sub - branch
Shop No. S - 3 & S - 4, Yasir Apartments, FL
- 6, Block 16, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 4839021-3

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

Bilawal Chowk Branch
Plot No. Commercial 7/1,
Green Belt Residency, Shop No. 4 & 5, Block
2, Scheme 5, Clifton, Karachi.
Tel: (92-21) 5830628, 5830634, 5832083

Bin Qasim National Highway Branch
Survey No.435, Deh Landhi, Taluka Bin
Qasim Town, Karachi.
Tel: (92-21) 5012376, 5012355, 5012357

Block-E North Nazimabad Sub - branch
Plot # ST-4 Shop # A/D-71, Block-E, North
Nazimabad Hyderi, Karachi.
Tel: (92-21) 8351734

Boat Basin Branch
Shop # 40-43, Commercial Sub
Plot # FL-7/C/4 of Plot # 7, Block No. 5,
Clifton, Karachi.
Tel: (92-21) 5870330, 5870608, 5870697,
5870687, 5870698

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, BCI, Block-
7 Clifton, Main Clifton Road, Karachi.
Tel: (92-21) 537 2060-64

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

DHA Phase I Branch
Ground Floor, Plot No. 119,
DHA Phase I, Korangi Road, Karachi. Tel:
(92-21) 35396854-58

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

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

Dhoraji Branch
35/182, C.P. & Bearar Housing Society,
Karachi.
Tel: (92-21) 4860861-4

F.B Area Branch
C-12, Block 10, F.B Area, Karachi.
Tel: (92-21) 6805370-6

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

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) 2241383--87

Gulberg Sub - branch
Shop No.7, A-94, Block-18, F.B. Area,
Karachi.
Tel: (92-21) 6829112-4

Gulistan-e-Jauher Branch
Plot # ST -9, Block 15, Scheme 36,
Gulistan-e-Jauher, Karachi.
Tel: (92-21) 4030251-54

Gulshan Block 2 Branch
Ground Floor Arif Residency,
Plot # SB 08, Gulshan -e-Iqbal Block 2, Near
Rab Medical Centre, Karachi.
Tel: (92-21) 34971232

Gulshan Chowranghi Branch
Sub Plot No 5-A/1-10, Plot # FL-5, Block 3,
Gulistan-e-Erum, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 4811849, 4813967

Gulshan-e-Iqbal Branch
B-41, Block No. 13-A, KDA Scheme 24,
University Road, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 4811901-6

Gulshan-e-Maymar Sub - branch
A-102 Shop # 1 & 2 SB, 1 Sector X - IV,
Opposite Roman Fountain Park.
Scheme -4, Gulshan-e-Maymar, Karachi.
Tel: (92-21) 6350513-4-5

Hussainabad Branch
Block 3, Pakistan Memon Education & Welfare
Society, Hussainabad, Karachi.
Tel: (92-21) 6320461-62 & 6320467

I.I. Chundrigar Road Branch
Shop No. 9 & 10, Gul Tower, I.I. Chundrigar
Road, Karachi.
Tel: (92-21) 2423676

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

Katchi Gali No.2 Branch
No. G-1, situated at Katchi Gali No. 2,
Marriot Road, Karachi.
Tel: (92-21) 32443526-27

K.A.E.C.H.S Branch
Plot No. SA/49 (Commercial), Block-4,
Karachi Administration Employees
Cooperative Housing Society, Karachi.
Tel: (92-21) 4302911-5



Branch Network



Khayaban-e-Bukhari Branch
Shop # 1-2 & Mezanine Floor,
Plot No. 22-C, Khayaban-e-Bokhari,
Phase VI, DHA, Karachi
Tel: (92-21) 5243561-65

Khayaban-e-Sehar Branch
9-C, Shahbaz Commercial Lane 1, Khayaban-
e-Sehar, Phase VI, DHA, Karachi.
Tel: (92-21) 5349307-13, 5349316-18

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

Korangi Branch
Plot No. LS 3, ST-3/1, Sector No. 15, Korangi
Industrial Area, Karachi.
Tel: (92-21) 5114324-5, 5114281, 5114279

Korangi II Sub - branch
Q 37, Sector 33-A, Main Road Korangi,
Karachi.
Tel: (92-21) 5059215-16

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

Millennium Mall Sub - branch
Shop # M 21 -22, Millennium Classic Mega
Mall, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 4838030

Model Colony Sub - branch
Plot No.06, Survey No.N-55, Tina Square,
Model Colony, Malir, Karachi.
Tel: (92-21) 4492445-7

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

Nazimabad No. 3 Branch
3-A-1/13 Nazimabad No. 3, Karachi.
Tel: (92-21) 36707431-34

New Challi Branch
Plot # SR-7/26 & 27, Survey No.25, Old
Survey B-15/12, Serai Quaters, New Challi,
Karachi.
Tel: (92-21) 2210661, 2210990, 2211158,
2211453, 2211711

North Karachi Branch
Plot # SA-6 (ST-8), 11-C-1, North Karachi,
Karachi.
Tel: (92-21) 6965051-55

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

North Napier Road Branch
Shop No.12, Poonawala Trade Tower, Main
North Napier Road, Karachi.
Tel: (92-21) 2713530-34

North Nazimabad Branch
Shop# 9-12, Sub-plot# SC14-3, plot# SC-14,
Block-F, KDA Scheme NO.2, Samar
Residency, North Nazimabad, Karachi.
Tel: (92-21) 6723549-554

Orangi Town Branch
Plot # LS-15, Sector 6-E,
Orangi Town, Karachi
Tel: (92-21) 36694370-74

Plaza Quarters Sub - branch
Plaza Square Karachi, Bombay Building, City
Survey No. 37/22, Off M.A. Jinnah Road,
Karachi.
Tel: (92-21) 2751560, 2751124, 2751132,
2751106

PNSC Branch
Ground floor at 37- A, Lalazar Area, Off M.T.
Khan Road, Karachi.
Tel: (92-21) 5636240-54

Saddar Branch
Saddar Bazar Quarters, Raja G. Ali Khan
Road, Karachi.
Tel: (92-21) 5224601-05

Shahrah-e-Faisal Branch
29-A, Ground Floor, Sabah Palace, P.E.C.H.S.
Block 6, Shahrah-e-Faisal, Karachi.
Tel: (92-21) 4322186-90

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) 4682405-07

Shireen Jinnah Colony Sub - branch
Plot no ST-4B block 1, Shireen Jinnah Colony,
Karachi.
Tel: (92-21) 5833025, 5836758, 5836780

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

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) 2584850-53, 58-59

Water Pump Branch
Plot No. BS-13, Block-14,
Federal B. Area, Karachi.
Tel: (92-21) 6332443, 6332523

Mirpurkhas

Mirpurkhas Branch
Plot # 15, Ward No. A, Adam Mohallah Town
at Umerkot Road, Mirpurkhas.
Tel: (233) 876103,08

Nawabshah

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

Quetta

Liaquat Bazar Sub - branch
Khasra No. 155, Ward 22, Tappa Urban 1,
Najeebullah Street, Liaquat Bazar, Quetta.
Tel: (92-81) 2840195-16

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

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

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

Sakrand

Sakrand Sub - branch
Deh. 18, Taluka City Sakrand, District
Nawabshah.
Tel: (92-244) 322047-54-56-57

Sukkur

March Bazar Sub - branch
C-45, Station Road, Sukkur.
Tel: (92-71) 5620771-3

Sukkur Branch
3-45, Ward-C, Station Road, Sukkur.
Tel: (92-71) 5617192-94

Tando Adam

Tando Adam Branch
Muhammad Chowk,
Tando Adam, District Sanghar.
Tel: (92-235) 576565-66

Tando Allahyar

Tando Allahyar Branch
Survey No. 1610/07, Opposite General Bus
Stand, Tando Allahyar.
Tel: (92-22) 3892021, 3891242

Central Region

Arifwala

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



Branch Network



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

Chiniot

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

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 Sub - 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

Millat Chowk Branch
158-B-1 Gulistan Colony No 2,
Millat Chowk, Faisalabad
Tel: (92-41) 8784346-7

Kotwali Road Branch
P-63 Kotwali Road, Faisalabad.
Tel: (92-41) 2602587

Peoples Colony Branch
1/A-II, Peoples Colony-1, Faisalabad.
Tel: (92-41) 8555002-4

Satyana Road Branch
P 719 Batala Colony, Main Satyana Road.
Tel: (92-41) 8500715-20

Serena Hotel Branch
Serena Hotel, Club Road, Faisalabad.
Tel: (92-41) 2602595-7

Gojra

Gojra Sub - branch
Ex Al Khalid Shopping Centre, Opposite
Suriya Hospital, Tahsil Office Road, Gojra.
Tel: (92-46) 3516272-3

Gujranwala

Dal Bazar Sub - 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

Jhang

Rail Bazar Chowk Branch
P-864, Block-9, Circular Road,
Rail Bazar Chowk, Jhang
Tel: (92-47) 7652203-4

Yousaf Shah Road Branch
P- 5 Yousaf Shah Road ,
Near Church Chowk, Jhang.
Tel: (92-47) 7652101-3

Kasur

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

Khanpur

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

Khushab

Katha Chowk Khushab Branch
P-4106-27-1, Sargodha Road,
Katha Chowk, Khushab.
Tel: (92-454) 711683-84

Lahore

Akbar Chowk Branch
885-D, Akbar Chowk, Faisal Town, Lahore.
Tel: (92-42) 5201425-26

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) 5296701-5

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

Bedian Road Branch
Khasra # 3799, Mauza LIDHAR, Main
Bedian Road, Lahore.
Tel: (92-42) 5749607-10

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

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

Circular Road Branch
141-Circular Road,
Out side ShahAlam Gate, Lahore.
Tel: (92-42) 7642001-4

College Road Branch
6-2/C-1, College Road Township ,
Lahore.
Tel: (92-42) 5157184-6

Cloth Market Sub - branch
73-B, Kashmir Block,
Azam Cloth Market, Lahore.
Tel: (92-42) 7380461-5

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

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

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

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

Gulshan-e-Ravi Branch
F-9 Gulshan-e-Ravi, Lahore.
Tel: (92-42) 7404822-25

Hall Road Branch
Hall Road, Lahore.
Tel: (92-42) 37211806-8

Ichra Sub - branch
156-Main Ferozepur Road, Ichra, Lahore.
Tel: (92-42) 7522989-91

Johar Town Branch
63/R-1, M.A Johar Town Branch, Lahore.
Tel: (92-42) 5314631-34



Branch Network



Karim Block Sub - branch
Baig Plaza, 21 Commercial Zone, Karim Block,
Allama Iqbal Town, Lahore.
Tel: (92-42) 5296701-5

Main Boulevard Sub - branch
Shop # 5 & 6, Ground Floor, Usman Arcade,
Main Boulevard, DHA, Lahore.
Tel: (92-42) 6621482-4

Model Town C Block Sub - branch
181-Model Town, C Block, Lahore.
Tel: (92-42) 45844201-4

Model Town, Link Road Sub - branch
39-40, New Liberty Tower(opp. Pace), Model
Town Link Road, Lahore.
Tel: (92-42) 5942356-7

New Airport Road Branch
Sahjipal Crossing,
Near Allama Iqbal International Airport, Main
Defence Road, Lahore.
Tel: (92-42) 5700170-4

New Garden Town Branch
Ground Floor, Ibrahim Centre, 1-Aibak Block,
New Garden Town, Lahore.
Tel: (92-42) 5941474-77

Peco Road Badami Bagh Branch,
35-Peco Road, Badami Bagh, Lahore.
Tel: (92-42) 7369610-13

Punjab Cooperative Housing Society Branch
66-F, Phase I, Punjab Co-operative Housing
Society, Ghazi Road, Lahore Cantt.
Tel: (92-42) 5924683-4

Q-Block DHA Phase II Branch
295-Q Commercial Area,
Phase II DHA, Lahore.
Tel: (92-42) 5708324-7

Qartaba Chowk Branch
Rehman Chamber, Lahore.
Tel: (92-42) 7112404, 7112406-10

Ravi Road Branch
33, Main Ravi Road,
Opposite Bilal Masjid, Lahore.
Tel: (92-42) 7706835-37

Shad Bagh Sub - branch
13-A, Tajpura Chowk, Near PTCL exchange,
Shad Bagh, Lahore.
Tel: (92-42) 7600667-9

Shadman Colony Branch
91 Shadman Colony - 1, Shadman, Lahore.
Tel: (92-42) 7522976 - 9

Shahdra Branch
113 G.T. Road, Lahore.
Tel: (92-42) 7921266-7

Shahalam Market Branch
D-2050, Fawara Chowk, Inside Shahalam
Market, Lahore.
Tel: (92-42) 7377340 - 43

Shalimar Garden Branch
Shalimar Garden, Baghban Pura, Lahore
Tel: (92-42) 6846584-8

Thokar Niaz Baig Branch
Ahmed Centre,
1.5 KM Raiwand Road, Lahore.
Tel: (92 42) 7516128-30

Urdu Bazar Branch
4-Kabeer Street, Urdu Bazar, Lahore.
Tel: (92-42) 7116684-7

Walton Road Branch
E-29/21-A, Bank Stop,
Walton Road, Lahore.
Tel: (92-42) 6626602-5

Lalamusa

Lalamusa Branch
Col. Plaza, Plot No.9, Camping Ground,
G.T. Road, Lalamusa.
Tel: (92-53) 513022, 7513032

Mandi Bahauddin

Mandi Bahauddin Branch
Plot No 5/181 ward No 5, Outside Ghallah
Mandi, Near Tawakli Masjid,
Mandi Bahauddin.
Tel: (92-546) 520931-33

Mian Channu

Mian Channu Branch
17-B, Ghazi More, G.T. Road,
Mian Channu.
Tel: (92-65) 2662001-3

Multan

Bosan Road Branch
Chungi No. 9, Lawyers Colony,
Bosan Road, Multan.
Tel: (92-61) 6210090-92

Chowk Shaheedan Branch
Chowk Shaheedan, Multan.
Tel: (92-61) 4502906-09

Gulgasht Sub - branch
437/C Gulgasht Colony, Multan.
Tel: (92-61) 6511931-2

Hussain Agahi Branch
Property # 2560,
Ward # 10, Hussain Agahi Road, Multan.
Tel: (92-61) 4512206-07

Old Bahawalpur Road Branch
Mehar Fatima Tower,
Opp. Multan High Court,
Old Bahawalpur Road, Multan.
Tel: (92-61) 4785604-7

Shah Rukn-e-Alam Sub - branch
Shop # 26-27, Block F,
Main Market, T-Chowk, Shah Rukn-e-Alam
Colony, Multan.
Tel: (92-61) 6784324-5

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

Okara

Okara Branch
MA Jinnah Road, Okara.
Tel: (92-44) 2521935-7

Rahim Yar Khan

Rahim Yar Khan Branch
17, 18 City Centre, Rahim Yar Khan.
Tel: (92-68) 5887603-4

Sadiqabad

Sadiqabad Branch
31-D Main Bazar, Sadiqabad.
Tel: (92-68) 5701207-8

Sahiwal

Sahiwal Branch
276-B-I, Alpha Tower, High Street, Sahiwal.
Tel: (92-40) 4465009 / 4466592

Sargodha

Muslim Bazar Branch
12-Block Chowk, Muslim Bazar, Sargodha.
Tel: (92 48) 3741609-13

Sargodha Branch
91 Civil Lines, University Road, Sargodha.
Tel: (92-48) 3741608-10

Sheikhupura

Sheikhupura Branch
Civic Center, Sargodha Road, Sheikhupura.
Tel: (92-56) 3813360-2

Sialkot

Kashmir Road Branch
Kashmir Road, Sialkot.
Tel: (92-52) 4295301-3

Kutchery Road Sub - branch
Kutchery Road, Sialkot.
Tel: (92-52) 4263461

Northern Region

Abbottabad

Abbottabad Branch
Plot No. 843-846, Manshera Road,
Abbottabad.
Tel: (92-992) 344701-3

Abbotabad Sub - 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



Branch Network



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 Sub - 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 Sub - branch
Fazal ul Haq Plaza, Main Murree Road,
Baharakahu, Islamabad.
Tel: (92-51) 2232881-82

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

I-9 Branch
Plot No. 2/A, Industrial Area, I-9, Islamabad.
Tel: (92-51) 4859644-47

I-10 Branch
Shop # 7-10, Ground Floor, Ahmadal Plaza,
Plot # 3-I, Sector I-10 Markaz, Islamabad.
Tel: (92-51) 4432711-13

Jinnah Avenue Branch
No. 32, Sohrab 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 Sub - branch
Near Madni Masjid, Lari Adda, Karakoram
Highway, Mansehra.
Tel: (92-997) 307640-42

Mansehra Branch
Meezan Plaza, Near Markazi Jamia Masjid,
Abbottabad Road.
Tel: (92-997) 308315-18

Mardan

Mardan Branch
Bank Road, Mardan.
Tel: (92-937) 9230561-3

Par Hoti Branch
Malik Khalid Khan Market, Par Hoti, Mardan.
Tel: (92-937) 560013-4

Muzaffarabad

Madina Market Muzaffarabad A.K. Branch
Mohallah Madina Market, Muzaffarabad.
Tel: (92-5822) 920457-9, 920458-60

Muzaffarabad Branch (AJK)
Secretariat Road, Sathra Muzaffarabad, Azad
Jammu & Kashmir (AJK).
Tel: (92-58810) 42154-56

Nowshera

Nowshera Branch
Shobra Hotel, G.T Road, Nowshera Cantt.
Tel: (92-3) 613174-76

Peshawar

Chowk Yadgar Branch
Mohmand Plaza, Naz Cinema Road, Peshawar
City, Peshawar.
Tel: (92-91) 9213950-2

G.T. Road Branch
Al-Arif House, Near Al-Amin Hotel, GT Road,
Peshawar.
Tel: (92-91) 9214001-4

Karkhano Market Branch
Royal Shopping Plaza, Hayatabad, Peshawar.
Tel: (92-91) 5893471-4

Khyber Bazar Sub - branch
Plot # 78, Shoba Chowk ,
Khyber Bazar, Peshawar.
Tel: (92-91) 2564019-21

Saddar Road Branch
6 Saddar Road, Peshawar Cantt, Peshawar.
Tel: (92-91) 9213471-5

University Road Branch
Khattak Plaza, University Road, Peshawar.
Tel: (92-91) 5703400-02

Rawalpindi

Bahria Town Branch
Bahria Heights, Bahria Town, Phase-1
Rawalpindi.
Tel: (92-51) 5730171-3

Bank Road Branch
No. 47/62, Bank Road Saddar, Rawalpindi.
Tel: (92-51) 9273404-6

Bohar Bazar Branch
D-327, Hakim Muhammad Amjal Khan Road,
Bohar Bazar, Rawalpindi.
Tel: (92-51) 5778875, 5778834

Chaklala Scheme III Branch
Plot # 38, Bazar Area, Chaklala Housing
Scheme No.III, Rawalpindi Cantt.
Tel: (92-51) 5766435-8

Chandni Chowk Branch
Umer Farooq Plaza, Block C, Satellite Town,
Chandni Chowk, Murree Road, Rawalpindi.
Tel: (92-51) 4851046-49

G.T Road Tarnol Sub - branch
Khan Malook, Wazir Plaza, G.T. Road, Tarnol,
Rawalpindi.
Tel: (92-51) 2226406

Jinnah Road Sub - branch
Property No. 167, Commercial Area,
Mohan Pura, Jinnah Road - City Saddar
Road, Rawalpindi City.
Tel: (92-51) 5778511-12

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

Swat

Mingora Branch
Makanbagh Chowk, Mingora Swat.
Tel: (92-946) 714316-18



Proxy Form



The Company Secretary
Meezan Bank Limited
3rd Floor, P.N.S.C. Building
M.T.Khan Road,
Karachi-74000, Pakistan

I/We _____ of _____ being a member(s) of **Meezan Bank Limited** and holder of _____ ordinary shares as per Share Register Folio No. _____ and/or CDC 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 14th Annual General Meeting of Meezan Bank Ltd. to be held on Wednesday, March 24, 2010 at Beach Luxury Hotel, M.T.Khan Road, Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2010.

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.

The Company Secretary
Meezan Bank Limited
3rd Floor, P.N.S.C. Building
M.T. Khan Road,
Karachi 74000, Pakistan.

Please affix
correct
postage