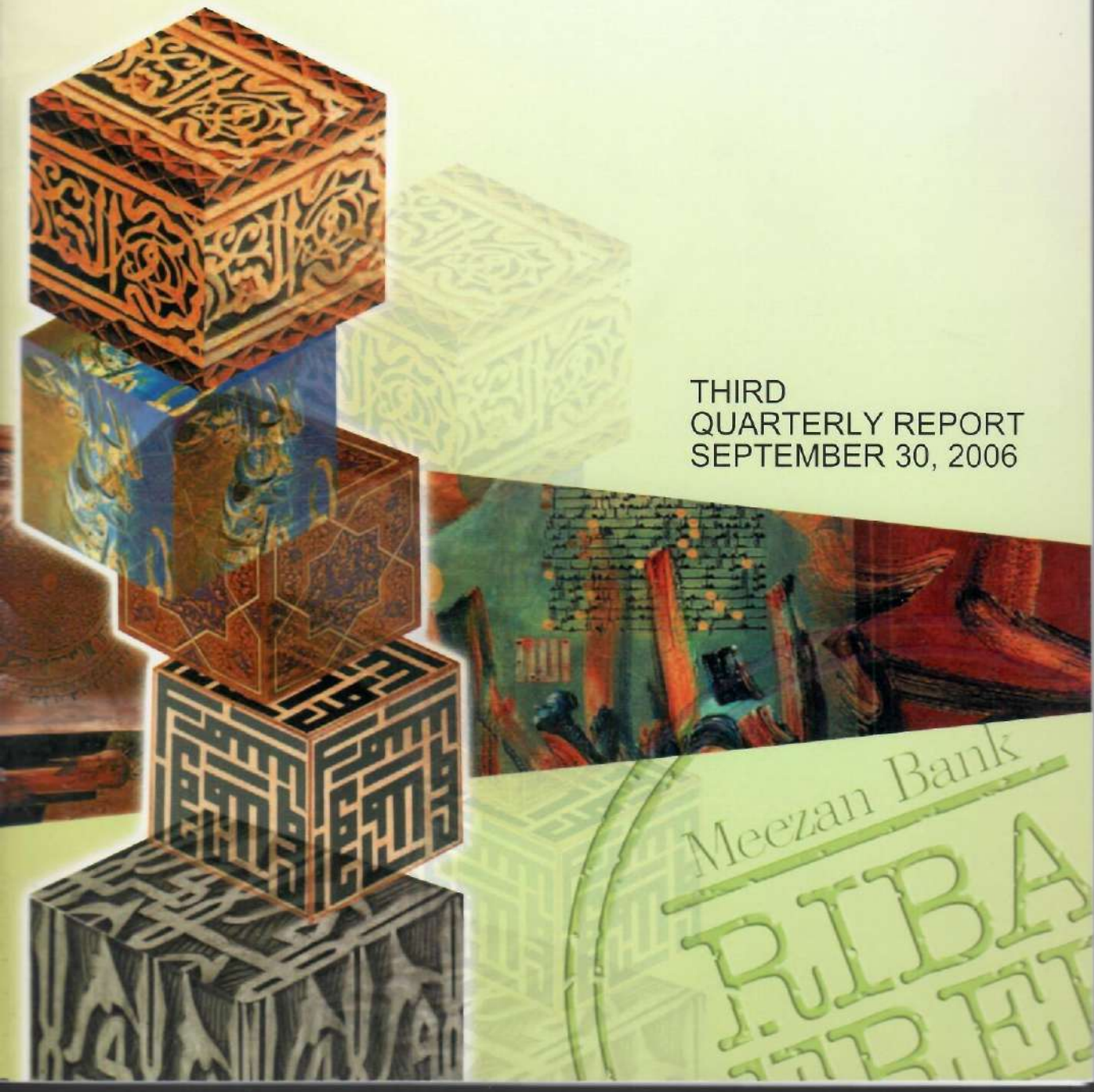




**Meezan Bank**  
The Premier Islamic Bank

THIRD  
QUARTERLY REPORT  
SEPTEMBER 30, 2006

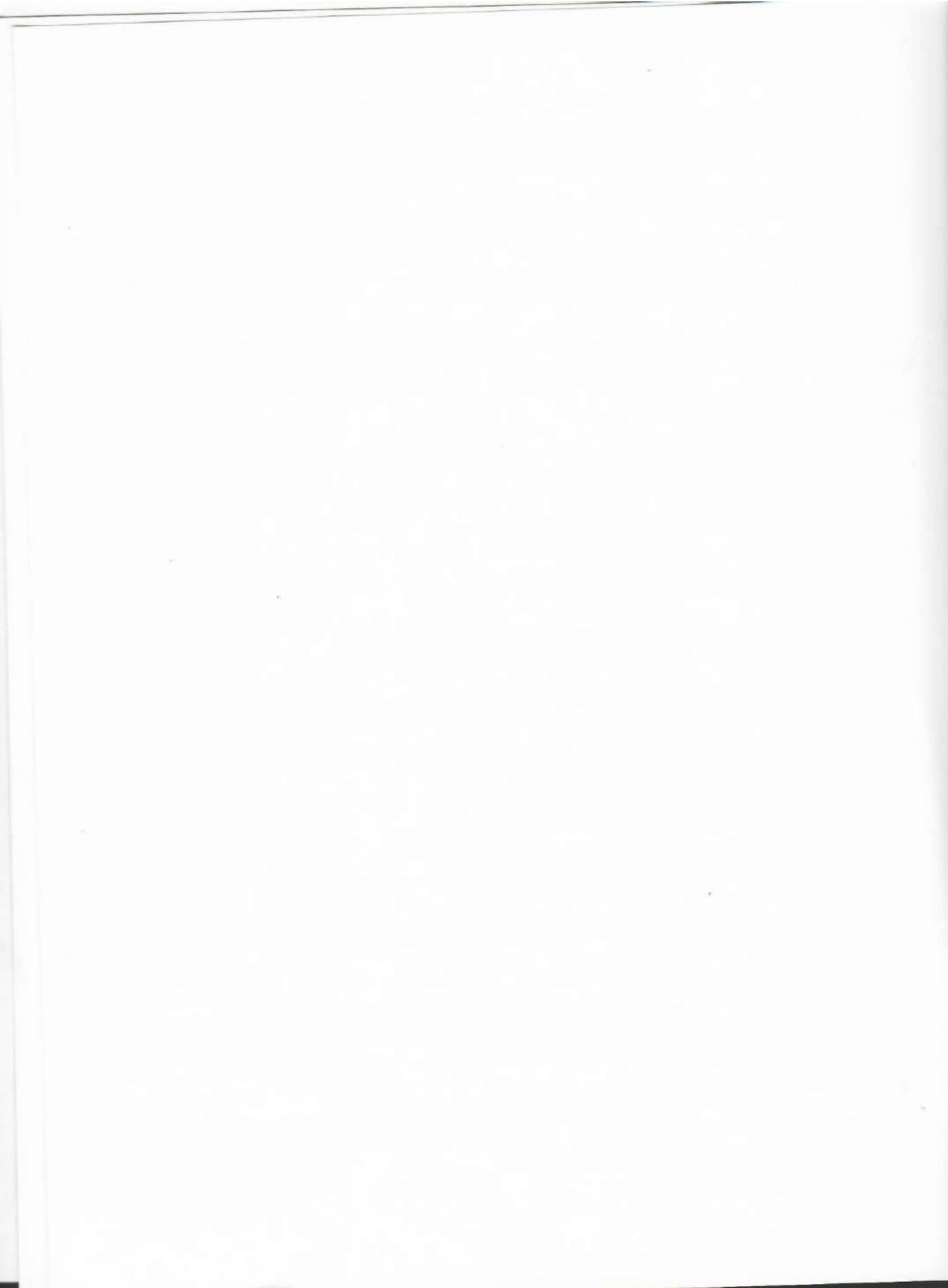


بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah The Beneficent The Merciful

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## C O R P O R A T E I N F O R M A T I O N

<b>Board of Directors</b>	H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa Naser Abdul Mohsen Al-Marri Irfan Siddiqui Istaqbal Mehdi Mohamed Abdul-Rehman Hussain Ariful Islam Rana Ahmed Humayun Mohammed Abdul Rahman Mohammed Bucheerei Ahmad Mohammad Thane Mohammed Azzaroog Rajab	Chairman Vice Chairman President & CEO
<b>Shariah Board</b>	Justice (Retd.) Muhammad Taqi Usmani Dr. Abdul Sattar Abu Ghuddah Sheikh Essam M. Ishaq Dr. Muhammad Imran Usmani	Chairman
<b>Executive Committee</b>	Naser Abdul Mohsen Al-Marri Mohamed Abdul-Rehman Hussain Irfan Siddiqui	
<b>Audit Committee</b>	Istaqbal Mehdi Rana Ahmed Humayun Mohammed Abdul Rahman Mohammed Bucheerei	
<b>Risk Management Committee</b>	Istaqbal Mehdi Rana Ahmed Humayun Ariful Islam	
<b>Human Resources Committee</b>	Naser Abdul Mohsen Al-Marri Mohammed Abdul Rahman Mohammed Bucheerei Irfan Siddiqui	
<b>Company Secretary</b>	Shabbir Hamza Khandwala	
<b>Shariah Advisor</b>	Dr. Muhammad Imran Usmani	
<b>Legal Advisor</b>	Rizvi, Isa, Afridi & Angell	
<b>Auditors</b>	A.F. Ferguson & Co.	
<b>Registered Office and Head Office</b>	3rd Floor, PNSC Building, M.T. Khan Road, Karachi-74000, Pakistan. Ph : (92-21) 5610582, Fax : (92-21) 5610375, Call Centre : 111-331-331 Website : <a href="http://www.meezanbank.com">www.meezanbank.com</a> E-mail : <a href="mailto:info@meezanbank.com">info@meezanbank.com</a>	
<b>Shares Registrar</b>	THK Associates (Pvt.) Ltd. Ground Floor, State Life Building-3, Dr.Ziauddin Ahmed Road Karachi-75530, Pakistan. Ph : (92-21) 111-000-322, Fax : (92-21) 5655595	



## DIRECTORS' REVIEW

The Board of Directors is pleased to present the unaudited financial statements of Meezan Bank Limited and consolidated financial statements for the nine months period ended September 30, 2006. The financial highlights of Meezan Bank for the current period and corresponding period of the last year are given below:

### Financial Highlights

	Rupees in '000		
	September 2006	September 2005	Growth %
Deposits	29,446,988	16,658,860	77%
Financings	22,503,136	17,665,413	27%
Total Assets	38,831,149	24,621,295	58%
Share Capital	2,362,435	1,697,152	39%
Shareholders' Equity	3,415,177	2,518,212	36%
Net Spread Earned	901,414	510,172	77%
Fee, Commission & Forex Income	272,307	189,400	44%
Profit before Tax	580,476	432,521	34%
Profit after Tax	444,237	306,157	45%
Earnings per Share (nine months) - Rs.	1.88	1.43	31%
Number of Branches	42	26	62%

Alhamdulillah, Meezan Bank has been able to grow in all areas of its business activities as reflected from above figures. The bank has earned post tax profit of Rs 444 million as compared to Rs 306 million earned in the corresponding period of the last year reflecting an increase of 45%. Income from core banking business has increased by 77%, which reflects growth in our banking operations as result of our branch expansion policy. The balance sheet has also shown a growth of 58% over September 2005 from Rs 25 billion to Rs 39 billion with deposit increasing by 77% and financing by 27% over corresponding period.

The Bank has recorded Earnings Per Share (EPS) of Rs 1.88 as compared to EPS of Rs 1.43 recorded in the corresponding period of the last year despite the increase in paid up capital from Rs 1.697 billion to Rs 2.362 billion in 2005 due to issuance of 20% Right shares and 16% bonus shares. The bank is continuing with its branch expansion policy and opened fourteen new branches; four in Karachi, three in Lahore, one each in Islamabad, Peshawar, Rahim Yar Khan, D.G.Khan, Abbotabad, Sargodha and Hyderabad during nine months of 2006. All the branches are providing On-line banking facilities to our customers. In addition, the bank is planning to open atleast 8 new branches InshaAllah during the last quarter of the year to develop a more comprehensive network throughout Pakistan.

The Bank has already issued Allotment letters for its 50% Right Issue. After subscription of Right Shares, the paid-up-capital of the Bank will be Rs 3.8 billion.

The Bank has a long-term entity rating of A+ with stable outlook and short-term rating of A1, assessed by JCR VIS Credit Rating Co. Ltd.

## **DIRECTORS' REVIEW**

The Islamic Banking industry continues to grow in Pakistan and two-full fledged Islamic Banks have started operation during the year. We welcome the advent of new Islamic banks and pray for the success of all players in this field. We hope there will be good co-operation between these banks in the field of product development and treasury activities, which will no doubt benefit all participants.

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

On behalf of the Board

**Sheikh Ebrahim Bin Khalifa Al-Khalifa**  
Chairman

**Irfan Siddiqui**  
President & CEO

Dubai  
October 28, 2006

**BALANCE  
SHEET (UNAUDITED)  
AS AT SEPTEMBER 30, 2006**

Note September 30, December 31,  
2006 2005  
Restated

----- Rupees in '000 -----

**ASSETS**

Cash and balances with treasury banks  
Balances with other banks  
Due from financial institutions  
Investments  
Financings  
Other assets  
Operating fixed assets

	4,656,993	3,956,938
	6,107,608	2,855,823
	-	-
6	3,038,224	1,606,490
7	22,503,136	19,740,886
	2,092,658	2,210,100
8	432,530	305,585
	<u>38,831,149</u>	<u>30,675,822</u>

**LIABILITIES**

Bills payable  
Due to financial institutions  
Deposits and other accounts  
Sub-ordinated loan  
Liabilities against assets subject to finance leases  
Other liabilities  
Deferred taxation

456,831	260,732
3,311,244	2,981,714
29,446,988	22,769,262
-	-
-	-
1,811,241	1,469,258
352,197	170,274
<u>35,378,501</u>	<u>27,651,240</u>
<u>3,452,648</u>	<u>3,024,582</u>

**NET ASSETS**

**REPRESENTED BY**

Share capital  
Capital reserves  
Revenue reserves

9	2,362,435	2,036,582
	665,560	340,469
	387,182	593,889
	<u>3,415,177</u>	<u>2,970,940</u>
6.1	37,471	53,642
	<u>3,452,648</u>	<u>3,024,582</u>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 14 form an integral part of these financial statements.

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director

# PROFIT AND

## LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006

	Quarter ended September 30, 2006	Nine months period ended September 30, 2006	Quarter ended September 30, 2005	Nine months period ended September 30, 2005
-----Rupees in '000-----				
Profit /return on financings and placements earned	669,585	1,885,943	421,456	963,002
Return on deposits and other dues expensed	408,228	984,529	180,632	452,830
Net spread earned	261,357	901,414	240,824	510,172
Provision against non-performing financings (net)	8,490	68,432	6,663	49,684
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	8,490	68,432	6,663	49,684
Net spread after provisions	252,867	832,982	234,161	460,488
<b>Other income</b>				
Fee, commission and brokerage income	55,263	152,917	43,878	128,078
Capital gain on sale of investments	3,028	98,743	40,503	161,348
Dividend income	68,406	97,754	35,724	70,565
Unrealised (loss) / gain on revaluation of held-for-trading securities - note 6.1	(380)	(37,687)	41,477	38,303
Income from dealing in foreign currencies	58,147	119,390	29,635	61,322
Other income	5,423	19,677	3,776	6,908
Total other income	189,887	450,794	194,993	466,524
	442,754	1,283,776	429,154	927,012
<b>Other expenses</b>				
Administrative expenses	268,347	702,804	207,933	494,009
Other provisions / write offs	-	-	-	-
Other charges	-	496	-	482
Total other expenses	268,347	703,300	207,933	494,491
	174,407	580,476	221,221	432,521
Extraordinary / unusual items	-	-	-	-
Profit before taxation	174,407	580,476	221,221	432,521
Taxation - Current	3,409	4,888	17,318	19,071
- Prior years	-	(50,572)	-	-
- Deferred	44,159	181,923	47,500	107,293
	47,568	136,239	64,818	126,364
Profit after taxation	126,839	444,237	156,403	306,157
Unappropriated profit brought forward - restated	455,188	527,123	311,362	191,559
Profit available for appropriation	582,027	971,360	467,765	497,716
Transfer for issue of bonus shares	(236,244)	(562,097)	-	-
Transfer to statutory reserve	(25,367)	(88,847)	(31,280)	(61,231)
Unappropriated profit	320,416	320,416	436,485	436,485
Basic earnings per share (Rupees) - note 11	0.54	1.88	0.73	1.43

The annexed notes 1 to 14 form an integral part of these financial statements.

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director



**CASH FLOW****STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

Note September 30, September 30,  
2006 2005  
----- Rupees in '000 -----

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation	580,476	432,521
Less: Dividend income	(97,754)	(70,565)
	<u>482,722</u>	<u>361,956</u>

Adjustments for non-cash charges

Depreciation

Amortization

Provision against non performing financings (net)

Provision for diminution in the value of investments (net)

Unrealised loss / (gain) on revaluation of held-for-trading securities

Gain on sale of operating fixed assets

54,400	42,498
3,752	1,077
68,432	49,684
-	-
37,687	(38,303)
(1,824)	(220)
<u>162,447</u>	<u>54,736</u>
<u>645,169</u>	<u>416,692</u>

(Increase) / decrease in operating assets

Due to financial institutions

Net investments in held-for-trading securities

Financings

Others assets

-	-
(87,494)	(58,530)
(2,830,682)	(5,375,352)
<u>222,327</u>	<u>(720,054)</u>
<u>(2,695,849)</u>	<u>(6,153,936)</u>

Increase / (decrease) in operating liabilities

Bills payable

Due to financial institutions

Deposits and other accounts

Other liabilities

196,099	224,474
329,530	852,016
6,677,726	2,889,053
341,982	380,692
<u>7,545,337</u>	<u>4,346,235</u>
<u>5,494,657</u>	<u>(1,391,009)</u>
<u>(5,955)</u>	<u>(3,173)</u>
<u>5,488,702</u>	<u>(1,394,182)</u>

Income tax paid

**Net cash flow from operating activities****CASH FLOW FROM INVESTING ACTIVITIES**

Net investments

Dividends received

Investments in operating fixed assets

Sale proceeds of property and equipment disposed-off

**Net cash flow from investing activities**

(1,398,098)	1,534
44,508	44,487
(187,671)	(114,705)
4,399	1,306
<u>(1,536,862)</u>	<u>(67,378)</u>

**CASH FLOW FROM FINANCING ACTIVITIES**

Issue of share capital

Dividend paid

Net cash flow from financing activities

Net increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

-	158,823
-	(6)
-	<u>158,817</u>
<u>3,951,840</u>	<u>(1,302,743)</u>
<u>6,812,761</u>	<u>4,374,671</u>
<u>10,764,601</u>	<u>3,071,928</u>

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The annexed notes 1 to 14 form an integral part of these financial statements.

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

Irfan Siddiqui  
President & Chief Executive

Istaqbal Mehdi  
Director

Ariful Islam  
Director

**STATEMENT OF  
CHANGES IN EQUITY (UNAUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

	Share capital	Capital reserves			Revenue reserves		Total
	Share premium account	Statutory reserve	Reserve for issue of bonus shares	General reserve	Unappropriated profit		
	-----Rupees in '000-----						
Balance as at January 01, 2005	1,346,017	-	256,578	-	66,766	191,559	1,860,920
Issue of right shares	351,135	-	-	-	-	-	351,135
Profit after taxation for the period January 1 to September 30, 2005	-	-	-	-	-	306,157	306,157
Transfer to statutory reserve	-	-	61,231	-	-	(61,231)	-
Balance as at September 30, 2005	1,697,152	-	317,809	-	66,766	436,485	2,518,212
Issue of right shares	339,430	-	-	-	-	-	339,430
Profit after taxation for the period October 01, 2005 to December 31, 2005	-	-	-	-	-	113,298	113,298
Transfer to statutory reserve	-	-	22,660	-	-	(22,660)	-
Balance as at December 31, 2005 - restated	2,036,582	-	340,469	-	66,766	527,123	2,970,940
Transfer to reserve for issue of bonus shares	-	-	-	325,853	-	(325,853)	-
Issue of bonus shares	325,853	-	-	(325,853)	-	-	-
Profit after taxation for the period January 1 to September 30, 2006	-	-	-	-	-	444,237	444,237
Transfer to reserve for issue of bonus shares	-	-	-	236,244	-	(236,244)	-
Transfer to statutory reserve	-	-	88,847	-	-	(88,847)	-
Balance as at September 30, 2006	2,362,435	-	429,316	236,244	66,766	320,416	3,415,177

The annexed notes 1 to 14 form an integral part of these financial statements.

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

**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' licence 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 commercial, consumer and investment banking activities.

The Bank was operating through forty two branches as at September 30, 2006 (September 30, 2005: twenty six). Its registered office is at 3rd Floor, PNSC Building, Moulvi Tamizuddin Khan Road, Karachi.

**2. BASIS OF PRESENTATION**

The Bank provides financing mainly through murabaha, ijarah, musharakah 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 utilised 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 recognised as charity payable if so directed by the Executive Committee of the Shariah Supervisory Board.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the requirements of the directives issued through SRO No. 764(I)/2001 dated November 5, 2001, the directives issued by the SBP, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the requirements of SBP's BSD Circular Letter No. 02 dated May 12, 2004 and the International Accounting Standard 34 'Interim Financial Reporting' and Islamic Financial Accounting Standard 1 - Murabaha issued by the Institute of Chartered Accountants of Pakistan.

The financial statements comprise of the balance sheet as at September 30, 2006 and the profit and loss account, statement of changes in equity and the cash flow statement for the nine months period ended September 30, 2006. The financial statements also include the profit and loss account for the quarter ended September 30, 2006.



**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

The comparative balance sheet presented in these financial statements as at December 31, 2005 has been extracted from the audited financial statements of the Bank for the year ended December 31, 2005 whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are for the nine months period ended September 30, 2005. The comparative profit and loss for the quarter ended September 30, 2005 is also included in the financial statements.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 4.1 The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2005, except for changes stated in note 5.
- 4.2 Provision for taxation has been made in these financial statements on the basis of an estimated annual average rate of tax.

**5. REASONS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES**

- 5.1 Consequent to adoption of Islamic Financial Accounting Standards 1 – Murabaha issued by the Institute of Chartered Accountants of Pakistan, the Bank has changed its accounting policy in respect of recording of murabaha transactions. Effective January 1, 2006 the Bank accounts for murabaha as follows:
- Funds disbursed for purchase of goods are recorded as 'Advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Previously, murabaha financings were recorded at the time of disbursement of funds.
  - Goods purchased but remaining unsold at the balance sheet date are recorded as inventories. Previously, these were recorded as advance against future murabaha.
  - Consistent with prior years, profit on murabaha is recognised on accrual basis. However, profit for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date. Previously, profit on murabaha was recognised from the date of disbursement.

This change in accounting policy is applied prospectively as the retrospective application was impracticable. The effect of this change in accounting policy on current period's profit is not considered to be material.

**Inventories**

The Bank values its inventories at the lower of cost and net realisable value. Cost of inventories represents the actual purchase made by the customer as an agent on behalf of the Bank from the funds disbursed for the purposes of culmination of murabaha.

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



**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

5.2 Consequent to revision in the forms of the annual financial statements issued by the State Bank of Pakistan through its BSD circular No. 4 dated February 17, 2006, the Bank has changed its policy in respect of recognition of dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the balance sheet date as follows:

- Upto December 31, 2005 dividend proposed after balance sheet date but before the financial statements were authorised for issue by the board of directors was recorded as a liability. Effective January 1, 2006 dividend is recognised as liability in the period in which it is approved by the directors / shareholders as appropriate.
- Upto December 31, 2005 transfers from profit available for appropriation to reserves including reserve for issue of bonus shares and any other appropriations made after balance sheet date but before the financial statements were authorised for issue by the board of directors were recorded as changes in reserves. Effective January 1, 2006 appropriations to reserves, except for transfer relating to statutory reserve, are recorded as changes in reserves in the period in which these are approved by the directors.

This change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting policy, the 'unappropriated profit' as at December 31, 2005 would have been lower by Rs 325.853 million and there would have been a 'reserve for issue of bonus shares' of Rs 325.853 million as at that date.

The effect of the aforementioned change in accounting policy has been reflected in the 'statement of changes in equity'. This change in accounting policy has had no effect on the profit for the period.

**6. INVESTMENTS**

	Held by Bank	Given as collateral	Total
	-----Rupees in '000-----		
Balance as at September 30, 2006	3,038,224	-	3,038,224
Balance as at December 31, 2005	1,606,490	-	1,606,490
Balance as at September 30, 2005	1,529,755	-	1,529,755
<b>6.1 Investments by types</b>			
Held for trading securities	443,735	-	443,735
Available for sale securities	400,680	-	400,680
Held to maturity securities	1,327,475	-	1,327,475
Associates	810,953	-	810,953
Subsidiary	63,050	-	63,050
	3,045,893	-	3,045,893
Less: Provision for diminution in value of investment	7,453	-	7,453
Investments (net of provision)	3,038,440	-	3,038,440
Add: Surplus / deficit on revaluation of investment			
- 'Held for trading' taken to profit and loss account	(37,687)	-	(37,687)
- 'Available for sale'	37,471	-	37,471
Balance as at September 30, 2006	3,038,224	-	3,038,224

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

	September 30, 2006	December 31, 2005
	-----Rupees in '000-----	
<b>7. FINANCINGS</b>		
In Pakistan		
- Murabaha financings - note 7.1	8,606,766	8,117,096
- Net investment in Ijarah	5,954,247	5,103,433
- Export refinance under Islamic scheme - note 7.2	3,284,237	2,923,000
- Diminishing musharakah financings - housing	2,213,500	1,900,763
- Diminishing musharakah financings - others	1,157,324	983,557
- Musharakah financings	130,500	104,500
- Financings against bills - salam	558,878	260,532
- Financings against bills - murabaha	606,735	353,433
- Loans, cash credit, running finances, etc.	176,055	111,246
Total financing	22,688,242	19,857,560
Less: Provision against non-performing financings		
- notes 7.3 and 7.4	185,106	116,674
	<u>22,503,136</u>	<u>19,740,886</u>
<b>7.1 Murabaha receivable - gross - note 7.1.1</b>	9,054,841	8,117,096
Less: Deferred murabaha income	144,562	-
Profit receivable shown in other assets	303,513	-
Murabaha financings / receivables - note 7.1.2	<u>8,606,766</u>	<u>8,117,096</u>

**7.1.1** This includes advance for murabaha aggregating Rs 1,941 million.

**7.1.2** The comparative balance has not been restated as the change in accounting policy, as stated in note 5.1, has been applied prospectively.

	September 30, 2006	December 31, 2005
	-----Rupees in '000-----	
<b>7.2 Murabaha receivable under Islamic export refinance scheme - gross - 7.2.1</b>		
Less: Deferred murabaha income	3,392,080	2,923,000
Profit receivable shown in other assets	42,891	-
Export refinance under Islamic scheme / receivables - note 7.2.2	64,952	-
	<u>3,284,237</u>	<u>2,923,000</u>

**7.2.1** This includes advance for murabaha under Islamic export refinance scheme aggregating Rs 1,173 million.

**7.2.2** The comparative balance has not been restated as the change in accounting policy, as stated in note 5.1, has been applied prospectively.

**7.3** Financings include Rs 306,008 million (2005: Rs 183,373 million) which have been placed under non-performing status as detailed below:

**NOTES TO AND FORMING PART OF**  
**THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	----- Rupees in '000 -----				
Substandard	87,167	-	87,167	19,351	19,351
Doubtful	93,466	-	93,466	13,373	13,373
Loss	125,375	-	125,375	87,432	87,432
	<u>306,008</u>	<u>-</u>	<u>306,008</u>	<u>120,156</u>	<u>120,156</u>

**7.4 Particulars of provision against non-performing financings:**

	September 30 2006			December 31, 2005		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	66,953	49,721	116,674	59,971	18,851	78,822
Transfer to 'available for sale' investments	-	-	-	(30,959)	-	(30,959)
Charge for the period / year	54,413	15,229	69,642	37,941	30,870	68,811
Reversals	(1,210)	-	(1,210)	-	-	-
	53,203	15,229	68,432	37,941	30,870	68,811
Amount written off	-	-	-	-	-	-
Closing balance	<u>120,156</u>	<u>64,950</u>	<u>185,106</u>	<u>66,953</u>	<u>49,721</u>	<u>116,674</u>

- 7.5** The Bank has maintained a general reserve (provision) in accordance with the applicable requirement of the Prudential Regulations for consumer financing issued by the State Bank of Pakistan.

**Nine Months period ended September 30, 2006**  
**Nine Months period ended September 30, 2005**  
 -----Rupees in '000-----

**8. OPERATING FIXED ASSETS**

Additions - cost [including net additions to capital work in progress amounting to Rs. 61.024 million (2005: Rs 29.494 million)]

Disposals - cost

- net book value

187,671	114,704
<u>8,238</u>	<u>2,784</u>
<u>2,575</u>	<u>1,086</u>

- 8.1** During the year the Bank has revised its estimate of useful lives of office equipments and accordingly the depreciation charge has been adjusted. The effect of revision of useful lives is not considered material on the net book value of operating fixed assets for the period ended September 30, 2006 and for future periods.



**NOTES TO AND FORMING PART OF**  
**THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

	September 30, 2006	December 31, 2005
	-----Rupees in '000-----	
<b>9. SHARE CAPITAL</b>		
<b>9.1</b> Authorised capital		
400,000,000 (December 31, 2005: 300,000,000) ordinary shares of Rs 10 each	<u>4,000,000</u>	<u>3,000,000</u>
<b>9.2</b> Issued, subscribed and paid up capital		
165,823,203 (December 31, 2005: 165,823,203) ordinary shares of Rs 10 each	1,658,232	1,658,232
70,420,351 (December 31, 2005: 37,835,034) ordinary shares of Rs 10 each issued as bonus shares	<u>704,203</u> <u>2,362,435</u>	<u>378,350</u> <u>2,036,582</u>
<b>9.3</b> In accordance with the directive of the State Bank of Pakistan all banks are required to increase their paid up capital to Rs 3 billion by December 31, 2006. The Board of Directors in its meeting held on August 02, 2006 approved issue of 50% right shares at par and after completion of right issue, Bank's paid up capital will be Rs. 3.8 billion.		
<b>9.4</b> The Bank intends to issue 9.9 million ordinary shares of Rs 10 each having a face value of Rs 99 million under an employee stock option plan.		



**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

		September 30, 2006	December 31, 2005
		-----Rupees in '000-----	
<b>10.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>10.1</b>	Direct credit substitutes	<u>92,970</u>	<u>82,298</u>
	Government		
<b>10.2</b>	Transaction related contingent liabilities		
	Guarantees favoring:	1,701,271	1,851,267
	- Government	29,209	18,397
	- Banks	1,536,918	1,224,058
	- Others	<u>3,267,398</u>	<u>3,093,722</u>
<b>10.3</b>	Trade related contingent liabilities		
	Import letters of credit	6,566,428	5,880,513
	Acceptances	<u>2,813,071</u>	<u>2,242,686</u>
		<u>9,379,499</u>	<u>8,123,199</u>

- 10.4** While finalising the assessment of the Bank for the tax year 2003 the assessing officer has made certain disallowance of financial charges and administrative expenses aggregating Rs 106.635 million on account of apportionment of aforesaid expenses between taxable and exempt income as well as income assessed under separate block of income. The Bank had filed an appeal with CIT (A) on the subject matter. In the order received recently, the CIT (A) has confirmed the assessment in respect of allocation of expenses giving directions to the assessing officer to dispose of the rectification application of the Bank in respect of basis of allocation of expenses. The rectification application is pending. The Bank also intends to file an appeal on the issue with the ITAT. In the case of another company, the issue of allocation of expenses has been set aside by the ITAT with certain positive assertions in line with the company's contentions. However, as the practical application of that order has not yet been made therefore, no change has been made in the position adopted by the Bank.

The management is confident that the ultimate outcome of the appeal would be in favour of the Bank inter alia on facts of the case, resulting in no further liability for the Bank in respect of the aforementioned assessment or other assessment years in which such add backs may be made.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

	September 30, 2006	December 31, 2005
	-----Rupees in '000-----	
<b>10.5</b> Commitments in respect of		
Financings	<u>17,591,992</u>	<u>13,417,146</u>
<b>10.6</b> Commitments in respect of forward exchange contracts		
Purchases	<u>2,599,070</u>	<u>1,908,163</u>
Sales	<u>8,690,445</u>	<u>4,641,603</u>
<b>10.7</b> Commitments for the acquisition of operating fixed assets	<u>-</u>	<u>-</u>
<b>10.8</b> Other commitments		
Bills for collection (inland)	28,371	16,108
Bills for collection (foreign)	<u>1,596,989</u>	<u>1,146,365</u>
	<u>1,625,360</u>	<u>1,162,473</u>
<b>11. BASIC EARNINGS PER SHARE</b>		
	Nine months period ended September 30, 2006	Nine months period ended September 30, 2005
	-----Rupees in '000-----	
Profit after taxation	<u>444,237</u>	<u>306,157</u>
	Quarter ended September 30, 2006	Quarter ended September 30, 2005
	-----Rupees in '000-----	
Profit after taxation	<u>126,839</u>	<u>156,403</u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares	<u>236,243,554</u>	<u>213,800,418</u>
	-----Rupees-----	
Earnings per share / restated earnings per share for the nine months period ended September 30, 2006/05	<u>1.88</u>	<u>1.43</u>
Earnings per share / restated earnings per share for the quarter ended September 30, 2006/05	<u>0.54</u>	<u>0.73</u>

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

**12. RELATED PARTY TRANSACTIONS**

- 12.1** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.
- 12.2** A number of banking transactions are entered into with related parties in the normal course of business. These include financings, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates. The service charges relating to secondment are on actual basis.
- 12.3** Subsidiary company:  
- Al Meezan Investment Management Limited
- 12.4** Key management personnel:  
- President and Chief Executive Officer  
- Chief Operating Officer
- 12.5** The volumes of related party transactions, outstanding balances at the period / year end and transactions, income and expenses for the respective nine months periods are as follows:

	September 30, 2006	December 31, 2005
	----- Rupees in '000 -----	-----
<b>Financing</b>		
At January 1	314,099	148,269
Disbursed during the period / year	371,971	697,089
Repaid during the period / year	(334,439)	(531,259)
As at September 30 / December 31	<u>351,631</u>	<u>314,099</u>
<b>Deposits</b>		
At January 1	1,640,932	1,259,319
Deposited during the period / year	22,758,832	34,125,701
Repaid during the period / year	(22,182,477)	(33,744,088)
As at September 30 / December 31	<u>2,217,287</u>	<u>1,640,932</u>
<b>Balances</b>		
Profit receivable on financing	7,970	1,640
Service charges payable by the Bank	540	7,380
Acceptances	22,148	22,112
Letters of credit (unfunded)	130,518	243,283

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

<b>Nine months period ended September 30, 2006</b>	<b>Nine months period ended September 30, 2005</b>
----- Rupees in '000 -----	

**Transactions, income and expenses**

Profit earned on financing	18,449	8,632
Return on deposits expensed	64,912	23,876
Dividend income earned	69,863	39,626
Commission earned on letters of credit	338	1,116
Fees and commission earned	5,247	7,226
Service charges incurred	6,780	12,793
Remuneration to the directors and key management personnel	17,908	16,160

<b>September 30, 2006</b>	<b>September 30, 2005</b>
-----Rupees in '000-----	

**13. CASH AND CASH EQUIVALENTS**

Cash and balances with treasury banks	4,656,993	2,472,190
Balances with other banks	6,107,608	599,738
	<u>10,764,601</u>	<u>3,071,928</u>

**14. DATE OF AUTHORISATION**

These financial statements were authorised for issue on October 28, 2006 by the Board of Directors of the Bank.

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director



**CONSOLIDATED****BALANCE SHEET (UNAUDITED)**  
AS AT SEPTEMBER 30, 2006

	September 30, 2006	December 31, 2005 Restated
	----- Rupees in '000 -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	4,657,013	3,952,993
Balances with other banks	6,101,634	2,855,823
Due from financial institutions	-	-
Investments	3,550,492	2,061,009
Financings	22,501,764	19,738,699
Other assets	2,319,781	2,297,713
Operating fixed assets	446,132	318,123
	<u>39,576,816</u>	<u>31,224,360</u>
<b>LIABILITIES</b>		
Bills payable	456,831	260,732
Due to financial institutions	3,311,244	2,981,714
Deposits and other accounts	29,438,222	22,761,286
Sub-ordinated loan	-	-
Liabilities against assets subject to finance leases	-	-
Other liabilities	1,986,957	1,529,951
Deferred tax liabilities	367,306	187,347
	<u>35,560,580</u>	<u>27,721,030</u>
	<u>4,016,256</u>	<u>3,503,330</u>
<b>NET ASSETS</b>		
<b>REPRESENTED BY</b>		
Share capital	2,362,435	2,036,582
Capital reserves	815,560	340,469
Revenue reserves	731,299	1,041,418
	<u>3,909,294</u>	<u>3,418,469</u>
Surplus on revaluation of investments	37,471	53,642
	<u>69,491</u>	<u>31,219</u>
<b>MINORITY INTEREST</b>	<u>4,016,256</u>	<u>3,503,330</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		

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

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

Irfan Siddiqui  
President & Chief Executive

Istaqbal Mehdi  
Director

Ariful Islam  
Director

# **CONSOLIDATED PROFIT**

## **AND LOSS ACCOUNT (UNAUDITED)**

**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

	Quarter ended September 30, 2006	Nine Months period ended September 30, 2006	Quarter ended September 30, 2005	Nine Months period ended September 30, 2005
	Rupees in '000-			
Profit / return on financings and placements earned	669,934	1,886,235	419,420	962,334
Return on deposits and other dues expensed	408,228	984,092	180,453	452,443
Net spread earned	261,706	902,143	238,967	509,891
Provision against non - performing financings (net)	(8,490)	(68,432)	(6,663)	(49,684)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(8,490)	(68,432)	(6,663)	(49,684)
Net spread after provisions	253,216	833,711	232,304	460,207
<b>Other income</b>				
Fee, commission and brokerage income	96,256	281,867	76,905	217,533
Capital gain on sale of investments	6,468	108,165	43,692	168,653
Dividend income	39,239	53,818	26,963	62,273
Unrealised (loss) / gain on revaluation of held-for-trading securities	(19,420)	(54,493)	40,780	30,348
Income from dealing in foreign currencies	58,147	119,390	29,635	61,322
Other income	9,408	30,555	7,043	15,522
Total other income	190,098	539,302	225,018	555,651
	443,314	1,373,013	457,322	1,015,858
<b>Other expenses</b>				
Administrative expenses	271,099	733,505	222,535	529,750
Other provisions / write offs	-	-	-	-
Other charges	(46)	547	104	575
Total other expenses	271,053	734,052	222,639	530,325
	172,261	638,961	234,683	485,533
Extraordinary / unusual items	-	-	-	-
Share of results of associates before taxation	20,998	66,511	78,749	216,266
Profit before taxation	193,259	705,472	313,432	701,799
Taxation - current	14,844	41,413	27,996	46,200
- prior year	(2,660)	(53,232)	-	-
- deferred	40,168	179,959	47,151	107,194
	52,352	168,140	75,147	153,394
Profit after taxation	140,907	537,332	238,285	548,405
Minority interest	(28,821)	(46,507)	(9,258)	(20,466)
Profit after taxation and minority interest	112,086	490,825	229,027	527,939
Unappropriated profit brought forward - restated	939,742	950,336	622,221	353,260
Profit available for appropriation	1,051,828	1,441,161	851,248	881,199
Transfer for issue of bonus shares	(386,244)	(712,097)	-	-
Transfer to statutory reserve	(25,367)	(88,847)	(31,280)	(61,231)
Unappropriated profit	640,217	640,217	819,968	819,968
Basic earnings per share (rupees)	0.47	2.08	1.07	2.47

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

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director

**CONSOLIDATED CASH  
FLOW STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

	Nine Months period ended September 30, 2006	Nine Months period ended September 30, 2005
	-----Rupees in '000-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	705,472	701,799
Less: Dividend income	(53,818)	(62,273)
	651,654	639,526
Adjustments for non-cash charges:		
Unrealised deficit on revaluation of held-for-trading securities	54,493	(30,348)
Provision against non-performing financings (net)	68,432	49,684
Amortisation of negative goodwill	-	(3,920)
Shares in results of associates	(66,511)	(216,266)
(Gain) on sale of operating fixed assets	(1,824)	(220)
Depreciation	57,120	47,730
Amortisation	4,018	1,262
	115,728	(152,078)
<b>(Increase) / decrease in operating assets:</b>	767,382	487,448
Net investments in held-for-trading securities		
Financings	(234,102)	(134,472)
Others assets	(2,831,498)	(5,374,757)
	15,748	(793,873)
	(3,049,852)	(6,303,102)
<b>Increase / (decrease) in operating liabilities:</b>		
Bills Payable	196,099	224,474
Due to financial institutions	329,530	852,016
Deposits and other accounts	6,676,936	2,901,124
Minority interest	(8,234)	-
Other liabilities	457,006	417,523
	7,651,337	4,395,137
Income tax paid	5,368,867	(1,420,517)
<b>Net cash flow from operating activities</b>	(16,687)	(17,317)
	5,352,180	(1,437,834)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments		
Dividends received	(1,259,534)	83,205
Investments in operating fixed assets	44,508	21,304
Sale proceeds of property and equipment disposed-off	(191,723)	(129,249)
<b>Net cash flow from investing activities</b>	4,400	1,699
	(1,402,349)	(23,041)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital		
Dividend paid	-	158,823
<b>Net cash flow from financing activities</b>	-	(7)
Net increase in cash and cash equivalents	-	158,816
Cash and cash equivalents at beginning of the period	3,949,831	(1,302,059)
Cash and cash equivalents at end of the period	6,808,816	4,373,129
	10,758,647	3,071,070

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

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY (UNAUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

	Share capital	Share premium account	Capital reserves Statutory reserve	Reserve for issue of bonus shares	General reserve	Revenue reserves Unappropriated profit	Total
	Rupees in '000						
Balance as at January 01, 2005	1,346,017	-	256,578	-	91,082	353,260	2,046,937
Issue of right shares	351,135	-	-	-	-	-	351,135
Profit after taxation and minority interest for the period January 01 to September 30, 2005	-	-	-	-	-	527,939	527,939
Transfer to statutory reserve	-	-	61,231	-	-	(61,231)	-
Balance as at September 30, 2005	1,697,152	-	317,809	-	91,082	819,968	2,926,011
Issue of right shares	339,430	-	-	-	-	-	339,430
Profit after taxation and minority interest for the period October 01, 2005 to December 31, 2005	-	-	-	-	-	153,028	153,028
Transfer to statutory reserve	-	-	22,660	-	-	(22,660)	-
Balance as at December 31, 2005 - restated	2,036,582	-	340,469	-	91,082	950,336	3,418,469
Transfer to reserve for issue of bonus share	-	-	-	325,853	-	(325,853)	-
Issue of bonus shares	325,853	-	-	(325,853)	-	-	-
Profit after taxation and minority interest for the period January 01 to September 30, 2006	-	-	-	-	-	490,825	490,825
Transfer to reserve for issue of bonus shares	-	-	-	386,244	-	(386,244)	-
Transfer to statutory reserve	-	-	88,847	-	-	(88,847)	-
Balance as at September 30, 2006	2,362,435	-	429,316	386,244	91,082	640,217	3,909,294

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

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director



**NOTES TO AND FROMING PART OF THE  
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

**1. BASIS OF PRESENTATION**

**1.1** The consolidated financial statements include the un-audited financial statements of Meezan Bank Limited (MBL) (the holding company), Al-Meezan Investment Management Limited (AMIML) (the subsidiary) collective referred as the 'Group' and associates namely, Plexus (Private) Ltd., Faysal Management Services (Private) Ltd., Fayzan Manufacturing Modaraba, Falcon Greenwood (Private) Ltd., Blue Water (Private) Ltd., Al-Meezan Mutual Fund Ltd., Meezan Islamic Fund and Meezan Balanced Fund.

**1.2** The financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' and are being submitted to the shareholders as required by section 237 (7) of the Companies Ordinance, 1984.

The financial statements comprise of the balance sheet as at September 30, 2006 and the profit and loss account, the cash flow statement and the statement of changes in equity for the quarter and nine months period ended September 30, 2006.

The comparative balance sheet presented in these financial statements as at December 31, 2005 has been extracted from the audited consolidated financial statements for the year ended December 31, 2005 whereas the comparative profit and loss account, the cash flow statement and the statement of changes in equity are for the nine months period ended September 30, 2005.

**1.3** The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Group for the year ended December 31, 2005, except for the change in the accounting policy as explained in note 2.

**2. REASON AND EFFECT OF CHANGE IN ACCOUNTING POLICY**

**2.1** Consequent to adoption of Islamic Financial Accounting Standards 1 – Murabaha issued by the Institute of Chartered Accountants of Pakistan, the Bank has changed its accounting policy in respect of recording of murabaha transactions. Effective January 1, 2006 the Bank accounts for murabaha as follows:

- Funds disbursed for purchase of goods are recorded as 'Advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Previously, murabaha financings were recorded at the time of disbursement of funds.
- Goods purchased but remaining unsold at the balance sheet date are recorded as inventories. Previously these were recorded as advance against future murabaha.
- Consistent with prior year, profit on murabaha is recognised on accrual basis. However, profit for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date. Previously, profit on murabaha was recognised from the date of disbursement.

This change in accounting policy is applied prospectively as the retrospective application was impracticable. The effect of this change in accounting policy on current period's profit is not considered to be material.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006**

**Inventories**

The Bank values its inventories at the lower of cost and net realisable value. Cost of inventories represents the actual purchase made by the customer as an agent on behalf of the Bank from the funds disbursed for the purposes of culmination of murabaha.

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

- 2.2** Consequent to revision in the forms of the annual financial statements issued by the State Bank of Pakistan through its BSD circular No. 4 dated February 17, 2006, the Bank has changed its policy in respect of recognition of dividend declared and appropriations made, except for transfer to statutory reserve, subsequent to the period end.

- Upto December 31, 2005 dividend proposed after balance sheet date but before the financial statements were authorised for issue by the board of directors was recorded as liability. Effective January 1, 2006 dividend is recognised as liability in the period in which it is approved by the shareholders.
- Upto December 31, 2005 appropriations of reserves including bonus shares and any other appropriations made after balance sheet date but before the financial statements were authorised for issue by the board of directors was recorded as changes in reserves. Effective January 1, 2006 appropriations to reserves, except for transfer relating to statutory reserve, are recorded as changes in reserves in the period in which these are approved by the directors.

This change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting policy, the 'unappropriated profit' as at December 31, 2005 would have been lower by Rs 325.853 million and there would have been a 'reserve for issue of bonus shares' of Rs.325.853 million as at that date.

The effect of aforementioned change in accounting policy has been reflected in the statement of changes in equity. This change in accounting policy has no effect on the profit for the period.

**3. DATE OF AUTHORISATION**

These financial statements were authorised for issue on October 28, 2006 by the Board of Directors of MBL.

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

**Irfan Siddiqui**  
President & Chief Executive

**Istaqbal Mehdi**  
Director

**Ariful Islam**  
Director

## BRANCH NETWORK

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KARACHI	PNSC Branch	3rd Floor PNSC Building, M.T. Khan Road, Karachi. Tel: (92-21) 5610582 Fax: (92-21) 5610375
	FTC Branch	Ground Floor, Block B, FTC Building, Sharah-e-Faisal, Karachi. Tel: (92-21) 5650771 Fax: (92-21) 5655964
	Marriott Hotel Branch	Marriott Hotel, Abdullah Haroon Road, Karachi. Tel: (92-21) 5683491 Fax: (92-21) 5683291
	Gulshan-e-Iqbal Branch	B-41, Block 13-A, KDA Scheme 24, University Road, Gulshan-e-Iqbal, Karachi. Tel: (92-21) 4811901-6 Fax: (92-21) 4822066
	Jodia Bazar Branch	H-91 A, Darya Lal Street, Jodia Bazar, Karachi. Tel: (92-21) 2473326-9 Fax: (92-21) 2473277
	Federal 'B' Area Branch	C-12, Block 10, Federal 'B' Area, Karachi. Tel: (92-21) 6805370-5 Fax: (92-21) 6805384
	Clifton Branch	Ground Floor, Al-Karam Centre, BC1, Block-7, Clifton, Main Clifton Road, Karachi. Tel: (92-21) 5372060-4 Fax: (92-21) 5372065
	Korangi Branch	Plot No. LS 3, ST-3/1, Sector No. 15, Korangi Industrial Area, Karachi. Tel: (92-21) 5077101-6 Fax: (92-21) 5077107
	SITE Branch	Plot No. B/9-C, Estate Avenue, SITE Area, Karachi. Tel: (92-21) 2586370-72 Fax: (92-21) 2586356
	Cloth Market Branch	Shop No. 14, Atique Market, Cloth Market, Karachi. Tel: (92-21) 2418137-9 Fax: (92-21) 2471223
	Sharah-e-Faisal Branch	29-A, Ground Floor, Sabah Palace P.E.C.H.S. Block No. 6, Shahr-e-Faisal Karachi. Tel: (92-21) 4322186-9 Fax: (92-21) 4322193
	Gulshan Chowrangi Branch	Block-3, Scheme No. 24, Gulshan-e-Iqbal Karachi. Tel: (92-21) 4811849, 4811856, Fax: (92-21) 4811576
	Bahadurabad Branch	Adam Arcade, Plot No. 28, BMCH Society Karachi. Tel: (92-21) 4145016-21 Fax: (92-21) 4145022



## BRANCH NETWORK

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	Khayaban-e-Sehar Branch	Defence Housing Authority, Karachi. Tel: (92-21) 5349307-18 Fax: (92-21) 5349314
	DHA II Extension Branch	Plot No. 69 & 71, Garibsons Building 12th Commercial Street DHA II Extension Karachi. Tel: (92-21) 5311953-58 Fax: (92-21) 5311959
<b>HYDERABAD</b>	Hyderabad Branch	Property No. 117, Survey No. 41, Saddar Bazar Cantonment Hyderabad Tel: (92-222) 787992-3, 782772, 785177 Fax: (92-222) 787992
<b>QUETTA</b>	Quetta Branch	Mannan Chowk, Jinnah Road, Quetta. Tel: (92-81) 2829470-73 Fax: (92-81) 2829587
<b>LAHORE</b>	Gulberg Branch	60-Main Boulevard, Gulberg, Lahore Tel: (92-42) 5879870-2 Fax: (92-42) 5879873
	Circular Road Branch	Circular Road, Outside Shah Alam Gate, Lahore Tel: (92-42) 7642001-5 Fax: (92-42) 7642009-10
	Azam Cloth Market Branch	61 Chandni Chowk, Azam Cloth Market, Lahore Tel: (92-42) 7642011-2 Fax: (92-42) 7642014
	New Garden Town Branch	Ibrahim Centre, Garden Town, Lahore Tel: (92-42) 5941474-7 Fax: (92-42) 5941478
	DHA Branch	152-Y, Phase-III C, DHA, Lahore. Tel: (92-42) 5742582-83 Fax: (92-42) 5723538
	Akbar Chowk Branch	Akbar Chowk, Faisal Town, Lahore. Tel: (92-42) 5201425-26 Fax: (92-42) 5201423
	Urdu Bazar Branch	4-Kabeer Street Urdu Bazar Lahore. Tel: (92-42) 7116684-7 Fax: (92-42) 7116679
<b>GUJRANWALA</b>	Kashmir Plaza Branch	Kashmir Plaza, Near Ghalla Mandi, GT Road, Gujranwala Tel: (92-55) 3847205-8 Fax: (92-55) 3847209
<b>KASUR</b>	Railway Road Branch	216-9R-IV, Railway Road, Kasur Tel: (92-49) 2764999 Fax: (92-49) 2722099
<b>RAHIM YAR KHAN</b>	Rahim Yar Khan Branch	17-18 City Centre, Rahim Yar Khan. Tel: (92-68) 5887603-04 Fax: (92-68) 5887605
<b>FAISALABAD</b>	Serena Hotel Branch	Serena Hotel, Club Road, Faisalabad Tel: (92-41) 2602595 Fax: (92-41) 2602598



## BRANCH NETWORK

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	Kotwali Road Branch	P-63, Kotwali Road, Faisalabad Tel: (92-41) 2602586-87 Fax: (92-41) 2602589
	People's Colony Branch	I/A-II, People's Colony No. 1, Faisalabad Tel: (92-41) 8555000-5 Fax: (92-41) 8555005
<b>MULTAN</b>	Abdali Road Branch	64-Abdali Road, Multan Tel: (92-61) 4785604-07 Fax: (92-61) 4588539
<b>SIALKOT</b>	Kashmir Road Branch	Kashmir Road, Sialkot Tel: (92-52) 4295301-03 Fax: (92-52) 4295301
<b>ISLAMABAD</b>	Jinnah Avenue Branch	32 - Sohrab Plaza, Jinnah Avenue, Blue Area, Islamabad Tel: (92-51) 2276712-5 Fax: (92-51) 2824127
	Markaz I-9 Branch	Industrial Area I-9, Islamabad Tel: (92-51) 4859644-7 Fax: (92-51) 4859648
<b>RAWALPINDI</b>	Bahria Town Branch	Bahria Height Bahria Town Phase I, Moza Kotha Kalon Road, Rawalpindi Tel: (92-51) 5730171-3 Fax: (92-51) 5730174
	Chandni Chowk Branch	Umer Farooq Plaza, No.51/C, & 51/C-0 Block-C, Satellite Town Chandni Chowk, Murree Road Rawalpindi. Tel: (92-51) 4851046-49 Fax: (92-51) 4851050
	Saddar Branch	47/62, Bank Road, Saddar Rawalpindi Cantt. Tel: (92-51) 9273404 Fax: (92-51) 9273407
<b>PESHAWAR</b>	Saddar Road Branch	6/H, 6/I, 6/J, Saddar Road, Peshawar Cantt. Tel: (92-91) 9213471 Fax: (92-91) 9213476
	Chowk Yadgar Branch	Mohmand Plaza, Naz Cinema Road Peshawar City Tel: (92-91) 9213950-52 Fax: (92-91) 9213954
<b>DERA GHAZI KHAN</b>	Jampur Road Branch	Jampur Road, D.G. Khan Tel: (92-64) 474255-57 Fax: (92-64) 2474250
<b>SARGODHA</b>	Sargodha Branch	91 Civil Lines University Road Sargodha. Tel: (92-48) 3741609-13 Fax: (92-48) 3741614
<b>ABBOTTABAD</b>	Abbottabad Branch	Plot No. 843-846 Manshera Road Abbottabad. Tel: (92-992) 344701-3 Fax: (92-992) 385728

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